

SiCRED
Shoqëri Sigurimi Jete

ANNUAL REPORT 2019

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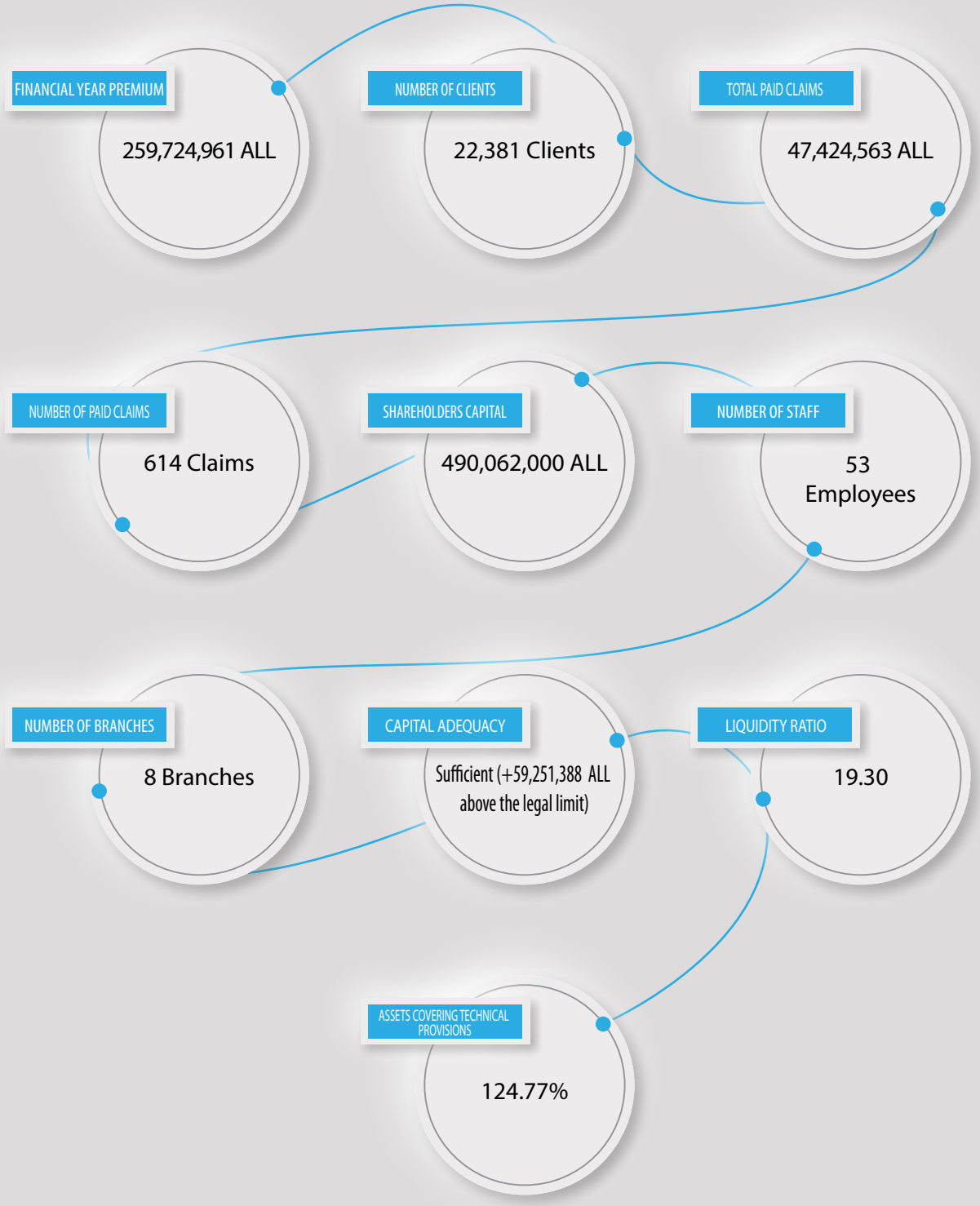
SiCRED sh.a. statistics (for the year ended 31 December 2019):



1. Message from the General Director



Dear reader,

It is indeed my pleasure to share with you the SiCRED sh.a. Annual Report and other 2019 events!

2019 was a very positive year for SiCRED sh.a. in all aspects, which was reflected in the increase in revenues and the improvement of company's key financial indicators.

In 2019, the gross written premiums amounted to ALL 289 million; ALL 47 million were the paid claims. This year has been mainly positive as far as long-term life insurance products with saving elements were concerned, whereby, Life Insurance with Survival Benefits, a life insurance product with a Guaranteed Compensation for life and survival, marked an increase of 50%, yet maintaining the tradition of distributing benefits from the Loyalty Fund "Life with Savings" for the third generation of employees who successfully completed their 7-year at work.

SiCRED Assistance sh.p.k. 2019 activities brought new values to the company and provided for a positive balance, as well as the necessary liquidity to support the challenges thereof.

In addition, 2019 saw the realization of the first two employment mediation contracts, thus confirming the skills and capacity of the company to navigate this sector with confidence and professionalism.

2019 saw a positive approach to the promotion of SiCRED Assistance sh.p.k. activities. In October 2019 the company, in collaboration with Isttituto Auxologico Italiano, organised a regional conference on "Improving health together". CREDINS Invest, with its "CREDINS Pension" Voluntary Pension Fund and "CREDINS Premium" Investment Fund, continued its positive performance for 2019, working to increase the number of customers and the value of fund assets and improve the services' quality.

New challenges await ahead for 2020. We shall continue the work started in 2019, offering new insurance products, which will be a novelty in the Albanian market, with more benefits and advantages for the customers. We shall continue our efforts to work toward educating the public on the field of life insurance, with blog articles, information via social networks, media reportages and articles, etc. Collaboration with our customers will be closer through the incorporation of inbound techniques and the implementation of the CRM platform.

We will work to improve the image of the company at the branch level, providing for a comfortable and welcoming environment for the customers. We aim also at being closer to the community we live in, giving our contribution to the needs of the society.

Last but not least, I want to thank our customers - our impetus to move forward, our Albanian and foreign collaborators and partners, our shareholders and certainly SiCRED staff who, with its work, skills and commitment, is an added value in the insurance market.

I thank you and invite you to share together the 2019 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[2]:

A. Shareholder's Assembly
B. Supervisory Council
C. 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.	Mr. Artan XHORI	Member
2.	Mr. Selman LAMAJ	Member
3.	Mrs. Julinda Molla Kasmi	Member

C. General Directorate:

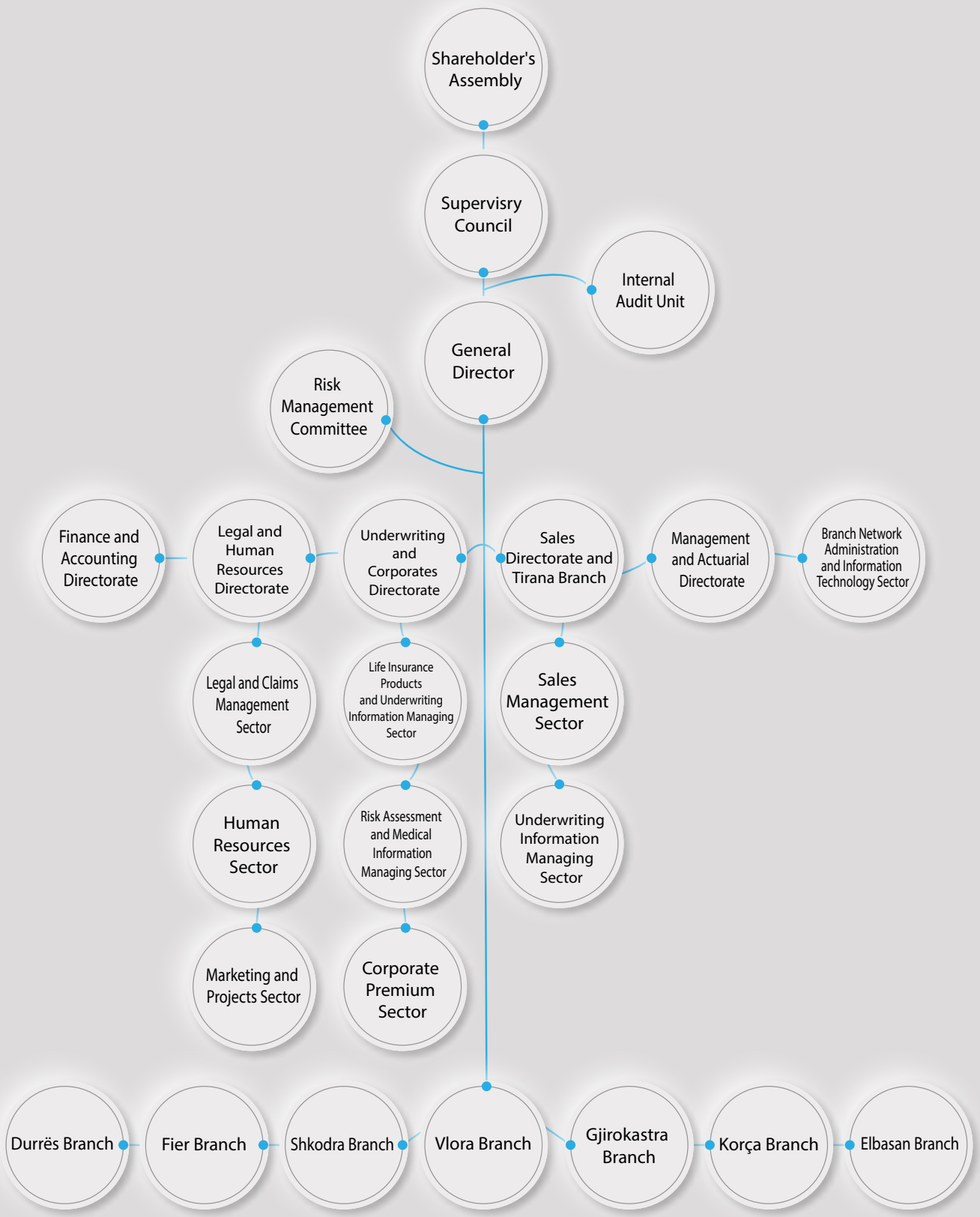
1.	Mr. Genc KOXHAJ	General Director

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

2 Data available as of 31st December, 2019

SiCRED sh.a. Organigrama



This Organigrama is endorsed with Decision No. 15, dated 30.11.2017, issued by the Supervisory Board of SiCRED sh.a..

Board of Directors



Petrina Duka	Mirjeta Luca	Matilda Thoma	Genc Koxhaj	Gladiola Jani	Teuta Locaj	Vjosa Bodo
Director Administration and Actuary Directorate	Director Sales Directorate and Tirana Branch	Internal Audit	General Director	Director Underwriting and Corporates Directorate	Director Finance and Accounting Directorate	Director Legal and Human Resources Directorate

4. Main developments during 2019

4.1 Main Financial Indicators of SiCRED sh.a. for the period 2015-2019
4.2 SiCRED reviews its strategy and sells a part of its CREDINS Invest owned quota shares
4.3 Extra collaborations and benefits for the public
4.4 Online appointment booking platform
4.5 Enlargement of SiCRED Medical Network
4.6 Successful Participations
4.7 Human Resources Management
4.8 SiCRED gives the insurance fund for loyalty "Life with Savings", for the third consecutive year

The Albanian insurance market during 2018 reached an increase of 4.11% of the Gross Written Premium, compared to the previous year and a decrease of 8.58% of the Gross Paid Claims. Such increase of the Gross Written Premium is attributed to the positive performance of the Life insurance market (6.46%), as well as the Non-Life insurance market (3.88%). The Gross Paid Claims performance has been affected by the decrease in Paid Claims for Compensation Fund.

The Life Insurance market continues to be oriented toward the credit life insurance, which remains the main product that generates around 60% of the Gross Written Premium. In the meantime, there is a significant increase of the premium volume related to the product Cash Plan.

Insurance gross written premiums 2018-2019*

Activity	Gross written premiums (in thousand ALL)		Difference in % 2019/2018
	2018	2019	
Life	1,142,044	1,215,777	6.46
Non-Life	15,726,568	16,337,199	3.88
Reinsurance	53,960	64,611	19.74
Total	16,922,573	17,617,588	4.11

*Source: Statistical Bulletin, Insurance Market, AFSA, Year 2019

Gross paid claims 2018-2019*

Activity	Gross paid claims (in thousand ALL)		Difference in % 2019/2018
	2018	2019	
Life	230,985	205,260	(11.14)
Non-Life	5,735,277	5,568,184	(2.91)
Paid Claims for Compensation Fund	1,009,420	603,820	(40.18)
Total	6,975,682	6,377,264	(8.58)

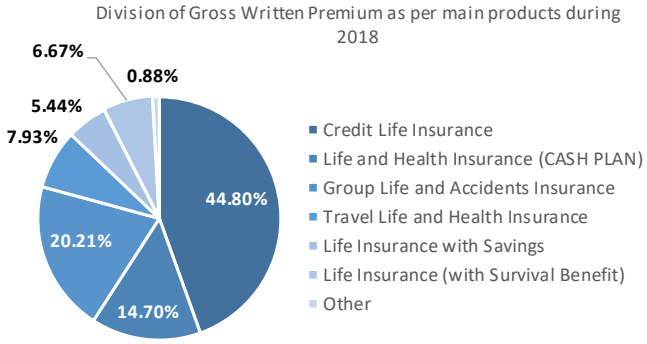
*Source: Statistical Bulletin, Insurance Market, AFSA, Year 2019

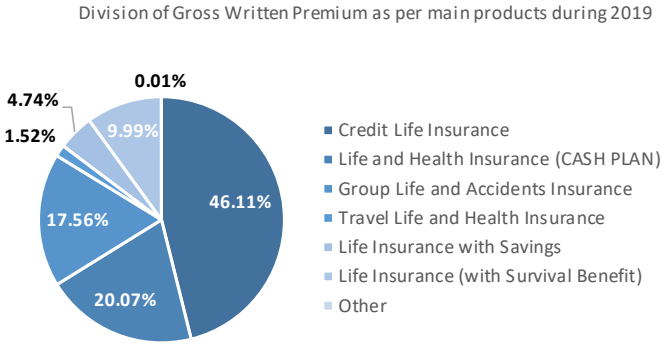
As per this insurance frame, SiCRED reached 289 million ALL gross written premiums, and 47 million ALL paid claims.

As of December 2019, SiCRED sh.a. provided a list of 12 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. **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.
5. **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.
6. **Travel Life and Health Insurance** provides coverage for a series of risks that may occur to persons travelling abroad.
7. **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.
8. **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.
9. **Combined Life Insurance** provides coverage to any sudden event, due to natural or accidental causes, due to manifestation of critical illnesses, etc.
10. **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.
11. **Visitors Life and Health Insurance** is offered to foreigners visiting Albania or staying in Albania for up to one year.
12. **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.

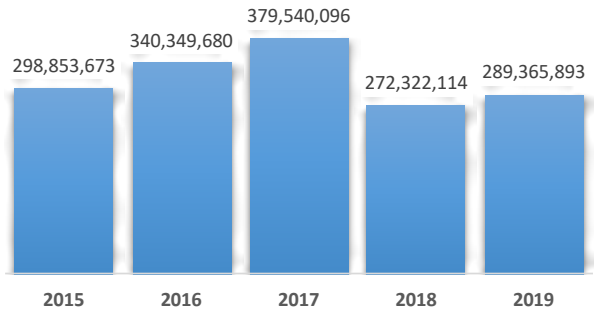
The performance of the main products of SiCRED sh.a. for the period 2018 - 2019 is presented as follows:



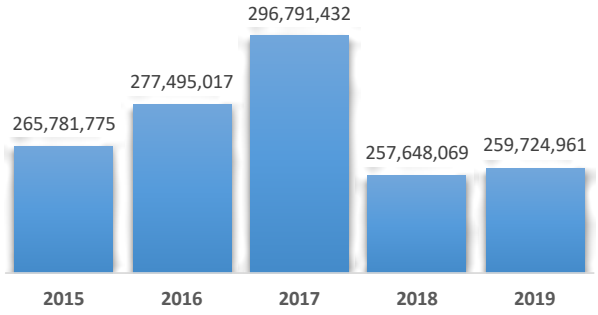


4.1 Main Financial[2] Indicators of SiCRED sh.a. for the period 2015-2019

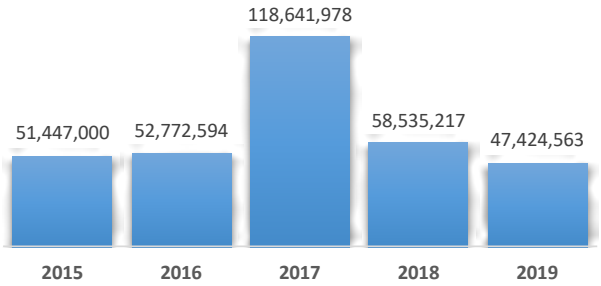
Gross Written Premium



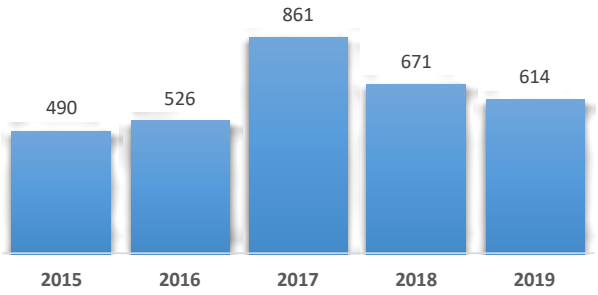
Financial Year Premium



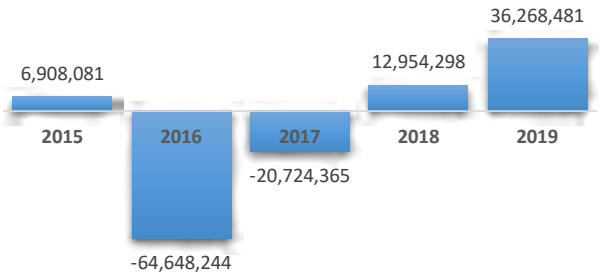
Total Paid Claims



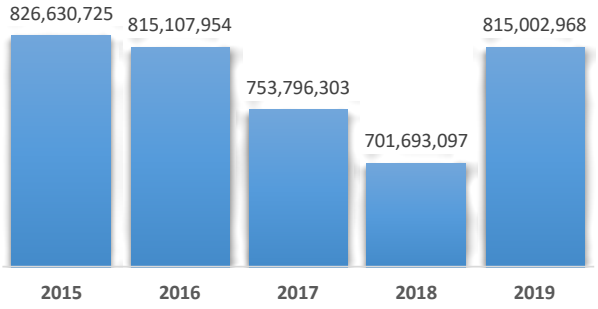
Number of Paid Claims



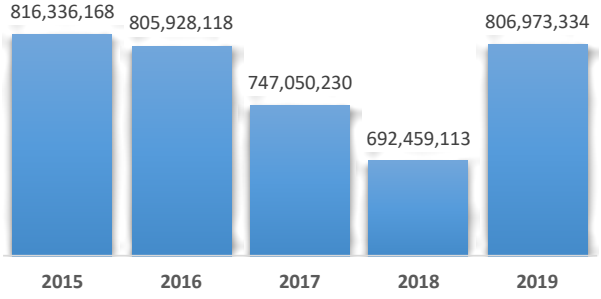
Net Profit



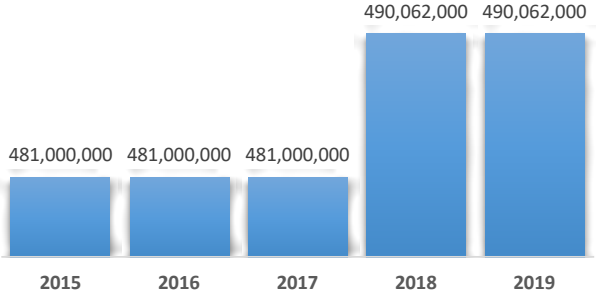
SiCRED sh.a. Total Asset



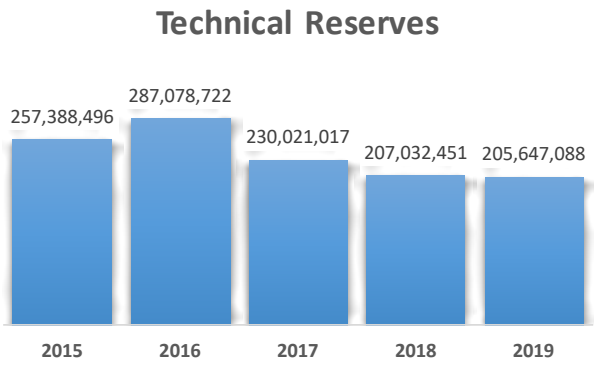
Consolidated Assets[3]

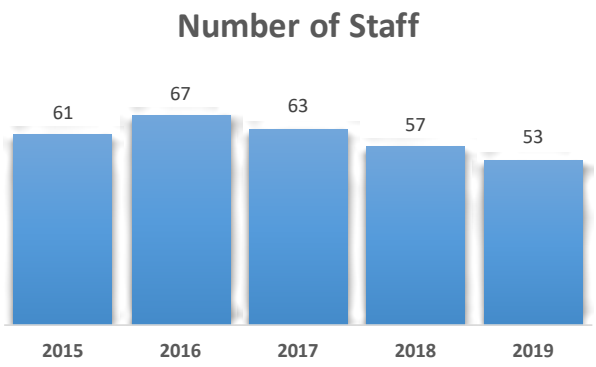


Registered Capital



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 reviews its strategy and sells a part of its CREDINS Invest owned quota shares

SiCRED sh.a., always looking for renewal, customer service improvement and innovation, reviews its strategy by selling 12% of its shareholdings in the Pension Fund and Undertakings for Collective Investments Management Company CREDINS Invest sh.a..

This decision comes as a result of SiCRED's intention to increase its focus on the life insurance activity, to bring new insurance products to customers, which will be a novelty for the Albanian insurance market.

Currently SiCRED sh.a. owns 12% of CREDINS Invest quota shares.

4.3 Extra collaborations and benefits for the public

Cooperation between SiCRED and CREDINS Bank continued during 2019, 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 2019, 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 Online appointment booking platform

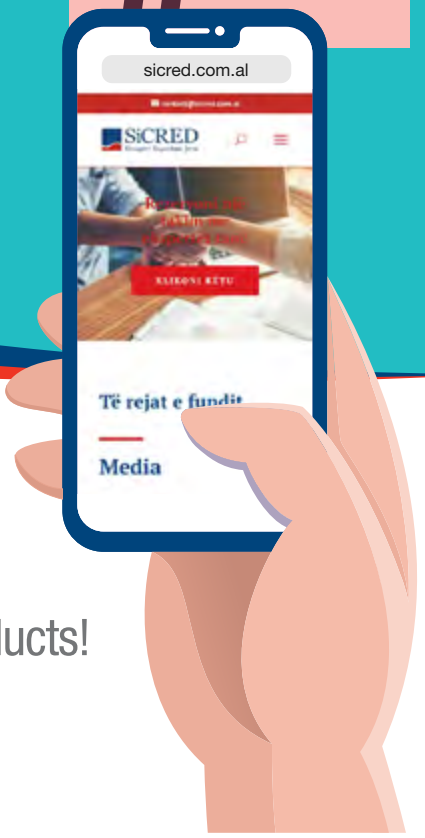
During SiCRED launched its platform for booking appointments online, as the first insurance company to offer such innovation to the public.

In just a few clicks, the client can select the day, time, SiCRED expert and the product they are interested in and receive the confirmation of the appointment immediately.

SiCRED gives its clients the opportunity to become better acquainted with life insurance products and discover the right product for them!

ENOUGH WITH LONG QUEUES,
BOOK YOUR APPOINTMENT ONLINE!





WHEREVER YOU ARE...

- Book your appointment online!
- Get informed by our experts about our insurance products!
- Find out the right product for you!

SiCRED
Shoqëri Sigurimi Jete

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Cel: +355 69 20 84 026
e-mail: contact@sicred.com.al

4.5 Expansion of SiCRED Medical Network

During 2019, work continued on the expansion of the SiCRED Medical Network. Other medical entities have been added to the geography of the most prestigious private hospitals and clinics, which cooperate with SiCRED, inside and outside Albania.
Our clients benefit from professional health services, preferential treatment and, thanks to possession of the insurance card, discounts of up to 60% on their health examinations.

In the end of 2019, SiCRED medical network counted over 120 clinics and hospitals.

Within the territory of the Republic of Albania:

- 69 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 – 23 clinics and hospitals
- Greece – 4 hospitals

4.6 Successful Participations

During 2019 SiCRED was part of and contributed to several job and career fairs, in order to assist young people creating a picture of the labour market, as well as provide career orientation.

- **SiCRED at the Career Fair of Metropolitan University**





- **SiCRED at the 2019 Career Fair of UNYT**





- **SiCRED part of the Sixth Career Fair of Epoka University**





- **SiCRED part of the "Career Day" fair of the Faculty of Economics**





4.7 Human Resources Management

Main statistics on human resources for SiCRED sh.a. (December 2019):

- Number of employees 53 employed
- Average age of employees 35 years of age
- Female employees 77.36%
- Male employees 22.64%
- Average work engagement 5.7 years

On the continuous training of SiCRED team and educating the public on life insurance products

In the life insurance market, the problem that is constantly encountered is the level of public knowledge about life insurance products and the lack of incentives to focus on personal care and protection of the family's future.

SiCRED has continued its efforts to contribute to public education on life insurance and financial investments and has recently launched its platform for online appointments booking.

Although this platform itself does not serve as a source of information, it provides an excellent educational opportunity through in-person meetings with SiCRED professionals. The level of information gained from these meetings will help to channel knowledge and select the most appropriate product for the individual, family or group interested.

In this context, SiCRED continued its regular training of its staff, ensuring that the team of the company's experts is fully prepared to respond to the requests and needs of the public.

Such trainings remain a priority to SiCRED.





4.8 SiCRED gives the insurance fund for loyalty "Life with Savings", for the third consecutive year

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

For the third consecutive year, SiCRED gave the reward of Loyalty Fund "Life with Savings" for the third generation of the maturity of this product.

The event of reward handing was held at SiCRED premises. In her speech, the Human Resources Director, Mrs. Vjosa Bodo, thanked and expressed her gratitude to the employees who gave their precious contribution to the company for a period of over 7 years.

Through the Life with Savings insurance product, SiCRED aims to give an example and pave the way for Albanian companies to embrace this scheme as a way to ensure the correct and long-term employer-employee relationship.



5. Objectives of SiCRED sh.a. for the year 2020

- Increasing the Volume of Annual Premiums – The company aims to increase the volume of insurance annual premiums with 18.6%.
- Diversification of the Range of Products – SiCRED during 2020 aims to provide more innovative insurance products for the Albanian market, which will ensure more advantages and benefits to the clients.
- 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.
- Educate the Public about Life Insurance – SiCRED aims to continue its efforts 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 2020, 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. Main developments of CREDINS Invest sh.a. during 2019

6.1 Progress of "CREDINS Pension" Voluntary Pension Fund during 2019

In 2019, "CREDINS Pension" Voluntary Pension Fund has continued its progress by reaching a number of 17,137 members, compared to 15,320 members at the end of 2018. CREDINS Pension was classified in the first place with 60.61% of the members, as per the data reported on 31 December 2019.

The clients that have joined "CREDINS Pension" Voluntary Pension Fund until the end of 2019 are divided as follows:

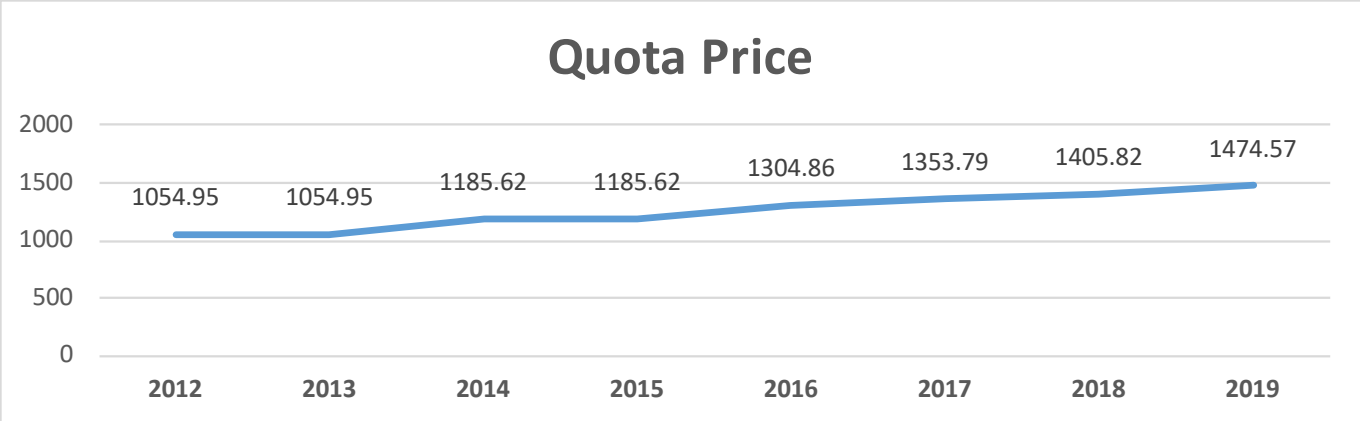
Professional Scheme (company or self-employed)	3,332
Individuals	13,805
Total clients	17,137

The Net Asset Value of the Fund as of 31 December 2018 was 580,591,026 ALL and on 31 December 2019 reached 825,972,127 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 2017 reached 1,353.79 ALL, on 31 December 2018 reached 1,405.82 ALL and on 31 December 2019 reached 1,474.57 ALL. The average return rate for the Fund portfolio during 2019 was 4.89%.

The progress of the quota price through the years is presented as follows, up to 31 December 2019:



6.2 Progress of "CREDINS PREMIUM" Investment Fund in 2019

Avantazhet e Fondit të Investimit:

- 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 2018 was 1,956,538,948 ALL, while on 31 December 2019 it reached 3,789,529,368 ALL.

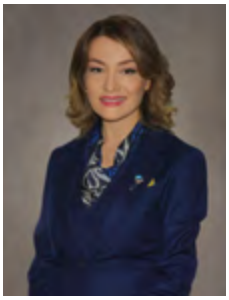
The major part of the Fund portfolio is invested in treasury bills and bonds of the Government of the Republic of Albania.

Available Fund data:

- Quota price 1,282.29 ALL
- Investment return (31.12.2018- 31.12.2019)* 5.18%
- Modified Term 3.04 years

* Tarifa e administrimit është zbritur përpara llogaritjes së kthimit nga investimi.

7. A summary of 2019 SiCRED Assistance events



Foreword by the Administrator, Mrs. Vjosa Bodo

After almost a decade leading SiCRED Assistance sh.p.k., I am now convinced of the purpose, reputation, values and undisputed talent of Assistance's employees.

At the beginning of this review for 2019, I would like to extend my thanks to all SiCRED Assistance collaborators as well as its shareholders. Without your support, the company's ambitions for 2019 would have remained a mere dream.

Performance during 2019

SiCRED Assistance sh.p.k. concluded the year 2019 with positive income. This year's gained values ensured a positive balance sheet, as well as the necessary liquidity to support the challenges of the activity. Revenues were below the forecasted limit.

This is possibly due to the sale of the invested assets, to the first bidder, as well as the slowdown in some labour markets. We are however determined and committed to work and achieve our expectations throughout 2020, in line with the directives of our owners, although markets shall face many difficulties this year too.

Events for 2019

Occupational safety and health services remain the main focus of SiCRED Assistance activity. For 2019 this activity ensured another approach to the company's customers for this service. Follow to the contracts with the partner entities, the first risk reports for the job position were prepared.

These reports not only did provide for the contractual preconditions to which Assistance was responsibly committed, but for the materials that dealt with the risks for every job position, according to the best European and world standards, as well, with the clear aim of avoiding to the fullest possible any risk for any job position.

2019 marked the realization of the first employment mediation contract, an activity which the company had sought for years to accomplish through a contract in this market. By the same fiscal year, i.e. 2019, the second employment mediation contract was entered into.

The consultancy provided by SiCRED Assistance during 2019 in selecting the right employee for a specific job, confirmed once more our skills and capacity to operate in this sector with confidence and professionalism.

In the meanwhile, in financial terms, the revenues generated from this activity provided the positive income of Assistance's economic activity, the year ended in 31 December 2019, therefore ensuring positive indicator positions in the expenditure statements, although this positive result remains of a symbolic in nature at the figures level.

In June 2019 SiCRED Assistance sh.p.k. transferred by sale, its shares owned at ASSIBORKER sh.a., to one of the co-shareholders of this company, self-offered as buyer. Upon completion of the sale transaction, SiCRED Assistance sh.p.k. no longer owns shares at ASSIBROKER sh.a., since July 2019.

2019 saw a positive approach to the promotion of SiCRED Assistance sh.p.k. activities. In October 2019 the company, in collaboration with Isttituto Auxologico Italiano, organised a regional conference on "Improving health together". The conference addressed, at a scientific level, issues of cardiology, endocrinology, orthopedics, urology, as a goal for the exchange of best methods in the treatment and cure of patients displaying diseases of these categories. During the conference, the possibility of cooperation with the Italian subject for specialized and quality treatments in the fields of cardiology, endocrinology, orthopedics and urology, was emphasized.





The possibility of Albanian citizens receiving organised medical treatment in Milan, as well as the importance of health check-ups, using the mediation services of SiCRED Assistance in selecting the appropriate hospital institution, was addressed and discussed specifically at the conference, synthetically analysing the benefits of this service.

The future of the labour market

Our society is constantly changing and it is displaying tendencies of diversity and fragmentation. Although people are increasingly interacting with each other, the division between socio-economic groups and those with political affiliation remains distinct.

These changes are also reflected in the way the work is carried out and performed. Being exposed to these forms of change, the business community must adapt and adopt the proper hierarchy and administrative effectiveness, as well as new and innovative roles and working modalities, or even greater space for workers with diverse skills.

However, this new era demands for the demonstration of flexibility skills by the employers, in order to attribute to every employee a decent and fair job position and workload, appropriate to their skills and capacity, to be fully involved, promoted, and variety and comfort at work to be able and free to pursue their contribution to the work attributed and to learn from it.

Talent and adaptation to find the right path in the employment relationships are values expected to be demonstrated by responsible managers.

Confident that together we can find employment, job security and health!

Sincerely,

Atty. Vjosa Bodo Mujo
SiCRED Assistance sh.p.k. Administrator

INTERNAL AUDITING REPORT



1. Legal basis

In pursuing its functions, the Internal Audit Unit relies on the following laws and by-laws for the achievement of the 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" approved by AFSA Board Decision no. 135 of 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 of 23.12.2014.
- SiCRED sh.a. Directive "On the activity of the Internal Audit Unit, Audit Committee" approved by decision of the Supervisory Council no. 12 of 10.08.2015.
- Law No. 9901, dated 14.04.2008, "On traders and companies", as amended.

2. Organisation

- **Mission of the Internal Audit**

The mission of internal audit is to support senior management in carrying out their duties. 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 were issued to improve the functioning where necessary.

- **Competencies of the Internal Audit**

— Internal auditing includes, but is not limited to, the establishment, implementation and maintenance of a risk-based audit plan to examine 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 internal systems, including the necessary improvements.
— Ensures that the identified risks and the measures 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.

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

Internal audit operates in accordance with the laws in force and in the capacity of special structure. The Internal Auditor 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 2019 audits were conducted by an auditor appointed by the Supervisory Board. The internal auditor of the Company has a degree in economics and 17 years of work experience in the field of insurance. He is working with SiCRED sh.a. as an internal auditor for 9 years now. During all these years, the auditor has attended professional auditing training on "Economic-Financial Audit" and on accounting standards. 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.

The Audit Committee, pursuant to the requirements of Law No. 52, dated 22.05.2014, "On insurance and reinsurance activity", has exercised its functions independently. During 2019, the audit committee held 4 meetings, respectively on: 18.02.2019; 24.04.2019; 18.10.2019; 26.12.2019. All meetings are documented with minutes records and on all discussions held.

During 2019, the Internal Audit Unit has been fully engaged to conduct audits at SiCRED sh.a.. The Internal Audit Unit, in view of implementing the duties and responsibilities assigned by the law, has included in its 2019 working plan topics and issues identified during the 2018 on-site inspection, employing the risk-focused supervision methodology. The financial budget of the audit unit consists of the salaries' costs, social security costs, per-diems and training allowances included in the relevant items of the budget plan for the entire company's staff. All training costs are related to the ongoing and mandatory trainings which are approved by the Supervisory Board and the CEO.

3. Analysis of the Internal Audit Activities

During 2019, the Internal Audit has conducted its activity based on the annual plan approved by the Supervisory Board. All controls were conducted per topic, focusing on the analysis of processes, risks and data collected through the documentation that SiCRED sh.a. uses. 20 auditing missions were performed in total for 2019. The auditing was either full or partial, depending on the topic. All audits performed concentrated mainly in 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 2019. National and international standards have been applied during the drafting of the auditing documentation. In 2019, the audit unit has conducted 4 (four) meetings of the audit committee, documented with the respective minutes records. In 2019 the Company has applied IFRS 16 for the recognition, initial measurement, subsequent measurement, presentation and lease disclosures beginning January 1, 2019. Recommendations for improving the situation are issued at the end of each report. All recommendations issued by the auditor were accepted by the management.

- **Analysis of the Audit Mission**

Auditimet e kryera gjatë vitit 2019 janë përqendruar kryesisht në zyrat qendrore ku SiCRED sh.a. zhvillon veprimtarinë, por dhe në degët e shoqërisë. Në disa prej misioneve të realizuara janë konstatuar elementë për t'u përmirësuar dhe për secilën nga ato janë dhënë rekomandimet përkatëse, të cilat janë pranuar nga drejtimi. Gjithashtu një vëmendje të veçantë i është kushtuar dhe rekomandimeve të dhëna në periudhën e mëparshme. Auditimet gjatë vitit 2019 janë kryer pranë:

— Finance and Accounting Department.
— Legal and Human Resources Department.
— Underwriting and Corporations Department.
— Administration and Actuaries Department.
— Sales Department, etc.

1. **The Finance and Accounting Department** has undergone checks concerning the main indicators of the financial statements by quarters and for 2019, risk assessment based on relevant reports, administration of insurance policies sold and coordination of premiums among departments, control of purchasing procedures and outstanding invoices, cash situation, liquidity rate analysis, analysis of quarterly and annual operating expenses, identification of debtors and analysis for their timely collection, etc.
2. **The Legal and Human Resources Directorate** has undergone checks concerning the addressing modalities of the insurance events in view of complying with the laws and the completion of claims files. It has technically followed that the documentation containing each completed case file, is complete and in accordance with law requirements. Checks on the implementation and amendments that the legislation regarding fiscal and labour changes has undergone, etc.
3. **The Insurance and Corporations Department** has undergone checks on the optional policies underwriting, as well as on their chronological registration, administration and storage in the relevant files.
4. Checks have also been conducted at the **Administration and Actuaries Department** concerning the administration and signing of the 'Life for Rent' policies; analysis of sold policies and coordination between the Actuaries Department and Finance Department.
5. Checks were conducted at the Sales Department too, on the inventory and administration of policies.

Other controls with special objects.

— Controls on the prevention of money laundering and terrorism financing.
— Thematic controls.
— Etc.

4. Conclusions and Recommendations

- SiCRED sh.a. complies with the solvency level pursuant to the requirements of law 52/2014.
- The expenditures ratio for the first quarter, 31.03.2019, compared to the 2018 quarter, has decreased and is within the 50% allowed limit. For periods whereby the ratio has resulted to the highest level, SiCRED sh.a. has taken measures to reduce administrative and insurance costs, which the report shows having a direct impact. SiCRED sh.a. should also take care of the ongoing periods in order to reduce all costs which have an impact on the expenditure ratio.
- The 2019 fourth quarter indicators have been improving and are within the range of the accepted values.
- Assets covering provisions are as follows: 110%, 116.67%, 127.95%, 124.77% (for every quarter).
- The 2019 liquidity rate is above the required level.
- In 2019 SiCRED sh.a., fully complied with Article 6 of Regulation no. 56, dated 28.04.2016, "On liquidity management by insurance and reinsurance companies" concerning the liquidity rate, which is at the required level> = 1.
- The company has taken the necessary measures to improve all financial indicators.
- In 2019, the claims/net premium ratio was within the allowed limit.
- The retention ratio was also within the allowed limit during 2019.
- The solvency margin was as follows: 114.16%, 115.35%, 114.03%, 115.95% (per quarter).
- Return on equity (ROE) on 31.12.2019 is 7.41%.
- According to the 2019 statements, SiCRED sh.a. results in gains.
- The company is in the stage of implementing the integrated system and its certification.
- SiCRED sh.a. should take care for the following periods too, in order to maintain all parameters within the allowed norm.

5. 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 observed all company's rules on ethics and conduct. The auditor maintained an impartial position and avoided being conflicts of interest. Internal audit, as a basic function for the internal control system within SiCRED sh.a., has operated as an independent unit since Company's establishment. The internal audit unit has been set up in accordance with the approved regulation. The audit has reported in writing and effectively on the work done based on a methodological, chronological, comprehensive and adequate programme and without being influenced by the organization. The auditor has displayed high level of professional judgement in collecting, evaluating and transmitting information on the processes being audited. The auditor has conducted all control without being influenced by personal interests.

6. Auditing Plan for 2020

The objectives of the audit plan for 2020 shall be achieved through the harmonization of in-depth and thematic controls and through conducting risk assessments in a timely and effective manner. In order to determine the risks that the company will face in 2020, 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 established a Risk Management Committee. The Risk Management Committee acts in accordance with the laws in force and in the quality of special structure and operates as an independent and objective unit, releasing specialized opinions in order to improve the activity of the company. In the meeting of the audit committee, held on 26.12.2019, the 2020 audit programme was examined and approved by the supervisory board decision no. 7 of 27.12.2019.

For 2020, the audits will 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 Actuaries Department.
5. Branch Network Administration and IT Sector.
6. Sales Department and Tirana Branch.
7. Regional branches.

High risk controls

- Analysis of the operating costs 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.
- Premises' rents and investments made to improve them.
- Related party transactions and reporting to the relevant authority.
- Administration of sold insurance policies, coordination of premiums with the accounting department,

calculation of underwriting costs, effectiveness of these costs, and implementation of the underwriting instructions.
- Underwriting, charging and administration of life insurance products, co-insurance contracts, optional contracts.
- Inventory of sold policies and those available both in the main 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.
- Implementation of procedures for the storage and administration of insurance policies, as well as other monetary and material values, their documentation.
- New employees' recruitment procedure, staff training, job payment, employee timer, staff bonuses, etc.
- Prevent money laundering and terrorism financing.
- Following the recommendations.

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

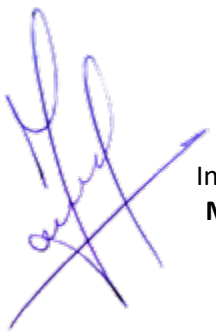
Audit and evaluation

- 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.

7. Internal Audit Unit Opinion

The Internal Audit Unit has performed the planned tasks based on the 2019 audit plan approved by the Supervisory Board.

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. 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.



Internal Audit Unit
Matilda THOMA



SiCRED sh.a.

Consolidated Financial Statements
For the year ended 31 December 2019

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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 2019, 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 2019, 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
22 June 2020

Grant Thornton Sh.p.k. NIPT K 91923007 M Tirana ALBANIA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	31 December 2019 in ALL	31 December 2018 in ALL
ASSETS			
Cash and Cash equivalents	8	29,046,016	38,193,393
Term deposits	9	404,355,990	381,738,817
Investments in securities	10	148,846,354	139,193,922
Investment fund	11	15,141,330	-
Insurance and reinsurance receivable	12	35,592,371	43,030,129
Reinsurance assets	14	9,849,108	8,663,205
Deferred acquisition cost	13	21,432,593	12,721,480
Prepayment income tax		114,001	1,020,748
Deferred income tax		289,120	-
Other Assets	15	12,817,119	14,380,303
Investments in Associates	16	6,320,556	4,921,353
Property, plant and equipment, net	18,19	40,215,262	42,263,062
Right of use Assets (Rent)	18	76,220,816	-
Intangible assets, net	17	6,732,700	6,332,700
Total Assets		**806,973,336**	**692,459,112**
LIABILITIES			
Other liabilities	20	14,746,045	19,493,926
Lease liabilities	19	77,395,572	-
Insurance and reinsurance payable	21	11,853,170	9,317,518
Due to financial institutions	22	3,198,735	359,531
Deferred tax liabilities		289,120	-
Liabilities for losses and loss adjustment expense	23	30,430,503	15,621,509
Unearned premium reserve	24	139,867,964	154,143,270
Other reserves	25	35,348,623	37,267,672
Total Liabilities		**313,129,732**	**236,203,426**
EQUITY			
Paid-up capital	26	490,062,000	490,062,000
Retained losses		(33,806,313)	(43,098,337)
Current year profit		37,587,917	9,292,024
Equity attributable to owners of the Group		**493,843,604**	**456,255,687**
Non-controlling interest		-	-
Total Equity		**493,843,604**	**456,255,687**
TOTAL LIABILITIES AND EQUITY		**806,973,336**	**692,459,113**

Genc Koxhaj
General Director

SHOQERIA E SIGURIMIT TE JETES
SiCRED
DREJTORIA E PERGJITHSHME
TIRANE

Teuta Locaj
Head of Finance and Accounting Directorate

The accompanying notes on pages 37 to 73 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 2019

	Notes	Year ended 31 December 2019 in ALL	Year ended 31 December 2018 in ALL
Gross written premiums	27	259,724,961	257,648,069
Reinsurer's share of gross written premiums	28	(15,295,313)	(13,872,494)
Net written premiums		**244,429,648**	**243,775,575**
Net change in reserve for unearned premiums	24	14,275,308	3,461,079
Net change in other reserves	25	1,919,049	15,732,994
Net change in reserve for reinsures	13	1,185,903	(2,038,960)
Net change in deferred acquisition cost	14	8,711,113	(4,292,187)
Net insurance premium income		**270,521,021**	**256,638,501**
Finance income, net	29	7,578,496	3,841,970
Income from the sale of shares		-	132,177
Gain/(Loss) from the change in the net carrying amount of investment in associates		-	(4,921,353)
Share of profit/ (loss) of an associate for the period	16	1,399,203	1,038,805
Other operating income	30	14,156,190	8,931,466
Total income		**293,654,910**	**265,661,566**
Losses and loss adjustment expense	23	(62,233,557)	(54,740,724)
Acquisition costs	31	(64,972,029)	(73,388,171)
Personnel expenses	32	(69,642,758)	(69,449,118)
Administrative expenses	33	(39,645,297)	(50,606,794)
Depreciation	18	(18,666,605)	(8,184,735)
Total expenses		**(255,160,246)**	**(256,369,542)**
Profit/(loss) before Tax		**38,494,664**	**9,292,024**
Income tax expense	34	906,747	-
Profit/(loss)of the year, net		**37,587,917**	**9,292,024**
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year		**37,587,917**	**9,292,024**
Profit/(loss) for the year attributed to:			
Owners of the Group		37,587,917	9,292,024
Non-controlling interests			
		37,587,917	**9,292,024**
Total comprehensive profit/(losses) attributed to:			
Owners of the Group		37,587,917	9,292,024
Non-controlling interests			
		37,587,917	**9,292,024**

The accompanying notes on pages 37 to 73 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Share capital	Accumulated losses	Total	Non-controlling interest	Total Equity
	in ALL	in ALL	in ALL	in ALL	in ALL
Balance at 31 December 2017	**481,000,000**	**(44,228,189)**	**436,771,811**	**-**	**436,771,811**
Adjustment for the difference in the carrying amount of the investment in the associates		1,129,852	1,129,852		1,129,852
Current year profit/ (loss)	-	9,292,024	9,292,024	-	9,292,024
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive profit/ (loss) for the period	**-**	**10,421,876**	**10,421,876**	**-**	**10,421,876**
Transactions with owners of the Group					
Share capital	9,062,000	-	9,062,000	-	9,062,000
Total transactions with owners of the Group	**9,062,000**		**9,062,000**	**-**	**9,062,000**
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**
Total transactions with owners of the Group	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2019	**490,062,000**	**3,781,604**	**493,843,604**	**-**	**493,843,604**

The accompanying notes on pages 37 to 73 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 in ALL	Year ended 31 December 2018 in ALL
Cash flows from operating activities			
Profit/(loss) for the year		**38,494,664**	**9,292,024**
Adjustments for:			
Depreciation	18	18,657,438	8,184,733
Loss from sale of Property, plant and equipment	18	707,385	484,453
Change in reserve for unearned premiums	24	(14,275,308)	(3,461,079)
Change in reserve for reinsures	13	(1,185,903)	2,038,960
Change in other reserves	25	(1,919,049)	(15,732,994)
Change in losses and loss adjustment expense	23	14,808,994	(3,794,493)
Allowance for impairment	12	3,171,079	1,297,399
Interest expense	29	3,965,774	41,228
Interest income	29	(12,506,429)	(13,296,792)
Cash flow before changes in assets and liabilities		**49,918,645**	**(14,946,561)**
Loss from change in the net carrying amount of investment in associate	16	(1,399,203)	3,882,548
Changes in operating assets and liabilities:			
Change in insurance acquisition costs	13	(8,711,113)	4,292,187
Change in deferred income			
Change in insurance and reinsurance receivable	12	4,266,679	29,089,447
Change in other assets	15	655,081	1,019,991
Change in restricted cash	8	(2,850,215)	396,137
Change in insurance and reinsurance payable	21	2,535,652	(8,873,101)
Change in other liabilities	20	(4,747,881)	(30,102,870)
Change in account with related parties	15	620,614	-
Change in assets in use	19	(9,761,076)	-
Interest received	29	12,506,429	13,296,792
Interest Paid	29	(3,965,768)	(41,228)
Income tax paid		-	2,074,308
Cash flow generated from operating activities		**39,067,844**	**87,650**
Cash flows from investing activities			
Purchases of tangible assets	18	(6,093,705)	(636,051)
Purchases of intangible assets	17	(400,000)	(2,333,100)
Investment in associates		-	13,927,823
Increase of term deposits	9	(22,617,173)	31,343,240
Purchases of securities		(25,000,000)	(30,117,380)
Matured Investment securities	10	16,180,000	
Investment in securities	11	(15,141,330)	-
Cash flows used in investing activities		**(53,904,640)**	**12,184,532**
Cash flows used in financing activities			
Capital Increase		-	9,062,000
Loan Repayment		-	(12,469,987)
Overdraft		385,372	359,531
Lease	22	2,453,832	-

Cash flows used in financing activities		**2,839,204**	**(9,048,456)**
Net increase in cash and cash equivalents		**(11,997,592)**	**9,223,728**
Cash and cash equivalents at beginning of the year	8	36,646,732	27423007
Net effect of foreign exchange differences		-	(3)
Cash and cash equivalents at end of the end of the year	8	**24,649,140**	**36,646,732**

The accompanying notes on pages 37 to 73 are an integral part of these consolidated financial statements.

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 Insurance Supervisory Authority and started the insurance underwriting operation on 1 October 2004.

The Group has branches in Tirana, Durres, Shkoder, 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.pk where SiCRED Sh.a owns 100% of 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, 2019, the Group had 56 employees and management staff (2018: 60).

The Central offices address and the main place of exercising the activity is: Street "Vaso Pasha," Nr. 8, 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 5, 11, 12, and 23.

e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. 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:

- 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.

2. BASIS OF PREPARATION (continued)

e) Basis of consolidation (continued)

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

f) Going Concern

The Group's financial statements are prepared in accordance with the principle of going concern, which means that the Group will continue its operations for an indefinite period, in the near future.

Capital Adequacy

For the year ended on December 31, 2019, the parent company reported capital in the amount of 59,251,386 ALL (2018: 22,156,642 Lek), which constitutes the solvency level, and active coverage of technical provisions of 124.77% (2018: 100.5%) 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.

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.

2. BASIS OF PREPARATION (continued)

f) Going Concern (continued)

During the assessment of the situation the Management considered the facts such as:

- 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 70% in this category for the period January-April 2020 compared to the same period previous year.
- The reduction of gross written premiums by almost 25% from Credit Life Insurance – Police type, for the period January-April 2020 compared to the same period previous year, due to discounts applied and non-collections.
- The reduction of gross written premiums by almost 70% 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.
- Suspension of the investments in the amount of 1.5 million ALL foreseen for the year 2020. These investments were mainly planned around the reconstruction of Head Offices and the establishment of a new activity (not in the field of insurance).

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%,
- 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.

The management considers that the financial situation of the Group is stable, as it is certain that some of planned tenders have been carried out in the first 5 months of the year. The Group has sufficient liquidity to meet other commercial obligations, liabilities to staff and those to the tax authorities.

Consequently, management anticipates that the Group will have sufficient resources to ensure going concern for a period of at least 12 months from the reporting date. Management concluded that the possible results considered to make this judgment do not lead to material uncertainty about events or conditions that may cause doubt on the Group's ability to continue operating.

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 2019, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment in associates and joint ventures

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 recognised at fair value at the acquisition date.

Goodwill is initially measured at cost (being the accumulated amount exceeding the transferred consideration and the amount recognised 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.

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 recognised 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 recognise 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-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 recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment in associates and joint ventures (continued)

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 2019	31 December 2018
USD	108.64	107.82
EUR	121.77	123.42

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Recognition and measurement of contracts (continued)

Premiums (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Recognition and measurement of contracts (continued)

Claims (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial Instruments (continued)

(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.

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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Property and equipment (continued)

(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)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

The Group chooses not to include the initial direct costs in the measurement of the right-of-use assets for operating leases existing on the date of the initial application of IFRS 16, which is 1 January 2019.

Instead of conducting a revaluation review of the right – of - use assets at the date of initial application, the Group relied on its historical assessment of whether rents were high before the date of initial application of IFRS 16. 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.

Transition to the new standard

The Group initially implemented IFRS 16 on January 1, 2019, using a retrospective modified approach. Therefore, the cumulative adoption effect of SNRF 16 will be recognized as an adjustment of the opening amounts.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) IFRS 16 "Leases" (continued)

The Group implemented practical expedients to adopt the change for rent determination. Therefore, it will apply IFRS 16 for all contracts concluded before January 1, 2019 and identified as lease in accordance with IAS 17 and IFRIC 4.

Below is a reconciliation of opening balances for lease liabilities on 1 January 2019 based on operating lease liabilities on 31 December 2018.

Total leases commitments on 31 December 2018	**81,292,870**
Exceptions from recognition:	
Leases of low value assets	-
Leases with remaining lease term of less than 12 months	-
Operating lease liabilities before discounting	**81,292,870**
Discounted using incremental borrowing rate	(17,777,926)
Total lease liabilities recognized under IFRS 16 at 1 January 2019	**63,514,944**

The right – of - use for lease assets was measured on a retrospective basis as if the new rules had always been applied. Other assets of the right of use were measured in the amount equal to the lease liability, adjusted by the amount of any prepaid payment or lease granted in relation to that lease recognized in the statement of financial position, as at 31 December 2018.

Recognized right of use assets relates to the following types of assets:

	Assets no.	Remaining time in years	31 December 2019	1 January 2019
Buildings	12	1-10 year	76,220,816	63,514,944
Total	**12**	**1-10 year**	**76,220,816**	**63,514,944**

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, and any adjustment to tax payable in respect of previous years.

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.

As of 31 December 2019, the Group results with accounting and fiscal profit, while as of 31 December 2018 no income tax is calculated, due to the fact that the Group apart of concluded in profit, the fiscal result has absorbed the 2016-2017 fiscal losses. In addition a deferred tax is recognizes in the Group's Financial Statements for the year ended as of 31.12.2019.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Standards and Interpretations effective in the current period

a. New standards and interpretation not yet adopted

On the date of authorization of these consolidated financial statements, some new but still not effective Standards, Standards and Changes to Existing Standards, and Interpretations have been published by the IASB. Standards and changes that are not yet effective and not initially approved by the Group include:

- Amendments to IFRS 9 "Negative Compensation Fees" (in force on 1 January 2019).
- Amendments to IAS 28 "Long-Term Interests in Joint Stock Companies and Enterprises" (mandatory for
- periods beginning on or after 1 January 2019).
- IFRS 17 "Insurance Contracts" (mandatory for periods beginning on or after 1 January 2021).
- Definition of a business (Amendments to IFRS 3)
- Definition of material (Amendments to IAS 1 and IAS 8)
- Conceptual frame for financial reports

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

None of these Standards or changes to existing Standards had been previously approved by the Group, stipulates that all relevant pronouncements will be approved for the first period starting on or after the effective date of publication. New standards, changes and interpretations that have not been adopted in the current year have not been presented 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

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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 2019 and 31 December 2018. The analysis of such contractual exposures is considered the best indicator of the insurance risk concentration.

Age for Credit Life Insurance	31 December 2019		31 December 2018	
	in ALL	in %	in ALL	in %
Up to 29	1,623,401,706	10%	2,030,299,992	13%
30 – 39	5,827,218,120	37%	5,404,471,862	34%
40 – 49	5,305,715,462	33%	4,858,512,360	31%
50 – 59	2,866,929,819	18%	3,179,963,227	20%
Over 60	299,633,832	2%	228,768,376	1%
Total	**15,922,898,938**	**100%**	**15,702,015,817**	**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.

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

g) Market risk (continued)

— *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.

The foreign exchange rates used as of 31 December 2019 and 31 December 2018 are the official rates of Bank of Albania (LEK to the foreign currency unit) as set out below:

	31 December 2019	31 December 2018
USD	108.64	107.82
EUR	121.77	123.42

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.

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

g) Market risk (continued)

1- Foreign currency risk management

Assets and liabilities in foreign currencies as of 31 December 2019 (amounts translated to ALL) are as follows:

31 December 2019	In ALL	In EUR	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**
Investment fund	15,141,330	-	-	**15,141,330**
Insurance and reinsurance receivable	23,085,018	12,498,053	9,300	**35,592,371**
Prepaid income tax	114,001			**114,001**
Other assets	5,732,180	2,704,065	1,628	**8,437,873**
Total Assets	**471,700,113**	**146,993,712**	**22,840,110**	**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**

Assets and liabilities in foreign currencies as of 31 December 2018 are as follows:

31 December 2018	in ALL	in EURO	in USD	Total
Assets				
Cash and cash equivalents	18,985,175	19,170,439	37,779	**38,193,393**
Term deposits and interest income	267,488,339	91,968,949	22,281,529	**381,738,817**
Investment in securities	139,193,922	-	-	**139,193,922**
Insurance and reinsurance receivable	43,030,129	-	-	**43,030,129**
Prepaid income tax	1,020,748	-	-	**1,020,748**
Other assets	9,271,428	5,107,259	1,616	**14,380,303**
Total Assets	**478,989,741**	**116,246,647**	**22,320,924**	**617,557,312**
Liabilities				
Liabilities for losses and loss adjustment expense	10,575,387	5,029,383	16,739	**15,621,509**
Other reserves	-	37,267,672	-	**37,267,672**
Insurance and reinsurance payable	7,118,546	2,198,972	-	**9,317,518**
Due to financial institutions	-	359,531	-	**359,531**
Other liabilities	9,501,161	9,993,835	(1,070)	**19,493,926**
Total Liabilities	**27,195,094**	**54,849,393**	**15,669**	**82,060,156**
Net Position	**451,794,647**	**61,397,254**	**22,305,255**	**535,497,156**

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

g) Market risk (continued)

2- 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 2019 and 31 December 2018 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 2019	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						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)**
31 December 2018							
Financial assets							
Cash and cash equivalents		-	-	-	-	38,193,393	**38,193,393**
Term deposits	1.83%	232,255,650	110,182,167	39,301,000	-	-	**381,738,817**
Investment in securities	4.76%	29,946,123	29,623,261	79,624,537	-	-	**139,193,921**
Total financial assets		**262,201,773**	**139,805,428**	**118,925,537**	**-**	**38,193,393**	**559,126,131**
Financial liabilities							
Due to financial institutions	4.87%	(359,531)	-	-	-	-	(359,531)
Total financial liabilities		**(359,531)**	**-**	**-**	**-**	**-**	**(359,531)**

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 2019 and 31 December 2018 by their age are as follows:

	31 dhjetor 2019		31 dhjetor 2018	
	në LEK	**në %**	**në LEK**	**në %**
1 – 90 ditë	28,847,183	81%	35,765,821	83%
91-365 ditë	5,939,906	17%	6,209,047	14%
Më shumë se një 365 ditë	805,283	2%	1,055,261	2%
Totali	**35,592,372**	**100%**	**43,030,129**	**100%**

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

Exposure to liquidity risk as of 31 December 2019 is presented as follows:

31 December 2019	Less than 1 month	1-3 months	3 - 12 months	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 AND FINANCIAL RISK MANAGAMENT (CONTINUED)

i) Liquidity risk (continued)

Exposure to liquidity risk, based on contractual maturity as of 31 December 2018 is presented as follows:

31 December 2018	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	38,193,393					**38,193,393**
Term deposits and interest income	119,268,685	41,250,907	183,101,432	25,501,082	12,616,711	**381,738,817**
Investment in securities	30,215,757	-	30,215,757	58,618,569	20,143,839	**139,193,922**
Insurance and reinsurance receivable	24,209,608	754,600	18,065,921	-	-	**43,030,129**
Prepaid income tax	-	-	808,748	212,000	-	**1,020,748**
Other assets	11,659,088	574,950	1,507,351	18,300	620,614	**14,380,303**
Total Assets	**223,546,531**	**42,580,457**	**233,699,209**	**84,349,951**	**33,381,164**	**617,557,312**
Liabilities						
Liabilities for losses and loss adjustment expense	646,089	421,109	9,517,454	4,663,881	372,976	**15,621,509**
Other reserves	-	-	9,960,112	21,472,263	5,835,297	**37,267,672**
Insurance and reinsurance payable	8,671,574	645,944	-	-	-	**9,317,518**
Due to financial institutions	359,531	-	-	-	-	**359,531**
Other liabilities	18,944,475	200,873	348,578	-	-	**19,493,926**
Total Liabilities	**28,621,669**	**1,267,926**	**19,826,144**	**26,136,144**	**6,208,273**	**82,060,156**
Liquidity gap	**194,924,862**	**41,312,531**	**213,873,065**	**58,213,807**	**27,172,891**	**535,497,156**
Accumulated liquidity gap	**194,924,862**	**236,237,393**	**450,110,458**	**508,324,265**	**535,497,156**	**-**

j) Technical Interest

The technical interest rate for the year calculated based on the respective currencies was in Lek 2.88%, EUR 1.68%, and USD 1.72 % (2018: ALL 2.88 %, EURO 0.2%, and USD 1.15 %), 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 2019, 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.

The analysis of the actuarial parameters used in the calculation of the fees and life insurance reserves shows that the assumptions made are appropriate. The favorable development of the risks compared to the expected values, guarantees that the reserves are adequately 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.

4. INSURANCE AND FINANCIAL RISK MANAGAMENT (CONTINUED)

k) Reserves and actuarial assumptions adequacy test (continued)

"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 December 2019	31 December 2018
Number of people suspected to the risk of death	22,381	53,688
Age of people susceptible to the risk of death	18-70	18-70
Number of payments following deaths of insured annually	34	27
Estimated range of number of deaths in 1,000 people	0.33-42.3	0.33-24.42
Number of deaths in 1,000 people	1.50	0.50

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".

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 December 31, 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 situation on December 31, 2018			
Current	12,954,298	465,590,753	370,000,000
Increase in claims incurred	(6,927,062)	458,663,691	370,000,000
Increase in expenses (+10%)	(11,848,056)	446,815,635	370,000,000

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%.

4. INSURANCE AND FINANCIAL RISK MANAGAMENT (CONTINUED)

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

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, 2019, the Group has reported capital adequacy in the amount of + 59,251,386 ALL.

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

Pasqyrat financiare janë përgatitur duke u bazuar në parimin e vijimësisë.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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.

(ii) 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.

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.

6. FAIR VALUE DISCLOSURE (CONTINUED)

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.

	Held to maturity	Other amortized cost	Total carrying amount	Fair value
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**
Investment fund		15,141,330	**15,141,330**	**15,141,330**
Insurance and reinsurance receivable		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**
Oher Liabilities		(14,746,045)	**(14,746,045)**	**(14,746,045)**
31 December 2018				
Cash and cash equivalents	-	38,193,393	**38,193,393**	**38,193,393**
Term deposits	-	381,738,817	**381,738,817**	**381,738,817**
Investment securities	139,193,922	-	**139,193,922**	**145,814,557**
Insurance and reinsurance receivable		43,030,129	**43,030,129**	**43,030,129**
Income tax liabilities		1,020,748	**1,020,748**	**1,020,748**
Other assets		14,380,303	**14,380,303**	**14,380,303**
Insurance and reinsurance payable		(9,317,518)	**(9,317,518)**	**(9,317,518)**
Due to Financial institutions		(359,531)	**(359,531)**	**(359,531)**
Other Liabilities		(19,392,845)	**(19,392,845)**	**(19,392,845)**

7. GROUP INFORMATION

The consolidated financial statements of the Group include:

Name	Main Activities	Establishment Place	Consolidation period		% capital interest	
			31/12/2019	31/12/2018	31/12/2019	31/12/2018
Credins Invest	Voluntary pension fund management Group	Albania	-	-	12%	12%
SiCRED Assistance	Management and consulting services	Albania	01/01/2019 31/12/2019	01/01/2018 31/12/2018	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 Group, respectively SiCRED sh.a. becomes the owner in 12.00% of the shares.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	31 December 2019	31 December 2018
Cash on hand	52,413	19,801
Cash at banks		
in foreign currency	*19,228,826*	*19,196,990*
in Lek	*5,367,901*	*17,429,941*
Subtotal of cash at banks	24,596,727	36,626,931
Cash and cash equivalents	**24,649,140**	**36,646,732**
Restricted balances	4,396,876	1,546,661
Total	**29,046,016**	**38,193,393**

On 31 December 2019, the restricted balance at the amount of ALL 4,296,876 (2018: ALL 1,446,661) 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 for ALL 100,000 it is related to a guarantee fund for SiCRED Assistance for additional licenses related to the activity.

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

	31 December 2019	31 December 2018
In EURO	19,194,028	19,159,211
In USD	34,798	37,779
	19,228,826	**19,196,990**

9. TERM DEPOSITS

Term deposits are detailed as follows:

	31 December 2019	31 December 2018
Guarantee fund	330,524,500	310,248,001
Saving accounts	57,964,265	49,314,065
Other deposits	12,558,550	18,513,000
Accrued interest	3,308,675	3,663,751
Total	**404,355,990**	**381,738,817**

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 2019	31 December 2018
Treasury Bills (Guarantee Fund)	43,820,000	60,000,000
Deferred Discount – Treasury Bills	(248,739)	(430,615)
Treasury Bills, net	**43,571,261**	**59,569,385**
Government Bonds	103,200,000	78,200,000
Accrued Interest	2,075,093	1,424,537
Government Bonds, net	**105,275,093**	**79,624,537**
	148,846,354	**139,193,922**

During 2019, the Group has not changed the policy for Investments in Securities, Treasury Bills and Treasury Bonds.

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

	31 December 2019		31 December 2018	
Maturity	**Minimum interest rate**	**Maximum interest rate**	**Minimum interest rate**	**Maximum interest rate**
Treasury Bills ALL				
12 months	1.30%	1.94%	1.50%	2.70%
Treasury Bonds ALL				
3 years				
5 years	5.45%	6.45%	5.45%	6.45%
7 years	3.98%	7.80%	4.90%	7.80%
10 years	7.90%	7.90%	7.90%	7.90%

11. INVESTMENT FUNDS

The Group, in 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 December 31, 2019, the purchased shares evaluated with their price on this date are presented as follows:

CREDINS Premium investment fund	31 Decembec 2019	31 Decembe 2018
Share price	1,282.2909	-
Number of shares purchased	11,808.0307	-
Investment amount	**15,141,330**	**-**

12. INSURANCE AND REINSURANCE RECEIVABLES

Insurance and reinsurance receivables according to the type of product for the year ended 31 December 2019 and 31 December 2018 are detailed as follows:

	31 December 2019	31 December 2018
Life and Accidents Debtors	25,228,704	27,016,636
Life and Health (Cash Plan) Debtors	3,437,527	3,791,265
Credit Life Debtors	12,193,560	13,562,075
Travel Life and Health Debtors	1,068,473	1,419,947
Life Insurance with Survival Benefits Debtors	2,664,630	1,341,450
Pupils and Students Debtors	-	1,728,200
Insurance and reinsurance receivables, gross	**44,592,894**	**48,859,573**
Provision for customers	(9,000,523)	(5,829,444)
Insurance and reinsurance receivables, net	**35,592,371**	**43,030,129**

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

	2019	2018
Balance at the beginning of the year	5,829,444	5,006,292
Additions	3,171,079	823,152
Reversals	-	-
Balance at end of the year	**9,000,523**	**5,829,444**

Insurance and reinsurance receivables ageing for the year ended 31 December 2019 and 31 December 2018 is shown in note 5.c.

13. DEFERRED ACQUISITION COST

	31/12/2019	Change for the period	31/12/2018	Change for the period	31/12/2017
Travel Life & Health Insurance	275,816	(217,334)	493,150	(673,054)	1,166,204
Life & Health Insurance on Travel Abroad - Students	572	(16,315)	16,887	16,484	403
Life & Health Insurance (Cash Plan)	21,156,205	8,945,838	12,210,367	(3,636,628)	15,846,995
Visitors life	-	(1,076)	1,076	1,011	65
	21,432,593	**8,711,113**	**12,721,480**	**(4,292,187)**	**17,013,667**

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 December 31, 2019, the amount of ALL 9,849,108 (2018: ALL 8,663,205) 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 December 31, 2019 and December 31, 2018 are as follows:

	31 December 2019	31 December 2018
At the beginning of the year	8,663,205	10,702,165
Change for the year	1,185,903	(2,038,960)
Total	**9,849,108**	**8,663,205**

15. OTHER ASSETS

	31 December 2019	31 December 2018
Prepaid expenses	1,403,157	2,177,700
Inventory of policies	2,912,469	2,927,517
Inventory of other materials	63,620	36,380
Advances to employees	626,250	56,100
Receivables to be reimbursed	7,221,726	7,258,606
Prepayments for shares	0	620,614
Other debtors	4,208,992	4,922,481
Other assets, gross	**16,436,214**	**17,999,398**
Impairment of other debtors	(3,619,095)	(3,619,095)
Other assets, net	**12,817,119**	**14,380,303**

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.

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

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

Group's investment in Credins Invest on 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Current assets	30,849,247	16,017,613
Non-current assets	29,503,807	27,353,906
Current liabilities	(3,437,242)	(2,360,245)
Non-current liabilities	(4,244,512)	-
Equity	**52,671,300**	**41,011,274**
Share of interest in subsidiary	12%	12%
Group's carrying amount of the investment	**6,320,556**	**4,921,353**

	Year ended 31 December 2019	Year ended 31 December 2019
Revenue	54,795,605	34,212,285
Administrative expenses	(42,826,727)	(29,908,329)
Finance expenses	49,379	24,397
Profit before tax	**12,018,257**	**4,328,353**
Income tax expense	(358,231)	-
Loss for the period (continuing operations)	**11,660,026**	**4,328,353**
Total comprehensive loss for the period	-	-
Net comprehensive loss, for the period	**11,660,026**	**4,328,353**
Share of interest in associate	*12%*	*24%*
Group's share of loss for the period	**1,399,203**	**1,038,805**

The difference in the carrying amount of the investments net assets for the year ending on 31 December 2019 and 31 December 2018 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 2019	31 December 2018
Opening Balance	4,921,353	8,803,901
Closing Balance	6,320,556	4,921,353
Difference in carrying amount of investments net assets	**1,399,203**	**(3,882,548)**
Group's share of profit/(loss) for the period	*1,399,203*	*1,038,805*
Gain/(Loss) from the change in the net carrying amount of investment in associate	-	*(4,921,353)*

During 2019, the Group has not invested additional funds in Credins Invest for capital increase, but in 2018 the company SiCRED sh.a sold 12% of the shares owned to Credins Invest, the carrying amount of which is ALL 13,927,823 (note 8), which is reduced to the carrying amount of net assets investments as of 31 December 2019

	31 December 2019	31 December 2018
Group's carrying amount of the investment	6,320,556	4,921,353
Add: Payment for additional interest in associate	-	-
Total carrying amount of the Investment in associate	**6,320,556**	**4,921,353**

17. INTANGIBLES ASSETS IN PROCESS

The Group has signed a contract for an integrated software with "Infosoft SD" shpk for a total fee of ALL 6,666,000, which was amended on 22.10.2019 for additional services in the amount of ALL 400,000 and on 31 December 2019 continues to be still in the development stage. According to the stages defined in the contract, the software is invoiced in the amount of ALL 6,732,700 which represents the Intangible Assets in the process (2018: ALL 6,332,700).

18. PROPERTY, PLANT AND EQUIPMENT

	Computer office equipment	Office equipment	Vehicles	Leasehold improvement	Property (Kiosk)	Fine art	Installation	Leasehold improvements	Assets in use (rent)	Total
Cost										
As at 1 January 2018	**21,610,363**	**22,549,497**	**15,163,586**	**-**	**753,496**	**258,313**	**574,380**	**51,318,919**	**-**	**112,228,554**
Additions	389,048	247,004	-	-	-	-	-	-	-	636,052
Disposal	(433,600)	(756,179)	-	-	-	-	-	-	-	(1,189,779)
Reductions	(159,996)	(586,565)	-	-	(325,000)	-	-	-	-	(1,071,561)
As at 31 December 2018	**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
Disposals	(2,328,077)	(207,842)	-	-	-	-	-	-	-	(2,535,919)
Sales	-	-	(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**
Accumulated depreciation										
As at 31 December 2018	**14,166,340**	**13,310,782**	**11,001,612**	**-**	**247,427**	**-**	**410,701**	**22,795,494**	**-**	**61,932,356**
Period changes	1,887,688	1,853,306	832,395	-	20,115	-	32,736	3,558,495	-	8,184,735
Disposals	(498,752)	(1,155,473)	-	-	(122,662)	-	-	-	-	(1,776,887)
As at 31 December 2018	**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)
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**
Carrying amount										
As at 31 December 2017	**7,444,023**	**9,238,715**	**4,161,974**	**-**	**506,069**	**258,313**	**163,679**	**28,523,425**	**-**	**50,296,198**
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**

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 2019	31 December 2018
Lease Liability	87,444,137	-
Accrued interest	3,813,972	-
Paid Liability	(13,862,537)	-
	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 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Not more than 1 year	13,560,210	13,138,297
More than 1 year but less than 5 years	50,443,153	52,567,094
More than 5 years	28,750,795	41,340,996
	92,754,158	**107,046,387**

20. OTHER LIABILITIES

	31 December 2019	31 December 2018
Suppliers	8,921,238	7,149,344
Tax and social insurance	2,712,458	2,060,529
Taxes payable other than income tax	183,609	410,601
Other creditors	2,928,740	9,873,452
-Prepayment to Banka Credins	-	*6,765,610*
-Prepayments by individuals in risk valuation	*448,500*	*809,706*
-Other creditors	*2,480,240*	*2,298,136*
	14,746,045	**19,493,926**

21. INSURANCE AND REINSURANCE PAYABLE

Insurance and reinsurance payable for the year ended 31 December 2019 and 31 December 2018 are presented as following:

	31 December 2019	31 December 2018
Insurance Payable	9,061,808	8,223,567
Reinsurance Payable	2,791,362	1,093,951
	11,853,170	**9,317,518**

22. DUE TO FINANCIAL INSTITUTIONS

	31 December 2019	31 December 2018
Lease Suppliers	2,813,363	-
Overdraft	385,372	359,531
	3,198,735	**359,531**

In 2019, the Group leased two cars at Credins Bank according to the relevant Agreements No. 325 dated 06.02.2019 and No. 1613 dated 04.07.2019, with a term of 36 months and EuroLibor interest rate of 1 year euro + 5% but not less than 6%.

The Balance as at 31 December 2019 of Lek 385,372 represents the outstanding balance of the MasterCard credit card account referring to the overdraft contract No.6204 / dated 18.03.2019. The overdraft has a 12- month term with a limit of EUR 15,000 and with annual interest rate on the debit balance of EuroLibor 12 months + 4.87%. On this account, from the date of the commencement of the contract, it is placed as collateral the demand deposits no 946791, amounting to ALL 2,557,288.36.

23. LIABILITIES FOR THE LOSSES AND LOSS ADJUSTMENT EXPENSES

Movement of liabilities for losses and loss adjustment expenses is as follows:

	31 December 2019	31 December 2018
Gross insurance liabilities for losses and loss adjustment expenses	15,621,509	19,416,002
Recoverable reinsurance	-	-
Net insurance liabilities for losses and loss adjustment expenses	**15,621,509**	**19,416,002**
Losses and loss adjustment expenses incurred	(47,424,563)	(58,535,217)
Losses and loss adjustment expenses paid	62,233,557	54,740,724
Net insurance liabilities for losses and loss adjustment expenses as at 31 December	**30,430,503**	**15,621,509**
Reinsurance recoverable		
Gross insurance liabilities for losses and loss adjustment expenses	**30,430,503**	**15,621,509**

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 2019 the Group has 229 unsettled claims (2018: 187 most of which are related to “Life Insurance Cash Plan” (176) and “Life and Health in travel” (23), for which more time for investigation is needed.

Unsettled claims	31 December 2019	31 December 2018
Credit Life Insurance	16	18
Travel Life Insurance	23	25
Life & Accidents Insurance	13	9
Life and Health Insurance “Cash Plan”	176	130
Life Insurance with savings	1	5
Other	-	-
Total	**229**	**187**

23. LIABILITIES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES (CONTINUED)

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

	31 December 2019	31 December 2018
Claims reserve for Credit Life Insurance	10,198,169	5,387,695
Claims reserve for Travel Life & Health Insurance	1,763,207	1,102,272
Claims reserve for Group Life & Accidents Insurance	4,441,283	1,294,784
Claims reserve for Cash Plan	14,027,844	7,836,758
Claims reserve for Visitors Life Insurance	-	-
	30,430,503	**15,621,509**
Reported but not settled (RBNS)	17,832,768	14,875,957
Incurred but not reported (IBNR)	11,568,684	745,552
Claims Reserve	1,029,051	-
	30,430,503	**15,621,509**

Losses and loss adjustment expenses for the year ending on 31 December 2019 and 2018 are as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Claims expenses	33,640,717	33,625,006
Expenses for exiting the Life in Savings scheme	13,783,846	24,910,211
Expenses for claims reserve	14,808,994	-
Recovery of claims reserve	-	(3,794,493)
	62,233,557	**54,740,724**

24. UNEARNED PREMIUM RESERVE

	31/12/2019	Change for the period	31/12/2018	Change for the period	31/12/2017
Credit Life Insurance	88,350,145	(17,591,499)	105,941,644	19,092,165	86,849,479
Group Life & Accidents Insurance	6,753,337	(4,166,520)	10,919,857	(9,072,663)	19,992,520
Travel Life & Health Insurance	985,119	18,124	966,995	(827,165)	1,794,160
Pupils & Students Life Insurance	48,099	(174,647)	222,746	(119,831)	342,577
Students Life & Health Insurance Abroad	57,109	(224,287)	281,396	241,114	40,282
Life & Health Insurance (Cash Plan)	37,821,900	5,628,659	32,193,241	(14,415,569)	46,608,810
Endowment	5,852,255	2,252,757	3,599,496	1,644,778	1,954,718
Visitors Life Insurance	-	(17,895)	17,895	(3,908)	21,803
Total	**139,867,964**	**(14,275,308)**	**154,143,270**	**(3,461,079)**	**157,604,349**

25. OTHER MATHEMATICAL RESERVES

Other reserves as at 31 December 2019 amounting to ALL 35,348,623 (2018: ALL 37,267,672 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.

	31/12/2019	Change of the period	31/12/2018	Change of the period	31/12/2017
Mathematical Reserve	35,180,045	(1,265,431)	36,445,476	(15,090,537)	51,536,013
UPR Life with Savings	149,168	(286,998)	436,166	(100,420)	536,586
RBNS Life with Savings	19,410	(366,620)	386,030	(542,037)	928,067
	35,348,623	**(1,919,049)**	**37,267,672**	**(15,732,994)**	**53,000,666**

26. SHARE CAPITAL

a) Paid-up capital

On December 31, 2019, the shareholder structure is presented as follows:

	31 December 2019	31 December 2018
Aleksandër Pilo	46.39%	46.30%
Renis Tërshana	30.16%	30.10%
Kristino Kromidha	4.05%	4.13%
Emi Santo	2.38%	2.37%
Egi Santo	2.38%	2.37%
Monika Milo	4.75%	4.74%
Maltin Kolkuti	4.75%	4.74%
Petraq Shomo	2.06%	2.10%
Arben Taipi	2.06%	2.10%
Artan Xhori	1.03%	1.05%
	100.00%	**100.00%**

The share capital on December 31, 2019 is in the amount of ALL 490,062,000 (2018 ALL- 490,062,000) and consists of 490,062 shares with a nominal value of ALL 1,000 per share.

Upon decision No. 4, dated 06 March 2018, the Shareholders Assembly approved capital increase in the amount of ALL 10,000,000 which was collected in the amount of ALL 9,062,000. Pursuant decision No. 7, dated 15 June 2018, the Shareholders Assembly approved the shareholder structure after the capital increase in the amount of ALL 9,062,000 and the subscribed/paid capital 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, and is registered in the National Business Center. Upon decision No. 6, dated 31 May 2019, the Shareholders Assembly approved the result of 2018, profit in the amount of 12,594,295 ALL and its destination in covering the carried forward 2016 loss, 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 2019	31 December 2018
Term deposits, guarantee fund	330,524,500	310,248,001
Treasury bills, guarantee fund	43,820,000	60,000,000
	374,344,500	**370,248,001**

c) 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

d) 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.

27. GROSS WRITTEN PREMIUMS

	Year ended 31 December 2019	Year ended 31 December 2018
Credit Life Insurance	119,754,343	115,420,797
Life & Health Insurance (Cash plan)	45,618,926	52,065,378
Group Life and Accidents Insurance	52,120,115	36,256,591
Travel Life and Health Insurance	3,952,947	20,416,044
Life Insurance with Savings (Savings account)	25,950,595	17,196,935
Life Insurance with Savings (Premium)	10,889,006	12,356,427
Premiums from Life Insurance with Survival Benefit (Endowment)	1,433,717	1,672,238
Pupils and Students Life Insurance	(107,058)	1,619,300
Students Life and Health Insurance Abroad	53,222	425,209
Visitors Life Insurance	854	111,644
Combined Life Insurance	58,294	107,506
	259,724,961	**257,648,069**

On March 6, 2019, Luarasi University requested the cancellation of the Student Life Insurance policies issued on April 1, 2018. The canceled amount is in the amount of 129,058 ALL.

28. PREMIUMS CEDED TO REINSURANCE

	Year ended 31 December 2019	Year ended 31 December 2018
For Credit Life Insurance	11,987,692	10,530,543
For Group Life and Accidents Insurance	-	1,558,163
For Travel Life and Health Insurance	3,307,621	1,783,788
	15,295,313	**13,872,494**

29. FINANCE INCOME AND EXPENSES

	Year ended 31 December 2019	Year ended 31 December 2018
Financial income		
Interest income from term deposits	6,112,904	6,598,639
Interest income from treasury bills	5,387,613	5,278,059
Interest income from Government Bonds	828,129	1,393,935
Interest income from current accounts	(133,459)	26,159
Total	**12,195,187**	**13,296,792**
Income from fair value assessment	141,330	-
Total	**12,336,517**	**13,296,792**
Financial expense		
Interest expense	(151,801)	(40,980)
Interest expenses for assets in use	(3,813,973)	-
Total	**(3,965,774)**	**(40,980)**
Foreign exchange(loss)/gain		
Foreign exchange gain	14,123,831	19,026,009
Foreign exchange loss	(14,916,078)	(28,439,851)
Total	**(792,247)**	**(9,413,842)**
Finance income, net	**7,578,496**	**3,841,970**

30. OTHER OPERATING INCOME

	Year ended 31 December 2019	Year ended 31 December 2018
Reinsurer commission income	4,065,874	4,434,204
Income from delegation services	131,670	10,952
Income from AMF (quota prepayments)	270,682	850,427
Other operating income	9,687,964	3,635,883
	14,156,190	**8,931,466**

The item "Other income" mainly consists of incomes earned from the partial realization of the contract with Credins Bank, a contract assigned on 06.06.2017 which consists of performing the insurance service of a certain category of customers, bank, but not only, against a non-refundable prepayment in the amount of Eur 100,000. The contract has expired on 31/12/2018 and by that date Credins Bank had not consumed the amount of Eur 54,818.

31. ACQUISITION COSTS

	Year ended 31 December 2019	Year ended 31 December 2018
Commissions	32,071,494	39,006,428
Advertising costs	17,727,824	21,085,514
Medical expenses	14,678,193	11,874,945
Purchase of policies	494,518	1,421,284
	64,972,029	**73,388,171**

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 812,565 (2018: ALL 3,612,038).

The acquisition costs according to each product for the period until December 31, 2019 and December 31, 2018 are as below:

	Year ended 31 December 2019	Year ended 31 December 2018
Life & Health Insurance (Cash plan)	29,060,605	14,057,479
Credit life insurance	14,049,311	20,340,040
Travel life and health insurance	1,123,302	10,607,526
Group life and accidents insurance	8,678,213	16,003,787
Pupil and student life insurance	321,033	1,770,271
Saving life insurance	166,883	780,617
Life insurance with survival benefit	11,572,056	9,798,023
Life Insurance & Students Abroad	598	24,154
Other life insurances	27	6,275
	64,972,028	**73,388,172**

32. PERSONNEL EXPENSES

	Viti i mbyllur 31 dhjetor 2019	Viti i mbyllur 31 dhjetor 2018
Shpenzime personeli		
- Paga	50,048,319	54,018,121
- Shpërblime	10,259,259	7,663,333
- Sigurime shoqërore	7,021,256	7,458,586
- Sigurim jete dhe kontribut për pensionin	3,126,489	3,921,116
- Shpërblim që lidhen me kontratat e sigurimit	(812,565)	(3,612,038)
	69,642,758	**69,449,118**

33. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2019	Year ended 31 December 2018
Rent expenses	70,440	16,310,837
External services	3,840,307	3,794,395
Fees, taxes and penalties	5,298,667	8,431,330
Utilities and communication	3,765,156	3,967,818
Security	1,953,252	2,942,031
Publicity and advertising	3,012,917	3,936,442
Reception, gifts	2,572,804	2,028,461
Transfers, travel and diets	2,431,306	1,517,586
Previous years adjustments	3,171,079	1,297,399
Impairment of bad debt	13,529,369	6,380,495
	39,645,297	**50,606,794**

In the item of other administrative expenses, during 2019 are included the commissions for sale of policies by Otp bank, which based on the decision of the new management of the bank are categorized as operational actions and the Group has consequently categorized them as operational expenses and not as insurance costs, as presented in 2018.

34. INCOME TAX EXPENSE

	Year ended 31 December 2019	Year ended 31 December 2018
Profit/(loss) before tax	38,494,664	9,292,024
Income Tax expense calculated at 15 % (2018: 15%)	5,576,285	1,393,804
Tax effect on Nondeductible expenses	1,205,353	1,165,766
Tax effect on Derecognition of Goodwill	-	582,382
Unrecognized temporary tax differences		-
Use of retained losses	(5,874,891)	(3,141,952)
Income tax expense	**906,747**	**-**

In accordance with Albanian tax regulations, the applicable income tax rate for 2019 is 15% (2018: 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.

During 2018, the parent company SiCRED sh.a was subject to a tax audit covering years 2013-2017 and the assessment resulted in the confirmation of fiscal loss of 59,892,010 Lek:

- for 2016 the fiscal loss was ALL 54,343,852 and
- for 2017 the fiscal loss was ALL 5,548,158.

According to Article 27 “Carrying the Loss” of Law No 8438, dated 28.12.1998 “On Income Tax” amended, the resulting losses can be covered by profits of the next three taxable periods, according to the principle “the first loss on before the last one “, so the fiscal profit for 2018 in the amount of ALL 20,726,071 covered the fiscal loss of 2016 and the excess fiscal loss at the end of 2018 is ALL 39,165,939.

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 2019 and 31 December 2018.

Contingent liabilities

As at 31 December 2019, 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 2019	31 December 2018
Less than 1 year	59,019,592	31,715,740
1 - 5 years	205,516,150	111,269,600
More than 5 years	265,782,870	360,957,506
	530,318,612	**503,942,846**

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 2019	31 December 2018
Liabilities	**1,928,488**	**2,171,238**
Payable to the Pension Fund	1,928,488	2,171,238
	-	-
Revenue	**3,313,854**	**3,688,350**
Written premiums, gross	3,313,854	3,688,350
Claims	**1,308,936**	**2,060,213**
Claims paid	1,308,936	2,060,213
Administrative expenses	**5,139,139**	**3,898,983**
Expenses for rented spaces	2,529,139	2,138,983
Personnel expenses	2,610,000	1,760,000
Management remuneration	**7,680,000**	**7,680,000**

37. SUBSEQUENT EVENT

During the beginning of 2020, the pandemic of COVID-19 spread globally. In Albania, it had a massive impact since March 2020, when the government took drastic measures by suspending all activities that were not vital. The Group carried out the evaluation process and took the necessary measures to prevent negative impacts on its activities. It estimates that this situation will have a financial impact on reducing revenues by an average of 5% -20%, a level that is expected to be recovered by the end of the year. The management considers that the activity of the Group in the medium term will continue normally. There are no other events after the balance sheet date that may require correction or additional notes in the Group's financial statements.

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