ANNUAL REPORT 2021

SiCRED
Shoqëri Sigurimi Jete

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SiCRED SH.A. STATISTICS (31 DECEMBER 2021):



1. FOREWORD BY THE GENERAL DIRECTOR



Dear Reader,

It is a pleasure for me to share with you the summary of another year of challenges, efforts, and achievements, through the 2021 Annual Report.

Upon successfully overcoming the difficulties that we all faced during the pandemic period, on various levels, both economic and human, we slowly returned to normality, proceeding to the ongoing journey towards suspended goals and new objectives.

During 2021, the company's net profit and financial indicators improved; the Financial Year Premium amounted to about ALL 280 million and ALL 83.5 million were the Gross Paid Claims.

In the course of the pandemic, we worked towards establishing optimal conditions to incorporate the third company, part and member of the SiCRED family, which commenced its activity in February 2021, under the name SiCRED Distribution.

The SiCRED Distribution company, with its scope of activity, aims to bring back the art of national clothing and the reawakening of the Albanian tradition, creating a safe and reliable distribution network in the domestic and foreign markets.

We continued the work with confidence to establish and license a new life insurance product, considered as an added value for the Albanian consumer which will be ready for the market during 2022.

I avail of this short message to conclude with a heartfelt 'Thank You' dedicating the gratitude to our customers, partners, shareholders, and staff.

Furthermore, I invite you to enjoy reading the 2021 Annual Report together.



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 provide a wider range of benefits to its clients, SiCRED sh.a. has invested in the below companies:

- **SiCRED ASSISTANCE sh.p.k.** which provides services in accordance with the legislation in force, for Safety and Health at work; Mediation in Employment and Mediation in Health Services. SiCRED sh.a. owns 100% of the capital of this company.
- **SiCRED Distribution sh.p.k.** which is focused on the business of handicrafts, clothing and traditional Albanian products. SiCRED sh.a. owns 100% of the capital of this company.
- **CREDINS Invest sh.a.** – Fund Management Company, which manages voluntary pension funds, investment funds and alternative investment funds. SiCRED sh.a. owns 12% of the shares of this company.

1.1 Our vision

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

1.2 Our mission

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

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

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

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.	Mr. Egi Santo	Member

C. General Directorate:

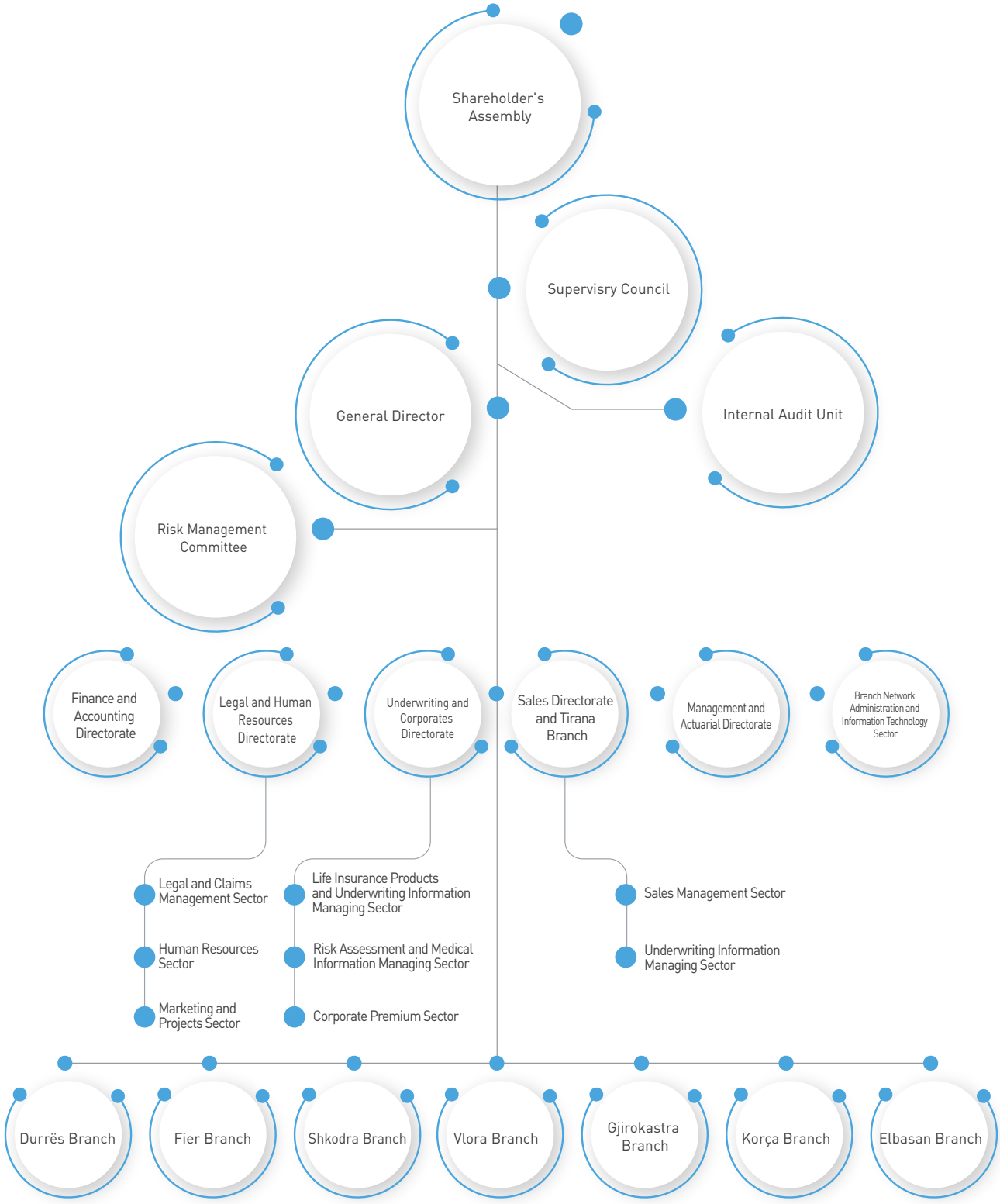
1.	Mr. Genc KOXHAJ	General Director

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.

1 Data available as of 31st December, 2020

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



Genc Koxhaj
General Director



Matilda Thoma
Internal Audit



Gladiola Jani
Director
Underwriting and
Corporates Directorate



Mirjeta Luca
Director
Sales Directorate
and Tirana Branch



Petrina Duka
Director
Administration and
Actuary Directorate



Teuta Locaj
Director
Finance and
Accounting Directorat



Vjosa Bodo
Director
Legal and Human
Resources Directorate

4. MAIN DEVELOPMENTS DURING 2021

4.1 Main financial indicators 2017-2021

4.2 SiCRED Distribution, the newest company of the SiCRED family, comes to life

4.3 Extra collaborations and benefits for the public

4.4 Expansion of SiCRED Medical Network

4.5 Human Resources Management

During 2021, the general situation of the insurance market appears improved, compared to the decline suffered the previous year due to the pandemic. The Insurance Gross Written Premiums have increased in percentage terms for the entire market, with a change of 16.02%.

Meanwhile, the Gross Claims Paid continued to demonstrate a steady increase in the activity of the Life insurance market, with a percentage of 31.57%, while they suffered a decrease compared to the previous year, with -11.82%, in the activity of the Non-Life Insurance market.

Insurance gross written premiums 2020-2021*

Activity	Gross written premiums (in thousand ALL)		Difference in %
	2020	2021	2021/2020
Life	1,165,282	1,430,262	22.74
Non-Life	15,433,412	17,810,270	15.40
Reinsurance	9,316	27,267	192.69
Total	**16,608,010**	**19,267,798**	**16.02**

*Source: Statistical Bulletin, Insurance Market, AFSA, Year 2021

Gross paid claims 2020-2021*

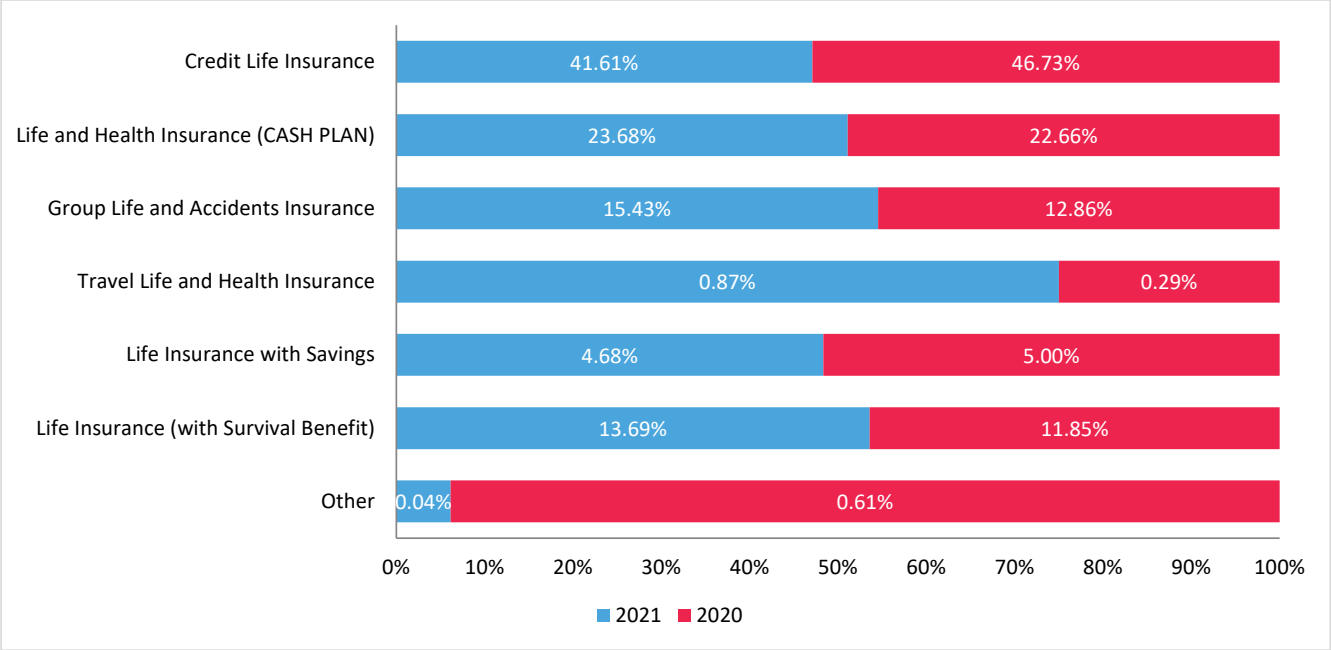
Activity	Gross paid claims (in thousand ALL)		Difference in %
	2020	2021	2021/2020
Life	257,289	338,520	31.57
Non-Life	6,870,056	6,057,828	(11.82)
Paid Claims for Compensation Fund	369,216	269,234	(27.08)
Total	**7,560,213**	**6,665,582**	**(11.08)**

*Source: Statistical Bulletin, Insurance Market, AFSA, Year 2021

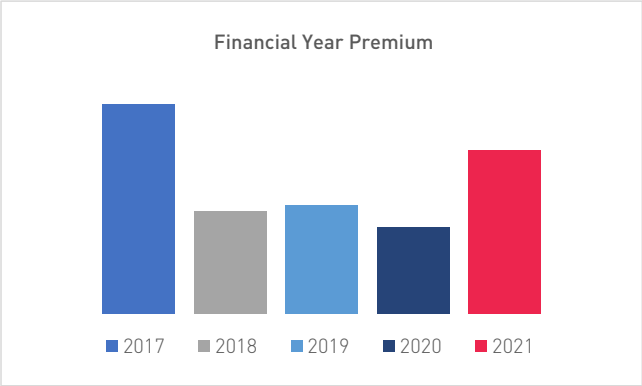
As of December 2021, SiCRED sh.a. provided a list of 14 products, licensed by AFSA, as follows:

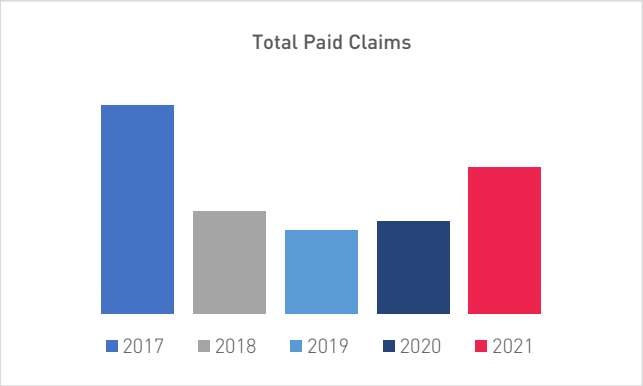
1. **Credit Life Insurance** provides coverage in the event of loss of life of the insured due to natural or accidental causes. The insurance policy is a financial guarantee both for the credit institution as well as the creditor (the Insured person), as it releases the family of the creditor from paying 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. **Evolutive Life Insurance,** which insures the life of an individual interested in financially protecting the future of family members who are economically dependent on him.
5. **Life Insurance from Sudden Diseases and Accidents,** which is designed to provide financial protection for the descendants of the insured, if the latter loses his life unexpectedly from an illness or accident.
6. **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.
7. **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.
8. **Travel Life and Health Insurance** provides coverage for a series of risks that may occur to persons travelling abroad.
9. **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.
10. **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.
11. **Combined Life Insurance** provides coverage to any sudden event, due to natural or accidental causes, due to manifestation of critical illnesses, etc.
12. **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.
13. **Visitors Life and Health Insurance** is offered to foreigners visiting Albania or staying in Albania for up to one year.
14. **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.

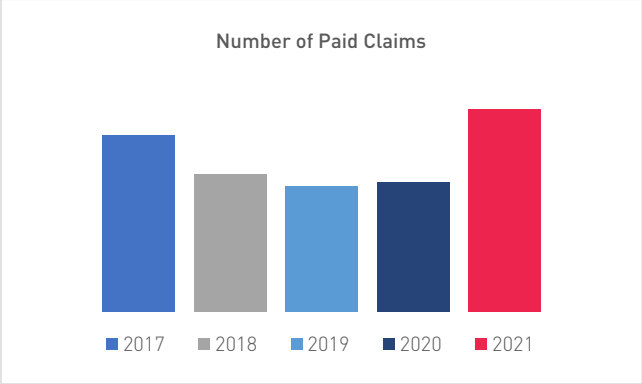
The division of Gross Written Premium as per main products during 2020-2021

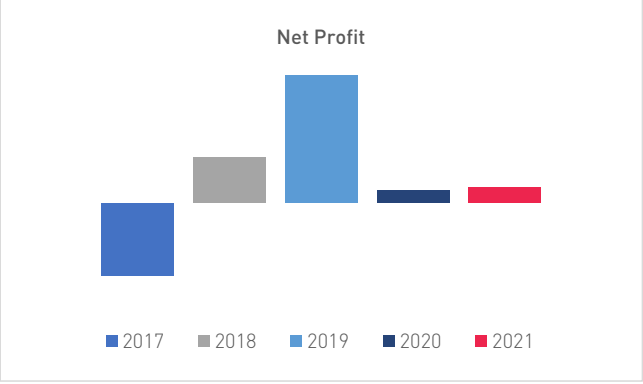


4.1 Main Financial Indicators[2] of SiCRED sh.a. for the period 2017-2021

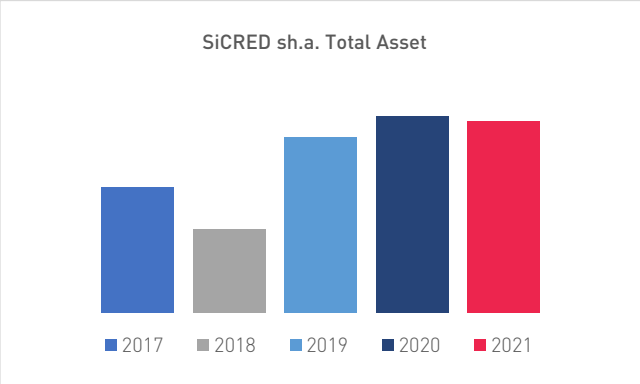


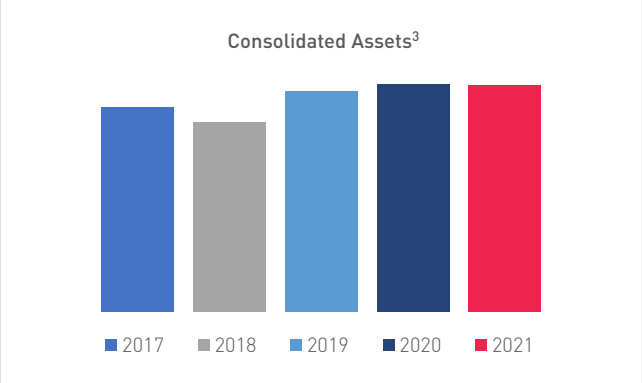


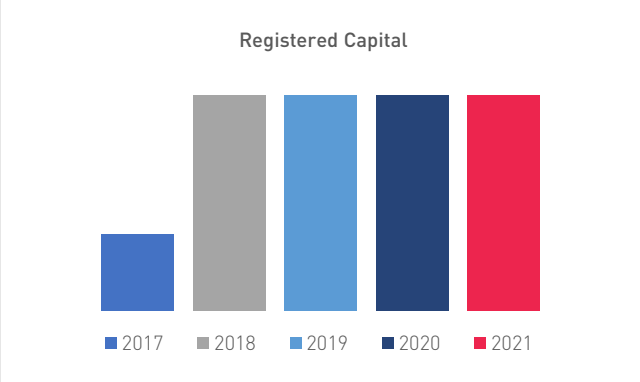


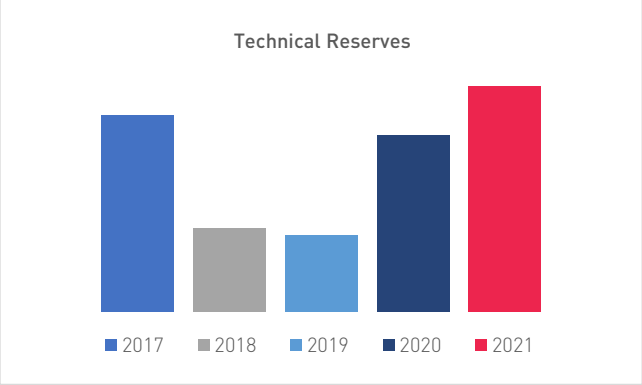


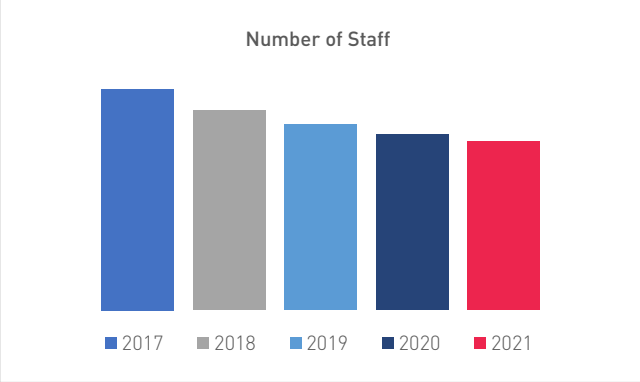
2 In accordance with Separate Financial Sheets of SiCRED sh.a.











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

4.2 SiCRED Distribution, the brand-new company of the SiCRED family, comes to life

SiCRED Distribution started as a project of particular importance in the creation of economic and social values, entirely focused on the craftsmanship business.

In order to promote national art and tradition, SiCRED Distribution has been the promoter of the "Return to tradition" initiative, where a series of institutions, partners, organizations located domestically, and Albanian business entities were invited to integrate symbolic that represents tradition in their premises, Albanian handicrafts, traditional clothing or other domestic produced products.

The company aims to support domestic business, at the same time to promote the continuance of the tradition of artisans by establishing a safe and reliable distribution network domestically and in foreign markets; as well as create strategic partnerships with businesses.

Driven by the desire to return to the "heart of tradition", the name SiCRED Distribution aims to convey reliability, by providing the best to customers.



Mission

SiCRED Distribution aims to play a special role in the economic development of the artisan and craftsmanship sector, providing competitive choices, and through dedicated service, aims to enhance access to the cultural values of tradition.

Vision

SiCRED Distribution aims to be a leader in the field of trade in clothing and handicrafts, with a vision for continuous growth in the country and abroad. Quality, careful selection and fairness in service represent our core values contributing to customer confidence.

4.3 Extra collaborations and benefits for the public

Through the cooperation between SiCRED and CREDINS Bank, different categories of bank clients have had the opportunity to benefit from SiCRED insurance products for free.

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

Thanks to the long-term collaboration between SiCRED sh.a. and CREDINS Invest sh.a., members of the "CREDINS Pension" Pension Fund, benefited for free:

1. Life and Accidents Insurance for one year!
2. The SiCRED Insurance Card.
3. Up to **60%** discount at over 180 clinics and hospitals of SiCRED medical network.

4.4 Expansion of SiCRED Medical Network

Being provided with the quality medical service at the right time represents our concern for every person insured at SiCRED. Therefore, as part of our strategy to develop health insurance products, we have expended the SiCRED Medical network, in order that every insured person, despite the location, gets medical access as close as possible to their presence. During 2021, we expanded the geography of collaborating hospitals and clinics, with over 50 new clinics and laboratories in Albania.

At the end of 2021, SiCRED medical network counted over 180 clinics and hospitals.

Within the territory of the Republic of Albania:

- 126 medical 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 14 hospitals and medical centers
- Austria – 5 clinics
- Turkey – 27 clinics and hospitals
- Greece – 6 hospitals

4.5 Human Resources Management

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.

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

Number of employees	48 employed
Average age of employees	36 years of age
Female employees	73%
Male employees	27%
Average work engagement	6.76 years

5. OBJECTIVES OF SiCRED SH.A. FOR THE YEAR 2022

- **Increasing the Volume of Annual Premiums –** The company aims to increase the volume of insurance annual premiums for the year 2022 with 14.50%.
- **Accurate Management of General Costs and Expenditures –** SiCRED aims to maintain a stable ratio of administrative and underwriting expenditures, by increasing the efficiency of its products without impacting the quality of client services, employee interests, nor shareholders' interests.
- **Diversification of Financial Investments -** SiCRED aims to diversify its financial investments, in line with the company's investment policies, in order to avoid the risk of excessive loss and to obtain a reasonable return on investment.
- **Expanding the Range of Products -** During 2022 SiCRED will launch its newest term life insurance product, Evolutive Life Insurance, which represents an innovation for the insurance market.
- **Educate the Public about Life Insurance –** SiCRED aims to continue its work to raise awareness and further inform the public about life insurance and its importance. The aim is to work with informative articles on blogs and the social networks of the company, as well as reportages and articles in the media.
- **Corporate Social Responsibility –** SiCRED aims to increase its impact on the Albanian society, as it will continue to contribute to common social policies and by increasing community investments.
- **Expansion of Medical Network –** During 2022, SiCRED aims to continue the expansion of its medical network in the country and abroad, in order to provide quality services in view of the specialties that the insurance policy covers.

6. CREDINS INVEST PROGRESS DURING 2021

6.1 Progress of "CREDINS Pension" Voluntary Pension Fund during 2021

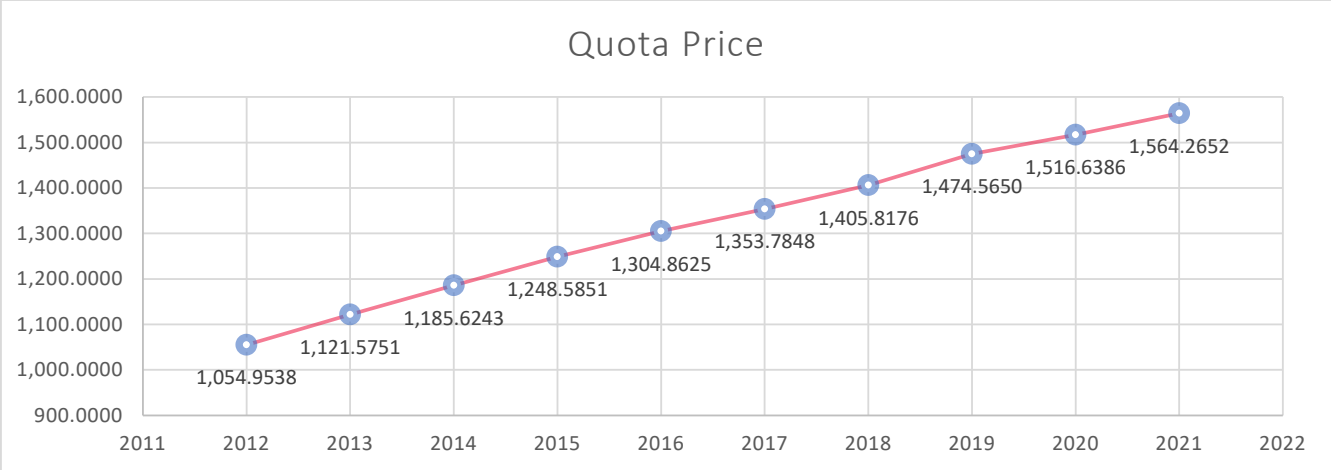
During 2021, "CREDINS Pension" Voluntary Pension Fund has continued its progress by reaching a number of 18,316 members, compared to 17,617 members at the end of 2020. According to the market share on December 31, 2021, CREDINS Pension ranked first in the Albanian private pension market, owning 54.56% of the market in terms of number of members.

Pension fund members belong to individual schemes or professional schemes. For years, the company Credins Invest sh.a. manages institutions with a significant number of employees, who are included in professional schemes of the voluntary pension fund, by joining their staff and contributing for them. 23% of pension fund members are part of professional schemes, which include state institutions, financial institutions, and private companies.

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

The Net Asset Value of the Fund as of 31 December 2021 reached 1,349,016,099.54 ALL, with an increase of 24% compared to the 31st December 2020. The net rate of return for the Fund portfolio for the period 31 December 2020 – 31 December 2021 was 3.14%.

The progress of the quota price through the years is presented as follows, up to 31 December 2021:



6.2 Progress of "CREDINS PREMIUM" Investment Fund during 2021

Advantages of the Investment Fund:

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

The net value of fund assets on 31 December 2019 was 3,638,537,279 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 1357.5674 ALL
- Investment return (31.12.2020–31.12.2021)* 4.41%
- Modified duration 3.43 years

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

After licensing by the Albanian Financial Supervisory Authority, pursuant to decision no. 207 dated 29.12.2020, during 2021, Credins Invest has started the administration of two alternative investment funds, as the Alternative Investment Fund Management Company, providing investment funds to professional and qualified clients:

- Alternative investment fund Sea Land - Limited Partnership CIU, approved by Decision No. 57 dated 26.03.2021, by the Albanian Financial Supervisory Authority Board and
- Alternative investment fund Green View - Limited Partnership CIU, approved by Decision No. 241 dated 29.12.2021, by the Albanian Financial Supervisory Authority Board and

7. A SUMMARY OF 2021 SiCRED ASSISTANCE EVENTS



Message from the Administrator, Mrs. Vjosa Bodo

I feel honoured to introduce an introductory summary for the 2021 Annual Report of SiCRED Assistance, after a decade in leadership as the sole administrator of this legal entity. Today, after this experience, I state with great conviction that we have provided the highest standards of service, promoting the values of an excellent legal organization established work standards, as well as a professional and dedicated team of the SiCRED Assistance company. Firstly, I avail of this opportunity to thank all the collaborators of SiCRED Assistance, and its shareholders.

Performance during 2021

While we are still facing the consequences of the pandemic, the income generated throughout 2021 provided SiCRED Assistance with a positive balance, as well as the necessary liquidity to overcome the challenges of the business activity.

All legal entities country-wide experienced a situation where the increase in economic activity had a positive effect on public finances and the liquidity of the local market, however as a challenging year, most of our work, as a subject of legal advice, is clearly dominated by the issues emerging from COVID-19. The pace, scale and complexity of our contribution, through legal advice on the response to the pandemic, was led by extreme intensity throughout 2021.

From the dynamics of events with the initial restrictions of the lock down, amidst many and frequent changes, to economic support measures, implications for labour force rules, including international travel, and border control measures, as well as duties, which were imposed on employers with direct implications and costs for the business, with the aim of undertaking the necessary measures to work under the conditions of the pandemic. During this period under a self-analyses at the end of this 12 months, we can say with confidence that the SiCRED Assistance services were of vital importance, regarding the legal support and advice provided.

These issues, together with other efforts dedicated for 2021, point out the excellent work performed by the SiCRED Assistance team, as well as the innovative and flexible methods that this entity has undertaken in response to the challenges imposed.

Services provided in the form of consultancy, experienced an increase in income throughout the year 2021, despite the fact that the realized income was less than the projections.

However, despite the difficulties of the financial market during 2021, the SiCRED Assistance company, with its professional and careful administration, demonstrated that the result can be achieved with determination and dedication to achieve expectations.

The market's future

Together with the SiCRED Assistance team, with all the issues in the legal consulting and labour markets, we have interacted giving more priority to the development of inspiring and confident leadership embodied by true values. Based on this thesis, I believe that we can create in the local market legal advice, work based on merit, legitimacy and sustainability, encouraging and creating a common and comprehensible language between the efficient use of human resources, regardless of local conditions and characteristics.

We believe that soon our market will be identified as a market where conditions and safety at work are duly respected, the rule of law is efficient and where the diversity of the workforce is respected.

Sincerely,

Atty. Vjosa Bodo Mujo

SiCRED Assistance sh.p.k. Administrator



INTERNAL AUDITING REPORT

1. Legal basis

In the exercise of its activity and with the aim to meet its functional goals, the Internal Audit Unit is supported by the following laws and by-laws.

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

2. Organisation

- **Mission of the Internal Audit**

The mission of Internal Audit Unit is to support senior management in carrying out their functional responsibilities. The Audit accomplishes this mission by:

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

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

- **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.

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

Internal audit operates in accordance with the laws and in the capacity of special structure. The Internal Audit is a company's employee appointed to the Internal Audit Unit. The Audit Unit exercises its competencies independently and in an integrated manner, by evaluating the governance and risk management processes within the company. The 2021 audits were conducted by an auditor appointed by the Supervisory Board. The internal auditor of the Company has a degree in economics and 19 years of work experience in the field of insurance. As regards auditing, internal audits were conducted in accordance with applicable laws and regulations as well as in support of the annual program approved by the Supervisory Council. The Internal Audit Unit is familiar with and adapts to the changing requirements of internal laws and regulations.

- **The global COVID-19 pandemic**

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

To limit the risk of exposure to the COVID-19 pandemic, SiCRED sh.a. reviewed the insurance procedures for SiCRED sh.a. insurance products. The COVID-19 pandemic, being a disease potentially affecting a large number of individuals within a short period of time, poses a real risk to SICRED insurance products. The management of the company performed periodic assessments of the financial situation, and ensured the stability and sufficient liquidity of the company to meet its obligations to staff, third parties and law-making bodies. The Management projects that the Company will have sufficient resources to ensure business going concern.

3. Analysis of the Internal Audit Activities

During 2021, the Internal Audit conducted its activity based on the annual plan approved by the Supervisory Council. All controls were conducted per topic, focusing on the analysis of processes, risks and data collected through the documentation that SiCRED sh.a. uses. A total of 15 auditing missions were conducted during 2021. The auditing was either full or partial, depending on the topic. All audits conducted mainly concentrated in the head offices, where SiCRED sh.a. carries out its activity, but also in several 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. Audits 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 2021. National and international standards have been applied during the drafting of the auditing documentation. During the year 2021, the auditing unit carried out 4 (four) meetings of the audit committee, documented with the respective minutes' records. During 2021 Albania did not amend or change accounting policies. In 2019 the Company has applied IFRS 16 for the recognition, initial measurement, subsequent measurement, presentation and lease disclosures beginning January 01, 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.

4. Declaration of impartiality

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

5. Auditing Plan for 2022

The objectives of the audit plan for 2022 shall be achieved through the harmonization of in-depth and thematic controls and through conducting risk assessments in a timely and effective manner. In determining the risks that the company will face in 2022, it shall be based mainly on the risks encountered during the last year, as well as on the recommendations issued by the regulatory bodies. Auditing shall also include insurance and reinsurance risk management, financial and accounting risk, legal risk, and risk related to underwriting. In terms of risk management, SiCRED sh.a. has set up a Risk Management Committee. The Risk Management Committee acts in accordance with the laws and in the quality of special structure and operates as an independent and objective unit, releasing specialized opinion in order to improve the activity of the company. In the meeting of the Audit Committee, held on 23.12.2021, the 2022 audit programme was reviewed and adopted by the Supervisory Board Decision no. 7, dated 23.12.2021.

For 2022, audits are expected to include the following departments and branches:

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

The audit also includes the management of the following risks:

Insurance and reinsurance risk

Financial and accounting risk

Legal risk

Insurance event risk

High risk controls

- Analysis of the operating expenses and minimization of expenses, which have an impact on the outcomes of the company, taking into account the acceptable and comparable level of the market rate.
- Maintaining liquidity ratio at the required level. Solvency, technical provisions, assets covering provisions.

Medium risk controls

- Control of collection requests and debtors' obligations, time of their creation, payment deadlines and their timely collection.
- Main indicators of financial statements, statistical and accounting reports, analysis of administrative and underwriting expenses, analysis of specific items of financial statements.
- Procurement procedures and related costs.
- Related party transactions and reporting to the relevant authority.
- Alignment and update of the relevant guidelines regarding insurance products as life insurance loans, life and health, living with savings, life and accident insurances. Administration of sold insurance policies, reconciliation of premiums with the accounting procedures, calculation of insurance acquisition costs, implementation of insurance acquisition instruction. Inventory of sold policies and those available both in the head office as well as in the branches whereby the activity of the company is carried out.
- Insurance events practices, law enforcement and internal instructions, their liquidation.
- Prevention of money laundering and terrorism financing.

Low risk controls

- Procedures for recruiting new employees. Recruitment and dismissal decisions. Performance evaluation.
- Job payment, employee timer, staff bonuses.

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.

6. Internal Audit Unit Opinion

The Internal Audit Unit has performed the planned tasks based on the 2021 audit plan approved by the Supervisory Board. Although 2021 proved to be a challenging year as a result of the pandemic caused by COVID 19, the Audit Unit, by performing the relevant procedures and verifications, has influenced the identification, control and management of risks covered by each department or business branch.

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



Internal Audit Unit
Matilda THOMA

SiCRED sh.a.
Life Insurance Company
Consolidated Financial Statements
For the year ended 31 December 2021

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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 2021, 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 2021, 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.

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

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 scepticism 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.

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

- 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

23 May 2022

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Notes	31 December 2021 in ALL	31 December 2020 in ALL
ASSETS			
Cash and Cash equivalents	8	27,980,688	52,336,793
Restricted Cash		4,474,574	4,439,899
Term deposits	9	446,041,517	410,914,913
Investments in securities	10	158,010,238	158,794,521
Investment fund	11	-	8,357,438
Insurance and reinsurance receivable	12	38,178,865	37,121,716
Reinsurance assets	14	13,229,921	19,408,556
Deferred acquisition cost	13	19,218,276	13,513,193
Prepayment income tax		191,019	-
Deferred income tax	34	715,068	479,497
Other Assets	15	14,786,668	12,568,963
Investments in Associates	16	10,379,118	8,169,402
Property, plant and equipment, net	18	32,318,213	36,552,418
Right of use Assets (Rent)	18,19	55,270,391	64,248,410
Intangible assets, net	17	7,433,399	6,912,700
TOTAL ASSETS		**828,227,955**	**833,818,419**
LIABILITIES			
Other liabilities	20	23,054,770	17,165,906
Lease liabilities	19	59,022,774	67,802,027
Insurance and reinsurance payable	21	15,109,792	20,270,735
Due to financial institutions	22	1,211,794	2,685,640
Income Tax Payables			169,430
Deferred tax liabilities		235,570	190,376
Liabilities for losses and loss adjustment expense	23	32,411,014	47,644,609
Unearned premium reserve	24	134,841,600	132,514,116
Other reserves	25	68,479,131	45,781,863
TOTAL LIABILITIES		**334,366,446**	**334,224,702**
EQUITY			
Paid-up capital	26	490,062,000	490,062,000
Retained losses	26		
Current year profit	26		
Equity attributable to owners of the Group	26		
Non-controlling interest		(2,265,517)	3,781,604
TOTAL EQUITY		6,065,026	5,750,113
TOTAL LIABILITIES AND EQUITY		493,861,509	499,593,717
Interesi jo-kontrollues		-	-
Totali kapitalit		493,861,509	499,593,717
TOTALI I DETYRIMEVE DHE KAPITALI		**828,227,955**	**833,818,419**

Genc Koxhaj
General Director

SHOQËRIA E SIGURIMIT TË JETËS SiCRED DREJTORIA E PËRGJITHSHME TIRANË

Teuta Locaj
Head of Finance and Accounting Directorate

The accompanying notes on pages 33 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 2021

	Notes	Year ended 31 December 2021 in ALL	Year ended 31 December 2020 in ALL
Gross written premiums	27	279,740,523	251,658,909
Reinsurer's share of gross written premiums	28	(17,780,969)	(13,714,446)
Net written premiums		**261,959,554**	**237,944,463**
Net change in reserve for unearned premiums	24	(2,173,853)	7,353,850
Net change in other reserves	25	(22,870,580)	(10,433,240)
Net change in reserve for reinsures	13	(6,178,635)	9,559,449
Net change in deferred acquisition cost	14	5,705,083	(7,919,400)
Net insurance premium income		**236,441,569**	**236,505,122**
Finance income, net	29	9,506,297	10,112,299
Share of profit/ (loss) of an associate for the period	16	2,635,453	2,128,687
Other operating income	30	25,328,493	3,787,534
Total income		**273,911,812**	**252,533,642**
Losses and loss adjustment expense	23	(68,278,404)	(69,923,926)
Acquisition costs	31	(80,569,516)	(57,165,610)
Personnel expenses	32	(65,297,198)	(60,458,288)
Administrative expenses	33	(34,194,002)	(39,625,792)
Depreciation	18,19	(18,267,422)	(18,573,224)
Total expenses		**(266,606,542)**	**(245,746,840)**
Profit/(loss) before Tax		**7,305,270**	**6,786,802**
Income tax expense	34	(1,240,244)	1,036,689
Profit/(loss)of the year, net		**6,065,026**	**5,750,113**
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year		**6,065,026**	**5,750,113**
Profit/(loss) for the year attributed to:			
Owners of the Group		6,065,026	5,750,113
Non-controlling interests		-	-
		6,065,026	**5,750,113**
Total comprehensive profit/(losses) attributed to:			
Owners of the Group		6,065,026	5,750,113
Non-controlling interests		-	-
		6,065,026	**5,750,113**

The accompanying notes on pages 33 to 73 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Share capital	Paid-in capital, unregistered	Legal reserve	Other reserves	Accumulated losses	Totali	Non-controlling interest	Total Equity
	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL	in ALL
Balance at 31 December 2019	**490,062,000**	**-**	**-**	**-**	**3,781,604**	**493,843,604**	**-**	**493,843,604**
Current year profit/ (loss)	-	-	-	-	5,750,113	5,750,113		5,750,113
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-
Total comprehensive profit/ (loss) for the period	**-**	**-**	**-**	**-**	**5,750,113**	**5,750,113**		**5,750,113**
Transactions with owners of the Group								
Total transactions with owners of the Group	**-**				**-**	**-**	**-**	**-**
Balance at 31 December 2020	**490,062,000**	**-**	**-**	**-**	**9,531,717**	**499,593,717**	**-**	**499,593,717**
Current year profit/ (loss)	-	-	-	-	6,065,026	6,065,026	-	6,065,026
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-
Total comprehensive profit/ (loss) for the period	**-**	**-**	**-**	**-**	**6,065,026**	**6,065,026**		**6,065,026**
Transactions with owners of the Group					(11,797,234)	(11,797,234)	-	(11,797,234)
Increase in paid-in capital and other reserves	-				-	-		-
Total transactions with owners of the Group	**-**	**-**	**-**	**-**	**(11,797,234)**	**(11,797,234)**	**-**	**(11,797,234)**
Balance at 31 December 2021	**490,062,000**	**-**	**-**	**-**	**3,799,509**	**493,861,509**	**-**	**493,861,509**

The accompanying notes on pages 33 to 73 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 in ALL	Year ended 31 December 2020 in ALL
Cash flows from operating activities			
Profit/(loss) for the year		**7,305,270**	**6,786,802**
Adjustments for:			
Depreciation	18	18,267,422	18,573,224
Losses from disposal of tangible assets	18	217,035	780,180
Gain from sale of Property, plant and equipment		(37,318)	(72,209)
Change in reserve for unearned premiums	24	2,173,853	(7,353,850)
Change in reserve for reinsures	13	6,178,635	(9,559,448)
Change in other reserves	25	22,870,580	10,433,240
Change in losses and loss adjustment expense	23	(15,253,272)	17,214,106
Allowance for impairment	12	(3,863,772)	235,952
Interest expense	29	2,885,527	3,715,117
Interest income	29	(14,196,076)	(14,046,024)
Cash flow before changes in assets and liabilities		**26,547,884**	**26,707,090**
Loss from change in the net carrying amount of investment in associate	16	(2,209,716)	(1,848,846)
Changes in operating assets and liabilities:			
Change in insurance acquisition costs	13	(5,705,083)	7,919,400
Change in insurance and reinsurance receivable	12	(1,057,149)	(1,529,345)
Change in other assets	15	(2,217,705)	236,183
Change in restricted cash	8	(34,675)	(43,023)
Change in insurance and reinsurance payable	21	(5,160,943)	8,417,565
Change in other liabilities	20	5,888,864	2,419,861
Change in tax accounts		45,194	(5,690)
Change in account with related parties	15	-	11,971
Change in assets in use	19	(8,779,253)	(9,593,544)
Interest Paid	29	(2,885,527)	(3,715,117)
Income tax paid		644,224	(852,001)
Cash flow generated from operating activities		**5,076,115**	**28,124,504**
Cash flows from investing activities			
Purchases of tangible assets	18	(4,491,717)	(4,262,238)
Sale of tangible assets		64,836	195,657
Purchases of intangible assets	17	(596,549)	(180,000)
Investment in associates		14,196,076	14,046,024
Received Interest	29	(35,126,604)	(6,558,923)
Increase of term deposits	9	(1,000,000)	(10,000,000)
Purchases of securities	10	-	1,820,000
Matured Investment securities		1,784,281	(1,768,168)
Change in interest rate securities		8,357,438	6,783,893
Investment in securities	11	(16,812,239)	76,245
Cash flows used in investing activities			
Cash flows used in financing activities		**(11,146,135)**	**-**
Overdraft		112,064	(361,543)
Financial Lease	22	(1,585,910)	(151,553)
Cash flows used in financing activities		**(12,619,981)**	**(513,096)**
Net increase in cash and cash equivalents		**(24,356,105)**	**27,687,653**
Cash and cash equivalents at beginning of the year	8	52,336,793	24,649,140
Cash and cash equivalents at end of the end of the year	8		**-**
		27,980,688	**52,336,793**

The accompanying notes on pages 33 to 73 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

SiCRED sh.a ("Society") was established on October 7, 2003, as a Life Insurance Company located in Albania. The company was licensed by the Insurance Supervisory Authority (the "Authority") and started its insurance activity on October 1, 2004.

The company has branches located mainly in Tirana, Durrës, Shkodra, Fier, and Korça. The insurance market in Albania is regulated by law no. 52/2014 dated 22.05.2014 "On insurance and reinsurance activity."

SiCRED Group JSC consists of SiCRED JSC in the quality of parent, SiCRED Assistance Sh.pk and SiCRED Distribution Sh.pk where SiCRED JSC owns 100% of the shares, "CREDINS INVEST JSC - Fund Management Company of Collective Investment Pensions and Enterprises, where Credins Bank owns 12% of the shares Information about the Group is presented in note 7.

The consolidated Financial Statements include the Company and its Subsidiaries (collectively referred to as the "Group"). As of December 31, 2021, the Group had 55 employees and management staff (2020: 54).

The Head Office of the Company is located in Tirana at Brigada VIII Street, Villa no. 3/1.

2. BASIS OF PREPARATION

a) Basis of Compliance

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

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2021. 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 another investor
- Rights deriving from other contractual arrangements
- The Group's voting rights and potential voting rights.

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

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

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

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

f) Going Concern

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 December 31, 2021, the parent company has resulted in capital of + 63,184,358 ALL (2020: + 65,904,473 ALL), which is the solvency, and active in covering technical provisions with 131.35% (2020: 125.56%) over the level of norms required by law and regulatory acts of the Financial Supervisory Authority. For disclosures about the law and regulations in force up to the reporting date for the calculation of these reports refer to the supplementary schedules.

COVID-19 impact

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

Based on the publicly available information, the Group Management considered a number of scenarios regarding the potential development and its expected impact on the entity and the economic environment in which it operates.

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

Management continuously assessed the situation during 2021 which continued to be improving and premium income was realized about 111.9% compared to 2020.

Nevertheless, although the indicators of revenue realization increased, the Group Management continued to take actions aimed at mitigating financial risk, which include in particular:

- In the period January-March 2021, the Management of the Company evaluated the effectiveness of its branches and since a part of the work volume is concentrated in the center decided to close the three branches Vlora, Gjirokastra and Elbasan by reorganizing their geographical coverage respectively from Fier Branch and Durrës Branch.
- In reducing the rental expenses in the Head Offices by 20% for 2021.
- Reduction of projected expenses for rewards, training and other general expenses.

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

Consequently, management anticipates that the Group will have sufficient resources to ensure business continuity for a period of at least 12 months from the reporting date. Management concluded that the full range of possible outcomes considered to achieve this judgment does not create material uncertainty about events or conditions that could cast doubt on the Group's ability to 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 2021, the Group has not changed the accounting policies. Requirements of the new accounting standard IFRS 16 "Leases" entered into force on 1 January 2019. The changes are explained in more detail in the relevant explanatory notes, principles contained in the Separate Financial Statements under changes in the presentation of the Financial Statements and transition to IFRS 16.

b) Business combination and goodwill

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Investment in associates and joint ventures

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

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

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

The Group's investments in its associate and joint venture are booked using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The goodwill associated with an associate or joint venture is included in the carrying amount of the investment. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. Each additional acquisition of shares in the associate, which 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 recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

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

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

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and it is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021, and 2020 are the official exchange rates of the Bank of Albania (Lek against foreign currencies) presented below.

	31 December 2021	31 December 2020
USD	106.54	100.84
EUR	120.76	123.70

e) Classification of insurance and investment contracts

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

f) Recognition and measurement of contracts

Premiums

Life insurance premiums – short-term

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

Life insurance premiums – long-term

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

Reinsurance premiums

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

Investment income

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition and measurement of contracts (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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) Identifikimi dhe matja e rënies në vlerë

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
h) Financial Instruments (continued)

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. Term deposits with a contractual maturity of less than three months are classified as cash equivalents, those with a maturity between three and twelve months are classified as investments in time deposits. Interest is calculated using effective interest method and interest receivable is included in term deposits with banks.

k) Investment securities

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

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

l) Property and equipment

(i) Recognition and measurement

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

(ii) Subsequent cost

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Property and equipment (continued)

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

o) Share capital

Share capital is stated at par value.

p) Revenues

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

q) Expenses

Operating lease payments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

u) Tax

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

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

Deferred tax is recognized in the amount equal to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Tax (continued)

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws in force at the reporting date.

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

The Group has resulted in accounting and fiscal profit for the year ended 31 December 2021 and for the year ended 31 December 2020. Also, the Group in 2021 and 2020 has recognized deferred tax in these separate financial statements.

v) Standards and Interpretations effective in the current period

(i) New and revised standards which are in force for annual periods beginning on or after 1 January 2021

Some accounting standards that have become effective as of January 1, 2021, and that have been adopted do not have a material impact on the financial results or position of the Group.

Other standards and amendments that are effective for the first time in 2021 (for an entity as of the end of 31 December 2020) and may be applicable to the Group are:

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Conceptual Framework for Financial Reporting

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

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

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

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

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

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

The right to defer repayment

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

Existence at the end of the reporting period

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

Management expectations

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

The meaning of the term 'repayment'

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

4. INSURANCE AND FINANCIAL RISK MANAGEMENT

a) Risk management objectives and policies for mitigating insurance risk

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

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

Regulatory capital is also managed (though not exclusively) by referring to the insurance risk to which the Group is exposed. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and payments to the beneficiary exceed the carrying amount of the insurance liabilities. This may arise because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number 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 2020 and 31 December 2019. The analysis of such contractual exposures is considered the best indicator of the insurance risk concentration.

Age for Credit Life Insurance	31 December 2021		31 December 2020	
	in ALL	in %	in ALL	in %
Up to 29	2,138,970,202	13%	1,401,971,295	10%
30 – 39	5,904,788,758	35%	5,457,095,135	38%
40 – 49	4,993,120,759	29%	4,284,843,892	30%
50 – 59	3,578,698,897	21%	3,003,989,425	21%
Over 60	389,337,182	2%	362,111,820	2%
Total	**17,004,915,799**	**100%**	**14,510,011,567**	**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.

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

g) Market risk

Market risk includes three types of risk:

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

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

The foreign exchange rates used as of 31 December 2021 and 31 December 2020 are the official rates of Bank of Albania (LEK to the foreign currency unit) as set out below:

	31 December 2021	31 December 2020
USD	106.54	100.84
EUR	120.76	123.70

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)

(i) Foreign currency risk management

Assets and liabilities in foreign currencies as of 31 December 2021 (amounts translated to ALL) are as follows:

31 December 2021	In ALL	In EUR	In USD	Total
Assets				
Cash and cash equivalents	20,246,890	12,028,303	180,069	**32,455,262**
Term deposits and interest income	267,813,168	156,712,905	21,515,445	**446,041,518**
Investment in securities	158,010,238	-	-	**158,010,238**
Investment fund	-			**-**
Insurance and reinsurance receivable	29,684,968	8,480,312	13,585	**38,178,865**
Prepaid income tax	191,019			**191,019**
Other assets	4,086,329	6,372,615	-	**10,458,944**
Total Assets	**480,032,612**	**183,594,135**	**21,709,099**	**685,335,846**
Liabilities				
Liabilities for losses and loss adjustment expense	18,123,556	13,895,452	392,006	**32,411,014**
Other reserves		68,479,131		**68,479,131**
Insurance and reinsurance payable	8,146,289	6,963,503	-	**15,109,792**
Due to financial institutions	-	1,211,794	-	**1,211,794**
Other liabilities	18,384,924	4,670,229	(383)	**23,054,770**
Total Liabilities	**44,654,769**	**95,220,109**	**391,623**	**140,266,501**
Net Position	**435,377,842**	**88,374,026**	**21,317,476**	**545,069,344**

Assets and liabilities in foreign currencies as of 31 December 2020 are as follows:

31 December 2020	in ALL	in EURO	in USD	Total
Assets				
Cash and cash equivalents	30,443,952	26,192,420	140,320	**52,336,793**
Term deposits and interest income	256,918,444	132,643,465	21,535,004	**410,914,913**
Investment in securities	158,794,521	-	-	**158,794,521**
Investment funds	8,357,438	-	-	**8,357,438**
Insurance and reinsurance receivable	25,345,352	11,768,685	7,679	**37,121,716**
Prepaid income tax	(169,430)	-	-	**(169,430)**
Other assets	6,410,571	3,240,324	-	**9,650,895**
Total Assets	**486,100,848**	**173,844,894**	**21,501,003**	**681,446,745**
Liabilities				
Liabilities for losses and loss adjustment expense	26,345,381	21,251,010	48,218	**47,644,609**
Other reserves	-	45,781,863	-	**45,781,863**
Insurance and reinsurance payable	7,967,061	12,303,674	-	**20,270,735**
Due to financial institutions	-	2,685,640	-	**2,685,640**
Other liabilities	5,892,721	11,274,001	(816)	**17,165,906**
Total Liabilities	**40,205,163**	**93,296,188**	**47,402**	**133,548,753**
Net Position	**445,895,685**	**80,548,706**	**21,453,601**	**547,897,992**

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)
g) Market Risk (continued)

(ii) Interest rate repricing analysis

The following tables present the Group's financial assets and liabilities analysed 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 2021 and 31 December 2020 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 2021	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		-	-	-	-	32,455,262	**32,455,262**
Term deposits	1.73%	242,654,560	40,000,000	160,633,905	-	-	**443,288,465**
Investment in securities	4.65%	48,000,000	18,200,000	90,000,000	-	-	**156,200,000**
Total financial assets		**290,654,560**	**58,200,000**	**250,633,905**	**-**	**32,455,262**	**631,943,727**
Financial liabilities							
Due to financial institutions	5.87%	(1,211,794)	-	-	-	-	**(1,211,794)**
Total financial liabilities		**(1,211,794)**	**-**	**-**	**-**	**-**	**(1,211,794)**
31 December 2020							
Financial assets							
Cash and cash equivalents		-	-	-	-	56,776,692	**56,776,692**
Term deposits	1.54%	249,243,363	88,000,000	72,205,930	-	-	**409,449,293**
Investment in securities	4.42%	30,000,000	12,000,000	113,200,000	-	-	**155,200,000**
Total financial assets		**279,243,363**	**100,000,000**	**185,405,930**	**-**	**56,776,692**	**621,425,985**
Financial liabilities							
Due to financial institutions	5.90%	(2,685,640)	-	-	-	-	**(2,685,640)**
Total financial liabilities		**(2,685,640)**	**-**	**-**	**-**	**-**	**(2,685,640)**

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

h) Credit Risk

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

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

Insurance and reinsurance receivable as of 31 December 2021 and 31 December 2020 by their age are as follows:

	31 December 2021		31 December 2020	
	35,227,957	92.3%	30,076,973	81%
1 - 90 days	2,106,433	5.5%	6,885,976	19%
91 - 365 days	844,474	2.2%	158,766	0%
Over 365 days	38,178,864	100%	37,121,715	100%
Total	**37,121,715**	**100%**	**35,592,372**	**100%**

i) Liquidity risk

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

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

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

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

i) Liquidity risk (continued)

Exposure to liquidity risk as of 31 December 2021 is presented as follows:

31 December 2021	Less than 1 month	1-3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	32,455,262	-	-	-	-	**32,455,262**
Term deposits and interest income	130,483,053	29,080,560	134,234,581	88,359,463	63,883,861	**446,041,518**
Investment in securities	31,810,238	1,000,000	35,200,000	80,000,000	10,000,000	**158,010,238**
Investment fund	-					**0**
Insurance and reinsurance receivable	19,172,889	4,586,946	14,419,030	-	-	**38,178,864**
Prepaid income tax	-	191,019				**191,019**
Other assets	9,662,271	145,000	362,500	289,173		**10,458,944**
Total Assets	**223,583,713**	**35,003,525**	**184,216,111**	**168,648,636**	**73,883,861**	**685,335,846**
Liabilities						
Liabilities for losses and loss adjustment expense	516,097	246,159	16,033,888	3,433,640	12,181,229	**32,411,014**
Other reserves	7,003,813	0	8,390,581	22,674,644	30,410,092	**68,479,131**
Insurance and reinsurance payable	7,845,951	4,909,840	2,354,001			**15,109,792**
Due to financial institutions	272,587	236,437	557,463	145,307.00	0	**1,211,794**
Other liabilities	10,417,707	322,411	10,853,456	1,461,196	-	**23,054,770**
Total Liabilities	**26,056,156**	**5,714,847**	**38,189,389**	**27,714,788**	**42,591,322**	**140,266,501**
Liquidity gap	**197,527,557**	**29,288,678**	**146,026,722**	**140,933,848**	**31,292,539**	**545,069,344**
Accumulated liquidity gap	**197,527,557**	**226,816,235**	**372,842,957**	**513,776,805**	**545,069,344**	**0**

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

i) Liquidity risk (continued)

Exposure to liquidity risk, based on contractual maturity as of 31 December 2020 is presented as follows:

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

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

j) Technical Interest

The technical interest rate for the year 2021 calculated based on the respective currencies was in ALL 2.73%, EUR 2.08%, and USD 1.00 % (2020: ALL 2.73 %, EURO 1.76%, and USD 1.24 %), 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 2021, 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 favourable development of the risk compared to the expected values, assures that the reserves are precisely charged.

k) Reserves and actuarial assumptions adequacy test

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

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

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

"Mortality" risk occurrence data for the years 2021 and 2020 are as follows:

	31 Dec 2021	31 Dec 2020
Number of people suspected to the risk of death	22,191	19,327
Age of people susceptible to the risk of death	18-70	18-70
Number of payments following deaths of insured annually	43	53
Estimated range of number of deaths in 1,000 people	0.33-42.3	0.33-42.3
Number of deaths in 1,000 people	1.94	2.80

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 2021 the Group has assigned reinsurances contracts for specific insurance contracts with the Reinsurance QBE Re (Europe) Ltd, who has a rating A+/Stable from "Standards and Poor's".

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

m) Sensitivity analysis

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

	(Loss)/Profit	Net Equity	Required Guarantee Fund
The situation on 31 December 2021			
Current	6,065,026	493,861,509	370,000,000
Increase in claims incurred	(8,475,244)	485,386,265	370,000,000
Increase in expenses (+10%)	(9,949,120)	475,437,145	370,000,000
The situation on 31 December 2020			
Current	5,750,113	499,593,717	370,000,000
Increase in claims incurred	(8,475,244)	491,118,473	370,000,000
Increase in expenses (+10%)	(10,008,408)	481,110,065	370,000,000

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

n) Capital Management

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

The basic capital includes the following:

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

The basic capital does not include the following:

- unpaid share capital;
- intangible assets;

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

The additional capital includes the following:

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

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

n) Capital Management (continued)

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

o) Capital Adequacy

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

5. USES OF ESTIMATES AND JUDGMENTS

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

(i) Management assessment on going concern

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

During 2021, the situation created by the global Covid-19 pandemic had little effect on the Group's economic activities. Based on publicly available information, the Company considered a number of scenarios regarding its potential entitlement and its impact on the entity and the economic environment in which it operates. The management of the parent company assessed in a behavioural manner during 2021 which continued to be pending and the proceeds from premiums were realized about 111.9% compared to 2020, sufficient to establish other trade links, related to staff to the authority's tax.

(ii) Calculation of Insurance Liabilities

See note 3.d.

(iii) Determining fair values

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

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

5. PUSES OF ESTIMATES AND JUDGMENTS (continued)

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

6. FAIR VALUE DISCLOSURE

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

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

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

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

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

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

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

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

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

6. FAIR VALUE DISCLOSURE (continued)

	Held-to-maturity	Loans and receivables	Other amortized cost	Total carrying amount	Fair value
31 December 2021					
Cash and cash equivalents	-	32,455,262	-	**32,455,262**	**32,455,262**
Term deposits	-	446,041,517	-	**446,041,517**	**446,041,517**
Investment securities	158,010,238		-	**158,010,238**	**154,705,075**
Investment fund		-	-	**-**	**-**
Insurance and reinsurance receivable		38,178,865	-	**38,178,865**	**38,178,865**
Other assets		10,458,944	-	**10,458,944**	**10,458,944**
Insurance and reinsurance payable		(15,109,792)	-	**(15,109,792)**	**(15,109,792)**
Due to Financial institutions		(1,211,794)	-	**(1,211,794)**	**(1,211,794)**
Income tax liabilities			-		
Other Liabilities		(23,054,770)	-	**(23,054,770)**	**(23,054,770)**
31 December 2020					
Cash and cash equivalents	-	56,776,692	-	**56,776,692**	**56,776,692**
Term deposits	-	410,914,913	-	**410,914,913**	**410,914,913**
Investment securities	158,794,521		-	**158,794,521**	**162,058,860**
Insurance and reinsurance receivable		8,357,438	-	**8,357,438**	**8,357,438**
Income tax liabilities		37,121,716	-	**37,121,716**	**37,121,716**
Other assets		9,650,895	-	**9,650,895**	**9,650,895**
Insurance and reinsurance payable		(20,270,735)	-	**(20,270,735)**	**(20,270,735)**
Due to Financial institutions		(2,685,640)	-	**(2,685,640)**	**(2,685,640)**
Income tax liabilities		-	-	**-**	**-**
Other Liabilities		(17,165,906)	-	**(17,165,906)**	**(17,165,906)**

7. GROUP INFORMATION

The consolidated financial statements of the Group include:

Name	Main Activities	Establishment Place	Consolidation period		% capital interest	
			31/12/2021	31/12/2020	31/12/2021	31/12/2020
Credins Invest	Voluntary pension fund management Group	Albania	-	-	12%	12%
SiCRED Distribution	Sale and purchase of Albanian artistic handicraft products, representation services,	Albania	31/12/2021	31/12/2020	100%	100%
SiCRED Assistance	Management and consulting services	Albania	31/12/2021	31/12/2020	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 International 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.

7. GROUP INFORMATION (continued)

The changes consist of the shareholding of SiCRED sh.a. and the new shareholders of the Company, respectively SiCRED sh.a. becomes the owner of 12.00% of the share package, Mrs. Estela KOCI becomes the owner in 5% of the share package, Mr. Egi Santo becomes the owner in 3.5% of the share package, Mr. Genc Koxhaj becomes the owner in 3.5% of the share package of the Company. The capital structure of Credins Invest as at 31 December 2021 and at 31 December 2020 is as follows:

	31 December 2021			31 December 2020		
	%	Number of shares	ALL	%	Number of shares	ALL
CREDINS Bank	76%	177,622.00	72,825,019	76%	177,622.00	72,825,019
SiCRED Sh.a.	12%	28,045.58	11,498,687	12%	28,045.58	11,498,687
Estela Koçi	5%	11,685.66	4,791,120	5%	11,685.66	4,791,120
Genc Koxhaj	3.5%	8,179.96	3,353,784	3.5%	8,179.96	3,353,784
Egi Santo	3.5%	8,179.96	3,353,784	3.5%	8,179.96	3,353,784
	100%	**233,713.16**	**95,822,394**	**100%**	**233,713.16**	**95,822,394**

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	31 December 2021	31 December 2020
Cash on hand	30,853	65,717
Cash at banks		
in foreign currency	12,208,372	26,317,233
in Lek	15,741,463	25,953,843
Subtotal of cash at banks	27,949,835	52,271,076
Cash and cash equivalents	**27,980,688**	**52,336,793**
Restricted balances	4,474,574	4,439,899
Total	**4,474,574**	**4,439,899**

On 31 December 2021, the restricted balance at the amount of ALL 4,474,574 (2020: ALL 4,439,899 ALL) is related to a guarantee fund that the Group has placed for securing the Life Insurance contract of the employees of the Bank of Albania, in cooperation with the insurance company INSIG sh.a. which will be released after the termination of the insurance contract, April 12, 2022 and the amount of ALL 100,000 refers to the Guarantee Fund for SiCRED Assistance regarding the additional licenses need for the activity.

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

	31 December 2021	31 December 2020
In EURO	12,028,303	26,176,913
In USD	180,069	140,320
	12,208,372	**26,317,233**

9. TERM DEPOSITS

Term deposits are detailed as follows:

	31 December 2021	31 December 2020
Guarantee fund	338,650,000	328,833,000
Saving accounts	102,079,915	78,057,743
Other deposits	2,558,549	2,558,553
Accrued interest	2,753,053	1,465,617
Total	**446,041,517**	**410,914,913**

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 2021	31 December 2020
Treasury Bills (Guarantee Fund)	43,000,000	42,000,000
Deferred Discount – Treasury Bills	(199,247)	(204,705)
Treasury Bills, net	**42,800,753**	**41,795,295**
Government Bonds	113,200,000	113,200,000
Accrued Interest	2,009,485	3,799,226
Government Bonds, net	**115,209,485**	**116,999,226**
	158,010,238	**158,794,521**

During 2021, 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 2020-2021, according to their maturity:

	31 December 2021		31 December 2020	
Maturity	**Minimum interest rate**	**Maximum interest rate**	**Minimum interest rate**	**Maximum interest rate**
Treasury Bills ALL				
12 months	1.75%	1.75%	1.75%	1.75%
Treasury Bonds ALL				
3 years				
5 years	3.70%	5.45%	3.70%	5.45%
7 years	4.08%	7.80%	4.08%	7.80%
10 years	7.90%	7.90%	7.90%	7.90%

11. INVESTMENT FUNDS

On 08.07.2019, according to the membership contract in the Investment Fund "Credins Premium" with the Management Company Credins Invest sh.a., it was invested to purchase 11,808,0307 units of the Investment Fund, with a unit price of 1,270,3219 ALL with a total value of 15,000,000.00 ALL. On August 28, 2020, the Company sold 5,380,5759 shares at a sale price of 1,300,9760 ALL and on September 1, 2021, the Company sold the remaining 6,427,4548 shares and the stock status on December 31, 2021, is 0 are presented as follows:

CREDINS Premium investment fund	31-Dec-21	31-Dec-20
Share price	-	1,300.2717
Number of shares purchased	-	6,427.4548
Investment amount	**-**	**8,357,438**

12. INSURANCE AND REINSURANCE RECEIVABLES

Insurance and reinsurance receivables according to the type of product for the year ended 31 December 2021 and 31 December 2020 are detailed as follows:

	31 December 2021	31 December 2020
Life and Accidents Debtors	27,617,637	21,267,752
Life and Health (Cash Plan) Debtors	3,596,847	2,295,606
Credit Life Debtors	9,531,837	19,493,588
Travel Life and Health Debtors	493,667	212,239
Life Insurance with Survival Benefits Debtors	2,313,177	2,631,510
Pupils and Students Debtors	-	459,095
Insurance and reinsurance receivables, gross	**43,553,165**	**46,359,790**
Provision for customers	(5,374,300)	(9,238,074)
Insurance and reinsurance receivables, net	**38,178,865**	**37,121,716**

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

	2021	2020
Balance at the beginning of the year	9,238,073	9,000,523
Additions	-	237,550
Reversals	(3,863,772)	-
Balance at end of the year	**5,374,301**	**9,238,073**

Insurance and reinsurance receivables ageing for the year ended 31 December 2021 and 31 December 2020 is shown in note 5.c.

13. DEFERRED ACQUISITION COST

	31/12/2021	Change for the period	31/12/2020	Change for the period	31/12/2019
Travel Life & Health Insurance	165,311	116,022	49,289	(226,527)	275,816
Life & Health Insurance on Travel Abroad - Students	2,319	1,334	985	413	572
Life & Health Insurance (Cash Plan)	19,049,308	5,586,389	13,462,919	(7,693,286)	21,156,205
Visitors' life	1,338	1,338	-	-	-
	19,218,276	**5,705,083**	**13,513,193**	**(7,919,400)**	**21,432,593**

14. REINSURANCE ASSETS

The company cedes insurance premiums and risk in the normal life insurance business in order to limit the potential for losses arising from longer and more severe exposure to damages. These reinsurances include the basis of agreements, overcoming losses and parts of shares. The company assigns insurance to other companies and these reinsurance contracts do not exempt the company from liability to policyholders. Thus, there is a credit exposure in relation to the ceded reinsurance to the extent that a reinsurer is unable to meet its obligations under the reinsurance agreement. The company does not hold collateral under reinsurance agreements. As of December 31, 2021, the amount of 13,229,921 ALL (2020: 10,972,340 ALL) represents the part of the reinsurer for the obligations for the unearned premium Life for Loan, Life and Health in Travel, Life and Accidents in Group and Life with Survival. The movements of reinsurance assets for December 31, 2021, and December 31, 2020, are as follows:

Reserve for unearned premium	31 December 2021	31 December 2020
At the beginning of the year	10,972,339	9,849,108
Change for the year	2,257,582	1,123,232
Total	**13,229,921**	**10,972,340**
Reserve for claims		
At the beginning of the year	8,436,217	-
Change for the year	(8,436,217)	8,436,216
Total	**-**	**8,436,216**
Total reserves	**13,229,921**	**19,408,556**

15. OTHER ASSETS

	31 December 2021	31 December 2020
Prepaid expenses	1,289,891	1,388,508
Inventory of policies	1,913,610	1,496,950
Inventory of other materials	132,448	32,610
Advances to employees	874,173	651,665
Receivables to be reimbursed	7,199,151	7,264,864
Other debtors	6,996,490	5,353,461
Other assets, gross	18,405,763	16,188,058
Impairment of other debtors	(3,619,095)	(3,619,095)
Other assets, net	14,786,668	12,568,963

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.

16. INVESTMENTS IN ASSOCIATES (continued)

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

The Group investment in Credins Invest is presented in the consolidated financial statements as an equity investment and is booked using the net equity method. The table below illustrates the summary of financial information of the Group's investment in Credins Invest on 31 December 2021 and 31 December 2020:

	31 December 2021	31 December 2020
Current assets	49,631,644	39,180,076
Non-current assets	45,161,903	39,634,232
Current liabilities	(4,068,986)	(6,424,169)
Non-current liabilities	(4,231,913)	(4,311,786)
Equity	86,492,648	68,078,353
Share of interest in subsidiary	12%	12%
Group's carrying amount of the investment	10,379,118	8,169,402

	Year ended 31 December 2021	Year ended 31 December 2020
Revenue	78,393,585	66,571,027
Administrative expenses	(52,387,209)	(45,418,543)
Finance expenses	(109,317)	(137,164)
Profit before tax	25,897,059	21,015,320
Income tax expense	(3,934,952)	(3,276,262)
Loss for the period (continuing operations)	21,962,107	17,739,058
Total comprehensive loss for the period	-	-
Net comprehensive loss, for the period	21,962,107	17,739,058
Share of interest in associate	12%	12%
Group's share of loss for the period	2,635,453	2,128,687

The difference in the carrying amount of the investments net assets for the year ending on 31 December 2021 and 31 December 2020 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 2021	31 December 2020
Opening Balance	8,169,402	6,320,556
Closing Balance	10,379,118	8,169,402
Difference in carrying amount of investments net assets	2,209,716	1,848,846
Group's share of profit/(loss) for the period	2,635,453	2,128,687
Part of dividend distribution	(425,737)	(279,841)
Gain/(Loss) from the change in the net carrying amount of investment in associate	-	-

During 2021 and 2020 the Group did not invest additional funds in Credins Invest for capital increase and book value of investments of net assets as at 31 December 2021 and 31 December 2020:

	31 December 2021	31 December 2020
Group's carrying amount of the investment	10,379,118	8,169,402
Add: Payment for additional interest in associate	-	-
Total carrying amount of the Investment in associate	10,379,118	8,169,402

17. INTANGIBLES ASSETS IN PROCESS

The company has entered into a contract for integrated software with the Entity "Infosoft SD" sh.pk with a total value of 6,666,000 ALL which during 2019-2021 has been amended for additional services and on December 31, 2021, continues in the development phase and account balance Intangible assets in the process is worth 6,912,700 ALL. (2020; 6,912,700 ALL).

	Software	Software in process	Total
With initial value			
As at 1 January 2020	**-**	**6,912,700**	**6,912,700**
Additions	-	-	-
Disposals	-	-	-
As at 31 December 2020	**-**	**6,912,700**	**6,912,700**
Additions	596,549	-	596,549
Disposals	-	-	-
As at 31 December 2021	**596,549**	**6,912,700**	**7,509,249**
Accumulated amortisation			
As at 1 January 2020	**-**	**-**	**-**
Period changes	-	-	-
As at 31 December 2020	**-**	**-**	**-**
Period changes	75,850	-	75,850
As at 31 December 2021	**75,850**	**-**	**75,850**
Residual value			
As at 1 January 2020	**-**	**6,912,700**	**6,912,700**
As at 31 December 2020	**-**	**6,912,700**	**6,912,700**
As at 31 December 2021	**520,699**	**6,912,700**	**7,433,399**

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 2020	**20,406,192**	**21,414,207**	**11,735,586**	**4,247,012**	**428,496**	**302,668**	**574,380**	**51,633,679**	**87,444,137**	**198,186,357**
Additions	1,384,630	271,418		1,469,344		-		1,136,844		4,262,236
Disposal		(644,161)							(1,073,450)	(1,717,611)
Reductions			(1,466,756)							(1,466,756)
As at 31 December 2020	**21,790,822**	**21,041,464**	**10,268,830**	**5,716,356**	**428,496**	**302,668**	**574,380**	**52,770,523**	**86,370,687**	**199,264,226**
Additions	2,525,937	564,546		-		-		259,220	4,932,216	8,281,919
Disposals	(2,193,555)	(619,317)							(6,071,501)	(8,884,373)
Sales		(496,810)	-							(496,810)
As at 31 December 2021	**22,123,204**	**20,489,884**	**10,268,830**	**5,716,356**	**428,496**	**302,668**	**574,380**	**53,029,743**	**85,231,402**	**198,164,962**
Accumulated depreciation										
As at 01 January 2020	**15,078,955**	**15,316,630**	**9,371,876**	**465,869**	**159,061**	**-**	**469,626**	**29,664,941**	**11,223,321**	**81,750,279**
Period changes	1,504,839	1,225,176	430,448	952,141	13,472		20,951	3,454,878	10,971,319	18,573,224
Disposals	-	(588,855)	(1,198,888)						(72,363)	(1,860,106)
Reclassification	-			-						
As at 31 December 2020	**16,583,794**	**15,952,951**	**8,603,436**	**1,418,010**	**172,533**	**-**	**490,577**	**33,119,819**	**22,122,277**	**98,463,397**
Period changes	1,589,924	1,097,580	333,080	859,669	12,798		16,761	3,429,543	10,852,217	18,191,573
Disposals	(2,030,449.7)	(565,387)	-						(3,013,483)	(5,609,320)
Sales		(469,292)	-							(469,292)
As at 31 December 2021	**16,143,268**	**16,015,852**	**8,936,517**	**2,277,679**	**185,331**	**-**	**507,338**	**36,549,362**	**29,961,011**	**110,576,358**
Carrying amount										
As at 31 December 2019	**5,327,237**	**6,097,577**	**2,363,710**	**3,781,143**	**269,435**	**302,668**	**104,754**	**21,968,738**	**76,220,816**	**116,436,078**
As at 31 December 2020	**5,207,028**	**5,088,513**	**1,665,394**	**4,298,346**	**255,963**	**302,668**	**83,803**	**19,650,704**	**64,248,410**	**100,800,829**
As at 31 December 2021	**5,979,936**	**4,474,031**	**1,332,313**	**3,438,677**	**243,165**	**302,668**	**67,042**	**16,480,381**	**55,270,391**	**87,588,604**

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 analysed as follows:

	31 December 2021	31 December 2020
Active in use (premises rent)	85,231,401	86,370,687
Depreciation costs	(29,961,010)	(22,122,277)
	55,270,391	**64,248,410**

	31 December 2021	31 December 2020
Lease Liability	67,802,028	77,395,572
Accrued interest	3,271,665	3,642,697
Paid Liability	(12,050,919)	(13,236,242)
	59,022,774	**67,802,027**

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 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Not more than 1 year	12,392,107	11,932,681
More than 1 year but less than 5 years	46,818,787	46,770,066
More than 5 years	9,452,640	17,133,331
	68,663,534	**75,836,078**

20. OTHER LIABILITIES

	31 December 2021	31 December 2020
Suppliers	5,709,468	5,122,972
Tax and social insurance	1,741,589	1,404,436
Taxes payable other than income tax	54,101	(816,344)
Other creditors	15,549,612	11,454,842
- Prepayments by individuals in risk valuation	1,889,116	445,103
-Prepayments for damages from the reinsurer	-	8,436,216
- Liability for divided	10,853,456	-
-Other creditors	**2,807,040**	**2,573,523**
	23,054,770	**17,165,906**

21. INSURANCE AND REINSURANCE PAYABLE

Insurance and reinsurance payable for the year ended 31 December 2021 and 31 December 2020 are presented as following:

	31 December 2021	31 December 2020
Insurance Payable	8,378,284	9,908,562
Reinsurance Payable	6,731,508	10,362,173
	15,109,792	**20,270,735**

22. DUE TO FINANCIAL INSTITUTIONS

	31 December 2021	31 December 2020
Lease Suppliers	1,075,900	2,661,810.00
Overdraft	135,894	23,830
	1,211,794	**2,685,640**

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

The balance on December 31, 2021, of 135,894 ALL represents the disclosed balance of the Mastercard Business credit card account referring to the overdraft contract No. 809 / Date 18.03.2020 with a 12-month term, with a limit of 15,000 euros and an interest rate on the debtor balance of used part of the 12-month Euro Book + 4.87% on an annual basis. The company has blocked as collateral for overdraft the 5-year deposit with no. 1233575, with a value of 2,558,549 ALL.

23. LIABILITIES FOR THE LOSSES AND LOSS ADJUSTMENT EXPENSES

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

	31 December 2021	31 December 2020
Gross insurance liabilities for losses and loss adjustment expenses	47,664,286	30,430,503
Net insurance liabilities for losses and loss adjustment expenses	**47,664,286**	**30,430,503**
Losses and loss adjustment expenses incurred	(83,531,676)	**(52,690,143)**
Losses and loss adjustment expenses paid	68,278,404	**69,923,926**
Net insurance liabilities for losses and loss adjustment expenses as at 31 December	**32,411,014**	**47,664,286**
Gross insurance liabilities for losses and loss adjustment expenses	**32,411,014**	**47,664,286**

Significant delays occur in the reporting of claims and a considerable amount of experience and judgment is involved in estimating unpaid insurance liabilities, the final costs of which cannot be estimated with certainty at the reporting date. Loss insurance liabilities and expenses for adjustments from losses are determined on the basis of the information available; however, it is natural in the nature of the business that final liabilities may vary as a result of subsequent developments. As of December 31, 2021, the Company has 377 unresolved claims (2020: 292) most of which relate to Life Insurance Cash Plan (328) and Travel and Health Travel (24), which require more time to investigate.

Unsettled claims	31 December 2021	31 December 2020
Unsettled claims	328	242
Credit Life Insurance	24	20
Travel Life Insurance	15	9
Life & Accidents Insurance	6	1
Life and Health Insurance "Cash Plan"	4	20
Life Insurance with savings	377	292
Total	**292**	**229**

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 2021	31 December 2020
Claims reserve for Credit Life Insurance	15,484,153	32,442,493
Claims reserve for Travel Life & Health Insurance	1,133,935	1,228,039
Claims reserve for Group Life & Accidents Insurance	1,793,118	1,720,636
Claims reserve for Cash Plan	13,869,092	12,253,441
Claims reserve for Visitors Life Insurance	130,716	19,677
	32,411,014	**47,664,286**
Reported but not settled (RBNS)	16,281,058	32,322,447
Incurred but not reported (IBNR)	15,033,931	13,730,669
Claims Reserve	1,096,025	1,611,170
	32,411,014	**47,664,286**

Losses and loss adjustment expenses for the year ending on 31 December 2021 and 2020 are as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Claims expenses	76,948,931	42,762,452
Expenses for exiting the Life in Savings scheme	6,582,745	9,947,368
Expenses for claims reserve	(15,253,272)	17,214,106
	68,278,404	**69,923,926**

24. UNEARNED PREMIUM RESERVE

	31/12/2021	Change for the period	31/12/2020	Change for the period	31/12/2019
Credit Life Insurance	71,321,779	(3,036,763)	74,358,542	(13,991,603)	88,350,145
Group Life & Accidents Insurance	8,445,135	1,747,999	6,697,136	(56,201)	6,753,337
Travel Life & Health Insurance	344,397	207,484	136,913	(848,206)	985,119
Pupils & Students Life Insurance	1,603	(167,018)	168,621	120,522	48,099
Students Life & Health Insurance Abroad	46,371	(52,217)	98,588	41,479	57,109
Life & Health Insurance (Cash Plan)	44,300,700	2,227,588	42,073,112	4,251,212	37,821,900
Endowment	10,251,317	1,329,369	8,921,948	3,069,695	5,852,253
Visitors Life Insurance	4,346	(54,906)	59,253	59,252	-
Life-saving insurance	**125,952**	**(27,683)**	**153,635**	**4,734**	**149,168**
Total	**134,841,600**	**2,173,853**	**132,667,748**	**(7,349,116)**	**140,017,130**

25. OTHER MATHEMATICAL RESERVES

Mathematical reserves on December 31, 2021, in the amount of ALL 45,781,863 (2020: ALL 45,781,863) represent the life insurance reserve created for the product of Life with Savings and Life with Survival. For the Life Saving product the Company accounts for the entire amount of accumulated fund up to the reporting date.

	31/12/2021	Change of the period	31/12/2020	Change of the period	31/12/2019
Mathematical Reserve	68,479,131	22,870,580	45,608,554	10,428,506	35,180,045
UPR Life with Savings	39,153,531	4,793,163	34,360,368	845,316	33,515,052
RBNS Life with Savings	29,325,600	18,077,417	11,248,186	9,583,190	1,664,993
	68,479,131	**22,870,580**	**45,608,554**	**10,428,506**	**35,180,045**

26. SHARE CAPITAL

a) Paid-up capital

On 31 December 2021, the shareholder structure is presented as follows:

	31 December 2021	31 December 2020
Aleksandër Pilo	46.39%	46.39%
Renis Tershana	30.16%	30.16%
Kristino Kromidha	4.05%	4.05%
Emi Santo	2.38%	2.38%
Egi Santo	2.38%	2.38%
Monika Milo	4.75%	4.75%
Maltin Korkuti	4.75%	4.75%
Petraq Shomo	2.06%	2.06%
Arben Taipi	2.06%	2.06%
Artan Xhori	1.03%	1.03%
	100.00%	**100.00%**

The share capital as of December 31, 2021, is in the amount of 490,062,000 ALL (2019 - 490,062,000 ALL) and consists of 490,062 shares with a nominal value of 1,000 ALL per share.

With decision no. 7 dated 25 June 2021 The Shareholders Assembly approved the capital increase from the profit of 2020 for the amount of 3,675,905 ALL, thus reaching the value of 493,737,905 ALL without changing the capital structure. This decision with the certification of financial statements by the external auditor even in the capacity of authorized accounting expert, after approval by the FSA, is subject to registration according to the commercial law in the National Business Center.

b) Guarantee Fund

The guarantee fund as of 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021	31 December 2020
Term deposits, guarantee fund	338,650,000	328,833,000
Treasury bills, guarantee fund	42,000,000	42,000,000
	380,650,000	**370,833,000**

c) Signed capital paid and registered

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

With decision no. 7 dated 25 June 2021 The Shareholders Assembly approved the capital increase from the profit of 2020 for the amount of 3,675,905 ALL, thus reaching the value of 493,737,905 ALL without changing the capital structure. This decision with the certification of financial statements by the external auditor even in the capacity of authorized accounting expert, after approval by the AFSA, is subject to registration according to the commercial law in the National Business Center.

26. SHARE CAPITAL (continued)

d) Legal Reserve

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

e) Dividend Paid

The decision for the distribution of dividends belongs to the shareholders and are distributed in accordance with the law "On Business Organizations" no. 9901, dated 14 April 2008 (amended). With decision no. 06 dated 24.06.2020 The Shareholders Assembly approved the result of 2019, profit 37,175,229 ALL as well as its destination to cover the difference of the loss carried forward of 2016 and 2017 for 24,471,247 ALL and 11,797,234 ALL in dividend distribution. Due to the situation of the Covid-19 pandemic with the Decision of the Board of the Financial Supervision Authority no. 56 dated 10.04.2020 the distribution of profit in the form of dividends has been suspended keeping it as retained earnings until another decision of the Board of Authority.

With the decision of the AFSA Board no. 68 dated 28.04.2021 the above decision was abrogated and the amount of 11,797,234 ALL was passed as an obligation to the shareholders of the company.

27. GROSS WRITTEN PREMIUMS

	Year ended 31 December 2021	Year ended 31 December 2020
Credit Life Insurance	116,405,506	117,608,212
Life & Health Insurance (Cash plan)	43,166,580	32,368,283
Group Life and Accidents Insurance	66,231,595	57,022,443
Travel Life and Health Insurance	2,435,241	721,284
Life Insurance with Savings (Savings account)	38,319,056	29,818,374
Life Insurance with Savings (Premium)	11,567,324	11,138,527
Premiums from Life Insurance with Survival Benefit (Endowment)	1,500,595	1,427,121
Pupils and Students Life Insurance	15,600	1,325,064
Students Life and Health Insurance Abroad	41,345	141,354
Visitors Life Insurance	57,681	74,347
Combined Life Insurance	-	13,900
	279,740,523	**251,658,909**

28. PREMIUMS CEDED TO REINSURANCE

	Year ended 31 December 2021	Year ended 31 December 2020
For Credit Life Insurance	14,269,182.00	13,104,852
For Travel Life and Health Insurance	3,511,787.00	609,594
	17,780,969.00	**13,714,446**

29. FINANCE INCOME AND EXPENSES

	Year ended 31 December 2021	Year ended 31 December 2020
Financial income		
Interest income from term deposits	6,661,078	6,565,019
Interest income from treasury bills	6,455,479	6,456,193
Interest income from Government Bonds	734,856	764,448
Interest income from current accounts	56,750	44,930
Total	**13,908,163**	**13,830,590**
Income from fair value assessment	308,961	216,107
Total	**14,217,124**	**14,046,697**
Financial expense		
Interest expense	(116,352)	(181,015)
Interest expenses for assets in use	(2,769,175)	(3,534,102)
Total	**(2,885,527)**	**(3,715,117)**
Foreign exchange(loss)/gain		
Foreign exchange gain	5,338,067	44,923,822
Foreign exchange loss	(7,163,367)	(45,143,103)
Total	**(1,825,300)**	**(219,281)**
Finance income, net	**9,506,297**	**10,112,299**

30. OTHER OPERATING INCOME

	Year ended 31 December 2021	Year ended 31 December 2020
Reinsurer commission income	3,260,189	644,665
Income from delegation services	-	8,235
Income from AMF (quota prepayments)	-	116,024
Income from reimbursement of damages	12,743,177	-
Other operating income	9,325,127	3,018,610
	25,328,493	**3,787,534**

31. ACQUISITION COSTS

	Year ended 31 December 2021	Year ended 31 December 2020
Commissions	15,730,139	30,345,519
Advertising costs	50,951,282	16,255,714
Medical expenses	13,489,455	10,287,450
Purchase of policies	398,640	276,927
	80,569,516	**57,165,610**

31. ACQUISITION COSTS (continued)

The acquisition costs according to each product for the period until 31 December 2021 and 31 December 2020 are as below:

	Year ended 31 December 2021	Year ended 31 December 2020
Life & Health Insurance (Cash plan)	28,853,831	18,255,679
Credit life insurance	31,360,388	15,430,203
Travel life and health insurance	1,156,914	259,103
Group life and accidents insurance	5,767,995	5,382,306
Pupil and student life insurance	1,256	117,733
Saving life insurance	32,088	48,617
Life insurance with survival benefit	13,377,333	17,622,764
Life Insurance & Students Abroad	2,079	36,466
Other life insurances	17,632	12,739
	80,569,516	**57,165,610**

32. PERSONNEL EXPENSES

	Year ended 31 December 2021	Year ended 31 December 2020
Personnel expenses		
- Salaries	53,669,270	50,417,388
- Bonuses	1,426,179	3,478,611
- Social Insurance	7,326,384	6,836,061
- Life insurance and pension contribution	2,875,365	2,912,645
- Compensation for direct sales of insurance contracts	-	(3,186,417)
	65,297,198	**60,458,288**

33. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2021	Year ended 31 December 2020
Rent expenses	69,871	70,417
External services	2,842,332	3,215,557
Fees, taxes and penalties	4,631,950	4,573,005
Utilities and communication	3,691,216	3,821,412
Security	4,311,008	6,597,734
Publicity and advertising	1,729,252	1,863,252
Reception, gifts	91,312	119,299
Transfers, travel and diets	2,685,616	2,208,353
Previous years adjustments	14,141,445	16,920,811
Impairment of bad debt	-	235,952
	34,194,002	**39,625,792**

34. INCOME TAX EXPENSE

The annual tax calculation is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Profit/(loss) before tax	7,305,270	6,786,802
Income Tax expense calculated at 15 % (2019: 15%)	869,440	706,889
Tax effect on Non-deductible expenses	370,804	329,800
Tax effect on Derecognition of Goodwill	-	-
Unrecognized temporary tax differences	-	-
Use of retained losses	-	-
Income tax expense	**1,240,244**	**1,036,689**

In accordance with Albanian tax regulations, the applicable income tax rate for 2021 is 15% (2020: 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.

The analysis of the account "Deferred profit tax" for 2021 and 2020 is presented as follows:

	31 December 2021	31 December 2020
Depreciation and interest expense according to IFRS	13,621,392	14,505,421
Rental expenditure (operational)	12,050,919	13,236,240
Difference	1,570,473	1,269,181
% of tax	15%	15%
Deferred tax assets	235,571	190,377

The analysis of deferred profit tax Asset for 2021 and 2020 is presented below:

	31 December 2021	31 December 2020
Deferred tax asset carried forward	479,497	289,121
Rental cost (operational)	235,571	190,376
Difference	715,068	479,497

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 2021 and 31 December 2020.

Contingent liabilities

As at 31 December 2021, the Group has no contingent liabilities to disclose in its consolidated financial statements, resulting from its activity.

35. COMMITMENT AND CONTINGENCIES (continued)

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 2021	31 December 2020
Less than 1 year	43,528,459	59,727,735
1 - 5 years	145,362,708	204,455,845
More than 5 years	170,935,747	251,100,774
	359,826,914	515,284,354

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 2021	31 December 2020
Receivables	**1,820,426**	**92,040**
SiCRED Assistance	-	92,040
SiCRED Distribution	1,820,426	-
Gross written premiums	**3,349,217**	**2,772,401**
Life Insurance	3,349,217	2,772,401
Insurance costs	**9,234,326**	**1,042,574**
Damages paid	9,234,326	1,042,574
Other income	**653,662**	**289,723**
From SA dividends and related party services	653,662	289,723
Payable for Voluntary contribution	**1,843,820**	**1,921,488**
From the Employer	852,496	931,046
From the Employee	991,324	990,442
Administrative costs	**4,443,725**	**3,473,623**
Services from SiCRED Assistance	462,000	462,000
Services from SiCRED Distribution	1,027,200	0
Expenses for rental premises	2,954,525	3,011,623
Remuneration of management	7,950,000	7,950,000

37. SUBSEQUENT EVENT

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

NETWORK OF BRANCHES

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1 Shkodra Branch office covers the cities of Shkodër, Malësi e Madhe, Tropojë, Has, Pukë, Kukës, Lezhë, Mirditë, Dibër, Bulqizë, Kurbin, Mat.
2 Durrës Branch office covers the cities of Durrës, Kavajë, Peqin, Elbasan, Librazhd, Gramsh.
3 Fier Branch office covers the cities of Fier, Lushnjë, Kuçovë, Berat, Skrapar, Vlorë, Mallakastër, Tepelenë, Gjirokastër, Përmet, Delvinë, Sarandë.
4 Korça Branch office covers the cities of Korçë, Pogradec, Devoll and Kolonjë.

SiCRED
Shoqëri Sigurimi Jete