

**SIGAL UNIQA GROUP AUSTRIA Sh.a.**

**Separate Financial Statements  
As at and for the year ended 31 December 2021**

**(with independent auditors' report thereon)**

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## Independent Auditor's Report

To the Shareholders of Sigal Uniq Group Austria sh.a.

### *Opinion*

We have audited the separate financial statements of Sigal Uniq Company Austria sh.a. (hereafter referred as the “Company”), which comprise the separate statement of financial position as at 31 December 2021, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies

In our opinion the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2021, its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### *Basis for 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 Separate Financial Statements section of our report. We are independent of the Company 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.

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*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 Separate Financial Statements***

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditor's Responsibilities for the Audit of the Separate Financial Statements***

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 separate 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 Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

30 April 2022



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**SIGAL UNIQA GROUP AUSTRIA Sh.a.**  
**Separate statement of financial position**  
*(All amounts are expressed in thousand ALL)*

|                                     | Note | 31 December 2021  | 31 December 2020 |
|-------------------------------------|------|-------------------|------------------|
| <b>Assets</b>                       |      |                   |                  |
| Cash and cash equivalents           | 9    | 77,652            | 84,633           |
| Term deposits with banks            | 10   | 4,511,556         | 4,456,883        |
| Insurance receivables               | 11   | 529,132           | 442,362          |
| Income tax receivable               | 29   | 26,052            | -                |
| Deferred acquisition costs          | 12   | 409,998           | 349,946          |
| Reinsurance assets                  | 13   | 893,949           | 1,155,633        |
| Investments in subsidiaries         | 14   | 2,223,050         | 2,223,050        |
| Property plant and equipment        | 15   | 1,036,010         | 1,013,593        |
| Other assets                        | 16   | 498,230           | 257,847          |
| <b>Total Assets</b>                 |      | <b>10,205,629</b> | <b>9,983,947</b> |
| <b>Liabilities</b>                  |      |                   |                  |
| Claim reserves                      | 17   | 2,878,822         | 2,914,708        |
| Unearned premium reserve            | 18   | 2,327,168         | 2,176,935        |
| Profit Tax Payable                  | 29   | -                 | 74,161           |
| Other liabilities                   | 19   | 773,498           | 732,347          |
| <b>Total Liabilities</b>            |      | <b>5,979,488</b>  | <b>5,898,151</b> |
| <b>Equity</b>                       |      |                   |                  |
| Share capital                       | 20   | 2,232,909         | 2,232,909        |
| Insurance risk reserves             | 21   | 260,496           | 280,496          |
| Retained earnings                   |      | 1,732,736         | 1,592,391        |
| <b>Total Equity</b>                 |      | <b>4,226,141</b>  | <b>4,085,796</b> |
| <b>Total Liabilities and Equity</b> |      | <b>10,205,629</b> | <b>9,983,947</b> |

These separate financial statements have been approved by the Board of Directors of the Company on 20 March 2022 and signed on their behalf by:



**Klement Mersini**  
 Finance Manager

**SIGAL UNIQA GROUP AUSTRIA Sh.a.****Separate statement of profit or loss and other comprehensive income***(All amounts are expressed in thousand ALL)*

|  | Note | Year ended<br>31 December 2021 | Year ended<br>31 December 2020 |
|--|------|--------------------------------|--------------------------------|
| Gross written premiums                                 | 22   | 4,589,269                      | 3,890,395                      |
| Change in unearned premium reserve                     | 18   | (150,233)                      | 16,976                         |
| <b>Gross earned premium</b>                            |      | <b>4,439,036</b>               | <b>3,907,371</b>               |
| Written premium ceded to reinsurers                    | 23   | (637,140)                      | (599,152)                      |
| Change in reinsurance part of unearned premium reserve | 18   | (86,797)                       | (31,778)                       |
| <b>Net insurance premium revenue</b>                   |      | <b>(723,937)</b>               | <b>(630,930)</b>               |
| Other income   | 24   | 95,355                         | 71,198                         |
| <b>Net income</b>                                      |      | <b>3,810,454</b>               | <b>3,347,639</b>               |
| Change in insurance claims reserves                    | 17   | 35,886                         | 830,770                        |
| Change in reinsurance share of claims reserves         | 17   | (174,888)                      | (886,133)                      |
| Insurance paid claims                                  | 17   | (1,717,229)                    | (1,649,362)                    |
| Reinsurance paid claims                                | 17   | 319,302                        | 664,213                        |
| <b>Net insurance claims</b>                            |      | <b>(1,536,929)</b>             | <b>(1,040,512)</b>             |
| Acquisition costs                                      | 25   | (778,363)                      | (646,619)                      |
| Administrative expenses                                | 26   | (977,375)                      | (936,783)                      |
| Other insurance expenses                               | 27   | (132,688)                      | (184,442)                      |
| <b>Operating profit</b>                                |      | <b>385,099</b>                 | <b>539,283</b>                 |
| Investment income                                      | 28   | 112,487                        | 3,334                          |
| Foreign exchange losses, net                           |      | (60,293)                       | 15,104                         |
|  |      | <b>52,194</b>                  | <b>18,438</b>                  |
| <b>Profit before tax</b>                               |      | <b>437,293</b>                 | <b>557,721</b>                 |
| Income tax expenses                                    | 29   | (63,348)                       | (104,339)                      |
| <b>Profit for the year</b>                             |      | <b>373,945</b>                 | <b>453,382</b>                 |
| Other comprehensive income                             |      | -                              | -                              |
| <b>Total comprehensive income for the year</b>         |      | <b>373,945</b>                 | <b>453,382</b>                 |

The notes on pages 5 to 36 are an integral part of these separate financial statements.

**SIGAL UNIQA GROUP AUSTRIA Sh.a.**  
**Separate statement of changes in equity**  
*(All amounts are expressed in thousand ALL)*

|   | Share<br>capital | Insurance<br>risk<br>reserve | Retained<br>earnings | Total            |
|---|------------------|------------------------------|----------------------|------------------|
| <b>Balance at 1 January 2020</b>                    | <b>2,232,909</b> | <b>260,496</b>               | <b>1,139,008</b>     | <b>3,632,413</b> |
| Profit for the year                                 | -                | -                            | 453,382              | 453,382          |
| <b>Total comprehensive income for the year</b>      | <b>-</b>         | <b>-</b>                     | <b>453,382</b>       | <b>453,382</b>   |
| <b>Transaction with owners of the Company</b>       |                  |                              |                      |                  |
| Dividend paid                                       | -                | -                            | -                    | -                |
| <b>Total transaction with owners of the Company</b> | <b>-</b>         | <b>-</b>                     | <b>-</b>             | <b>-</b>         |
| <b>Balance at 31 December 2020</b>                  | <b>2,232,909</b> | <b>260,496</b>               | <b>1,592,390</b>     | <b>4,085,795</b> |
| <b>Balance at 1 January 2021</b>                    | <b>2,232,909</b> | <b>260,496</b>               | <b>1,592,390</b>     | <b>4,085,795</b> |
| Profit for the year                                 | -                | -                            | 373,945              | 373,945          |
| <b>Total comprehensive income for the year</b>      | <b>-</b>         | <b>-</b>                     | <b>373,945</b>       | <b>373,945</b>   |
| <b>Transaction with owners of the Company</b>       |                  |                              |                      |                  |
| Dividend paid                                       | -                | -                            | (233,599)            | (233,599)        |
| <b>Total transaction with owners of the Company</b> | <b>-</b>         | <b>-</b>                     | <b>(233,599)</b>     | <b>(233,599)</b> |
| <b>Balance at 31 December 2021</b>                  | <b>2,232,909</b> | <b>260,496</b>               | <b>1,732,736</b>     | <b>4,226,141</b> |

The notes on pages 5 to 36 are an integral part of these separate financial statements.



**SIGAL UNIQA GROUP AUSTRIA Sh.a.**  
**Separate statement of cash flows**  
*(All amounts are expressed in thousand ALL)*

|  | Note     | Year ended<br>31 December 2021 | Year ended<br>31 December 2020 |
|--|----------|--------------------------------|--------------------------------|
| <b>Cash flows from operating activities</b>                                    |          |                                |                                |
| <b>Profit for the year</b>   |          | <b>437,293</b>                 | <b>557,721</b>                 |
| <i>Adjustments for:</i>  |          |                                |                                |
| Depreciation   | 15       | 141,645                        | 142,257                        |
| Loss on disposal of property   |          | 778                            | -                              |
| Interest income  | 28       | (22,656)                       | (18,095)                       |
| Dividend income  | 28       | (101,246)                      | -                              |
| Impairment of receivables  | 11       | 44,926                         | 65,932                         |
| <b>Operating cash flows before changes in operating assets and liabilities</b> |          | <b>500,739</b>                 | <b>747,815</b>                 |
| <b>Changes in:</b>   |          |                                |                                |
| - reinsurance assets   |          | 261,684                        | 917,911                        |
| - insurance receivables  |          | (131,696)                      | 63,884                         |
| - deferred acquisition costs   |          | (60,052)                       | (13,094)                       |
| - other assets   |          | (240,383)                      | (97,660)                       |
| - claim reserves   |          | (35,886)                       | (830,770)                      |
| - unearned premium reserves  |          | 150,233                        | (16,976)                       |
| - other liabilities and provisions   |          | 41,151                         | (51,207)                       |
| <b>Cash generated from operations before interests and tax</b>                 |          | <b>485,790</b>                 | <b>719,903</b>                 |
| Income tax paid  |          | (163,561)                      | -                              |
| Interest received  |          | 19,460                         | 16,620                         |
| <b>Net cash from operating activities</b>                                      |          | <b>341,689</b>                 | <b>736,523</b>                 |
| <b>Cash flows from investing activities</b>                                    |          |                                |                                |
| Purchases of property and equipment  | 15       | (164,840)                      | (146,914)                      |
| Sale of property and equipment   |          | -                              | 18,790                         |
| Investment in term deposits  |          | (51,477)                       | (608,354)                      |
| Dividends received   | 28       | 101,246                        | -                              |
| <b>Net cash used in investing activities</b>                                   |          | <b>(115,071)</b>               | <b>(736,478)</b>               |
| <b>Cash flows from financing activities</b>                                    |          |                                |                                |
| Dividend paid  |          | (233,599)                      | -                              |
| <b>Net cash used in financing activities</b>                                   |          | <b>(233,599)</b>               | <b>-</b>                       |
| Net decrease in cash and cash equivalents                                      |          | (6,981)                        | 45                             |
| Cash and cash equivalents at beginning of year                                 |          | 84,633                         | 84,588                         |
| <b>Cash and cash equivalents at end of year</b>                                | <b>9</b> | <b>77,652</b>                  | <b>84,633</b>                  |

The notes on pages 5 to 36 are an integral part of these separate financial statements.

## **1. General information**

The Company is incorporated and domiciled in Albania since 1999 as a joint stock insurance company in accordance with Law no. 8081, dated 7 March 1996, "On insurance and reinsurance activity" and registered in the Albanian Commercial Register by the District Court of Tirana decision no. 20863, dated 22 February 1999. The Company is currently subject to Law no. 52/2014 "On the activity of insurance and reinsurance" dated 4 July 2014 ("Insurance act").

During 2020, the intermediate parent company changed from Uniqa Internationale Beteiligungs-Verwaltungs GmbH, Vienna, Austria to UNIQA Osterrich Versicherungen AG. This change for the intermediary parent company was made in the National Business Center on 10.08.2020 with the approval of the Financial Supervisory Authority. The final parent company is Uniqa Insurance Group AG, Vienna, Austria (note 20).

At 31 December 2021 the intermediate parent company is UNIQA Osterrich Versicherungen AG, Vienna, Austria.

**Principal activity:** The Company provides non-life insurance products such as insurance for motor vehicles, property insurance, health insurance, marine aviation and other lines of business.

**Registered address and place of business:** The Company's registered address is Blvd "Zogu I", no. 1, Tirana, Albania.

The Company owns subsidiaries in Albania, Kosovo and Macedonia operating non-life and life insurance businesses.

### **Albanian operations**

**Sigal Life Uniqa Group Austria sh.a. (99.9% ownership by Sigal Uniqa Group Austria sh.a)** - In 2004, the Company entered the life insurance business in Albania by establishing Sigal Life Sh.a. which share capital is currently 99.9% owned by the Company.

**Sh.a.f.p. Sigal Life Uniqa Group Austria sh.a. (51% ownership by Sigal Life Uniqa Group Austria sh.a.)** was acquired on 31 March 2011 by Sigal Life Uniqa Group Austria from AVEL Sh.p.k. On 20 April 2011, at the General Meeting of Shareholders Assembly, the name of the acquired subsidiary was changed from "Capital I.P.P. sh.a." to "Shoqëria Administruese e Fondit të Pensionit Sigal Life UNIQA Group Austria sh.a".

### **Kosovo operations**

**Sigal Uniqa Group Austria sh.a. – Prishtina (100% ownership by Sigal Uniqa Group Austria sh.a.)** was established in 2003, as a branch of the Company in the UN administered territory of Kosovo. The license was issued on 23 October 2003 by Bank and Payments Authority of Kosovo (now Central Bank of Kosovo) and the Company was registered as a branch of Uniqa Group Austria sh.a. In 2012, the branch changed its legal status into a subsidiary.

**Sigal Life Uniqa Group Austria sh.a. – Prishtina (100% ownership by Sigal Uniqa Group Austria sh.a)** was established on 10 May 2011 in order to conduct life insurance business in Kosovo.

### **Macedonian operations**

**Uniqa A.D. Skopje (99.94% ownership by Sigal Uniqa Group Austria sh.a)** was established by the Company on 15 April 2004 as Sigal AD - Skopje. It is licensed to provide 13 classes of non-life insurance. Its main lines of business are motor vehicles related insurance (MTPL, motor hull, border, green card), property and accidents. During 2007 the official name was changed to "UNIQA AD Skopje".

**Uniqa Life AD Skopje (100% ownership by Sigal Uniqa Group Austria sh.a)** was established by the Company on 29 June 2011 in order to extend the Company's presence to the life insurance business in Macedonia.

**The Company's representative** is Mr Avni Ponari, holding the position of General Manager. The Supervisory Board during 2020 and up to the date of approval of these separate financial statements consisted of the following:

|                      |          |
|----------------------|----------|
| Andreas Brandstetter | Chairman |
| Dr. Erhard Busek     | Member   |
| Alexander Breit      | Member   |
| Wolfgang Kindl       | Member   |
| Mag Gerald. Muller   | Member   |

## **2. Basis of Accounting**

### **(a) Statement of compliance**

These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Details of the Company's accounting policies are included in Note 4.

### **(b) Basis of measurement**

These separate financial statements have been prepared on the historical cost basis.

### **(c) The principle of continuity**

Financial statements are prepared in accordance with the going concern assumption, which implies that the Company will continue its operations for an indefinite period of time, in the foreseeable future.

### **Capital Adequacy**

For the year ended on 31 December 2021, the Company has reported capital of ALL 4,226,141 thousand (2020: ALL 4,085,796 thousand), level of solvency of ALL 1,324,512 thousand (2020: ALL 1,424,337 thousand), and assets deemed to back insurance liabilities of 121.96% (2020: 125.26 %) above the levels required by law and regulatory acts of the Financial Supervisory Authority. For explanatory information about the law and regulations in force until the reporting date for the calculation of these ratios, refer to the Supplementary Schedules.

### **(d) Subsidiaries and consolidation**

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The Company prepares consolidated financial statements in accordance with IFRS for the Group Sigal Uniqa Group Austria Sh.a., which includes Sigal Uniqa Group Austria Sh.a., Sigal Life Uniqa Group Austria sh.a. and Sh.a.f.p. Sigal Life Uniqa Group Austria sh.a. in Albania, Sigal Uniqa Group Austria sh.a. and Sigal Life Uniqa Group Austria sh.a. in Kosovo and Uniqa A.D. and Uniqa Life AD in the Republic of North Macedonia. In the consolidated financial statements, Branches as well as Controlled Companies, in which the Group directly or indirectly controls more than half of the voting rights, or possesses the right to exercise control over their assets, are fully consolidated

The consolidated financial statements are presented on the official website of the Sigal Uniqa Group Austria Sh.a. Users of these financial statements for specific purposes should read these statements as an integral part of the Group's consolidated financial statements for the year ended 31 December 2021 to obtain information on the financial position, financial performance and changes in the Group's financial position in whole.

The ultimate parent of the Company, Uniqa Insurance Group A.G, incorporated in Wien, Austria prepares consolidated financial statements that comply with International Financial Reporting Standards ('IFRS') and are available for public use.

Investments in subsidiaries in these separate financial statements are accounted for at cost. More details of investment in subsidiaries are disclosed in Note 14.

The investments are tested for impairment whenever there are indicators that the carrying amount of an investment may not be recoverable. If the recoverable amount of an investment (the higher of its fair value less cost to sell and its value in use) is less than its carrying amount, the carrying amount is reduced to its recoverable amount.

The carrying amount of an investment is derecognised on disposal. The difference between the fair value of the sale proceeds and the disposed share of the carrying amount of the investment is recognised in profit or loss as gain or loss on disposal. The same applies if the disposal result in a step down from subsidiary to joint venture or an associate measured at cost.

### **3. Functional and presentation currency**

The individual financial statements are presented in ALL and rounded to the nearest thousand, which is the functional currency of the Company. The functional currency of the Company is the currency in the primary economic environment in which it operates.

### **4. Significant accounting policy**

The accounting policies set out below have been applied consistently by the Company to all periods presented in these separate financial statements.

#### **(a) Foreign currency transactions**

Foreign currency transactions are translated into the functional currency at the exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates ruling at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates ruling at the dates of the transactions.

#### **(b) Classification of insurance contracts**

Contracts under which the Company agrees to take a significant risk from another party (policyholder) by agreeing to compensate the policyholder for a certain uncertain event in the future (insurance event) which has adverse effects and affects in the policyholder, is classified as an insurance contract. Insurance risk is different from financial risk. Financial risk is the risk of possible future changes in one or more specific interest rates, securities prices, exchange rates, price or rate indices, lending rates or lending indices or other variables, provided in the case of non-financial variables when the variable is not specific to a party to the contract. Insurance contracts can transfer part of the financial risk.

#### **(c) Recognition and measurement of insurance contracts**

##### *i) General insurance contracts*

Insurance liabilities are calculated separately for all insurance products and are made up of future (unearned) commitment premiums, future liabilities risk (outstanding) and future liabilities losses (outstanding on the date of the end of the financial year). Insurance liabilities (provisions) represent estimates of future payments for reported and unreported claims. The company does not discount insurance obligations. Any change in the estimate is reflected in the results of operations in the period in which the estimates are changed. Assessment of insurance liabilities is a complex process related to uncertainties and requires the use of informed estimates and judgments. The company has used the requirements of the insurance regulator or the insurance supervisor of the territory where they operate to determine the insurance obligations.

##### *ii) Prime generated by general insurance activity*

Gross written premiums constitute the amount due during the financial year in accordance with direct insurance despite the fact that these amounts belong in whole or in part to a subsequent accounting period. Premiums are presented gross from commission liabilities to intermediaries and exclude taxes and fees on premiums. Premiums are earned from the date of the risk connection, for the indemnity period, based on the risk signed. Accounts receivable from insurance for which the amount owed is estimated to be uncollectible are deleted.

##### *iii) Reserve for unearned premium*

The unearned premium reserve in all business segments includes that portion of gross written premiums which is estimated to be earned in the following year, using the 1/365 proportional daily method, adjusted to reflect any changes of the occurrence of risk during the period covered by the contract.

Unearned premium reserve is that part of the premium which relates to periods after the reporting date. The unearned premium is calculated from written premiums which are presented gross from the liabilities of the commissions to intermediaries and exclude taxes and fees on premiums. Deferred insurance costs are recognized separately as assets.

**4. Significant accounting policy (continued)**

**(b) Recognition and measurement of insurance contracts (continued)**

*iv) Deferred acquisition costs*

Deferred acquisition costs represent the proportion of acquisition costs incurred and revenue received which corresponds to the 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 and reinsurance commission income are recognized respectively in full as an expense and an income in current period.

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, apportioned administrative expenses connected with processing of proposals and issuing of policies and applicable premium tax considered incremental cost incurred in obtaining each insurance policies.

*vi) Claims arising from general insurance business*

Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising from events occurring during the financial year together with adjustments to prior year claims provisions. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as the changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior years are reflected in the separate financial statements of the period in which the adjustments are made and disclosed separately if material. The provision for incurred but not reported claims is estimated based on paid triangles method for Motor Third Party Liability ("MTPL") product while for the other business lines a simplified methodology based on Earned Premium Ratio is used.

Whilst the Board of Directors considers that the insurance liabilities for claims and the related reinsurance recoveries are fairly stated, the ultimate liability may differ as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of the insurance liabilities are reflected in the separate financial statements for the period in which the adjustments are made.

*vii) Contingency for claims under legal process*

A significant portion of claims are under legal process. The Company has recorded appropriate insurance liabilities based on management's assessment and disclosed contingencies in note 30.

*viii) Reinsurance*

The Company ceded reinsurance in the normal course of business for the purpose of limiting its potential net loss through the diversification of its risks arising from Motor and Accidents including Green Card, Property insurance, Marine and Aviation, Civil and other Liabilities and other lines of business.

Such reinsurance includes excess of loss treaties and facultative agreements. Only contracts that give rise to a significant transfer of insurance risk and timing risk are accounted for as insurance. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Reinsurance liabilities comprise payable for outwards reinsurance contracts and are recognized as an expense when due.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance coverage is provided based on the pattern of the reinsured risk. The unexpended portion of the ceded reinsurance premiums is included in the reinsurance assets. The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provision held in respect of the related insurance contracts.

Reinsurance receivables include reinsurance commission in respect of premiums ceded to the reinsurer and recoveries due from reinsurance companies in respect of claims paid. These are classified as receivables and are disclosed separately, if any. Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that the event has a reliable measurable impact on the amounts that the Company will receive.

**4. Significant accounting policy (continued)**

**(b) Recognition and measurement of insurance contracts (continued)**

*(ix) Claims handling costs*

Claim handling costs consist of external claim handling expenses and do not include internal claim handling expenses which are deemed to be not significant compared to external costs. The Company creates an allowance for claim handling costs within the related claim handling provisions.

*(x) Liability Adequacy Test*

At each reporting date the Company 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 Company takes into account current estimates of cash outflows. The Company does not discount these estimated cash flows because most claims are expected to be settled within one year. In addition, the Company performs a run-off analysis of claim reserves annually to assess its reserving methodology. The run-off analysis is performed on RBNS and IBNR separately as well as on combined basis. In case the analysis shows major discrepancies, proper adjustments are made to the reserving methodology. If a deficiency is identified it will be charged immediately to profit or loss by establishing an unexpired risk provision from losses arising from Liability Adequacy Test.

**(c) Financial instruments**

The Company's financial instruments are measured at amortised cost depending on their measurement category.

The Company classifies non-derivative financial assets into loans and receivables and held to maturity assets and non-derivative financial liabilities into other financial liabilities.

*i) Non-derivative financial assets and financial liabilities – Recognition and de recognition*

The Company initially recognizes receivables on the date when they are originated.

The Company 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 in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

*ii) Non-derivative financial assets – Measurement*

Loans and receivables and Held-to-maturity financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

*iii) Non-derivative financial liabilities – Measurement*

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

*iv) Offsetting*

Financial assets and liabilities are set off and the net amount presented in the separate statement of financial position when, and only when, the Company 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 Company's activity.

**4. Significant accounting policy (continued)**

**(c) Financial instruments (continued)**

*v) Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

*vi) Identification and measurement of impairment*

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss 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 has an impact on the future cash flows on the asset that can be estimated reliably.

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

The Company considers evidence of impairment at both collective and specific levels. Financial assets at the collective level are assessed for impairment by grouping together borrowers with similar credit characteristics. Financial assets at the specific level are identified based on objective evidence of a risk level that exceeds the historical risk level of loans such as default, restructuring, deteriorated economic conditions and delinquency of more than 90 days for a single borrower who does not have evidenced income. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

**(d) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used from the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost using the effective interest method.

**(e) Term Deposits**

Term deposits are stated in the separate statement of financial position at the amount of principal outstanding and are classified as those with initial maturities more than three months. Interest is accrued using the effective interest method and interest receivable is reflected in other receivables.

**4. Significant accounting policy (continued)**

**(f) Insurance and other payables**

Receivables, including accounts receivable, are initially recognized at fair value and subsequently measured at amortized cost, less impairment losses

**(g) Insurance payables and other payables**

Insurance and other payables are initially recognized at fair value less direct transaction costs attributable to them. Upon initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

**(h) Property, plant and equipment**

*(i) Recognition and measurement*

Property, plant and equipment are measured at cost less accumulated depreciation (see note 15) and impairment losses, if any. Cost includes expenses that are directly attributable to the cost of purchasing the asset. The cost of self-constructed assets includes the cost of materials and direct labour (if any), any other costs that are directly attributable to bringing the asset to its estimated working condition, and the costs of dismantling and relocating the asset; and restoring its location to its previous state and any borrowing costs. When parts of an asset have different lifespan, they are considered as separate elements (key components) of the device.

Losses and gains from the disposal of an item of equipment are determined by comparing the revenue generated from the disposal of the equipment with the residual value of the equipment, and are recognized net within other income in the income statement.

*(ii) Subsequent costs*

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

*(iii) Depreciation*

Land is not depreciated. Leasehold improvements are depreciated on a straight-line basis over the estimated useful lives of the assets, while depreciation of other properties and equipment is calculated by using the declining balance method. The estimated depreciation rates are as follows:

| <b>Category</b>               | <b>2021</b> | <b>2020</b> |
|-------------------------------|-------------|-------------|
| Buildings                     | 2.50%       | 2.50%       |
| Motor vehicles                | 20%         | 20%         |
| Computer and office equipment | 20%-25%     | 20%-25%     |

The residual value, if not insignificant, is reassessed annually. Leasehold improvements are capitalized and depreciated over the lesser of their useful life and the lease term.

Depreciation methods and useful lives are reassessed, and adjusted if appropriate, at each reporting date.

**(i) Impairment of non-financial assets**

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.



**4. Significant accounting policy (continued)**

**(j) Share capital**

Ordinary shares are classified as equity. Incremental costs directly charged to the issue of new shares are presented in equity as a deduction, net of tax, of income. Any excess of the fair value of the consideration received over the par value of the shares issued is recorded as the share capital premium. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. For each dividend declared after the balance sheet date and before the individual financial statements are authorized for publication, explanatory information is provided in recording the events after the balance sheet date.

**(k) Revenue recognition**

The accounting policy in relation to revenue from insurance contracts is disclosed in notes 4.d.ii. Interest income on financial assets is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date that the dividend is declared. Rental income is recognized as revenue on a straight-line basis over the term of the lease.

**(l) Employee benefits**

*i. Compulsory social security*

The Company 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 Company's contribution to the benefit pension plan is charged to profit and loss as incurred and the Company has no further liabilities.

*ii. Paid annual leave*

The Company 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.

**(m) Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to expenses on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

**(n) Provision**

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre tax rate. Provisions reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### **4. Significant accounting policy (continued)**

##### **(o) Taxation**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in OCI. Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.

##### *(i) Current Income Tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

##### *(ii) Deferred Tax*

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

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

##### **(p) The new and revised standards which are effective for annual periods beginning on or after 1 January 2021**

The following effective changes from 1 January 2021 do not have a material impact on the outcome or position of the Company's financial position. These changes do not have a material impact on these Financial Statements and are therefore not presented. Although, as long as they do not affect these Financial Statements they will affect some entities. An entity shall assess the impact of these new standards on their Financial Statements based on their facts and circumstances and enable appropriate disclosures.

#### **4. CaughtSignificant accounting policy (continued)**

##### **(q) New standards and interpretation not yet adopted**

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

- NRF 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 the initial application and therefore disclosure is not included.

#### **IFRS 9 Financial Instruments**

The IASB issued the final version of IFRS 9 (Financial Instruments) in July 2014. It replaces IAS 39 (Financial Instruments: Recognition and Measurement) in its entirety and enters into force on 1 January 2018. The different effective dates applicable to IFRS 9 and IFRS 17 to be implemented in the reporting periods from 1 January 2021 will result in increased earnings fluctuations and a doubling of migration efforts for the transition period. As a result, the IASB published adjustments in 2016 to IFRS 4 (Insurance Contracts) which allow insurance companies to recognize certain gains or losses on other comprehensive income (the coverage approach) or to delay the initial application time for IFRS 9 until IFRS 17 enters into force (deferral approach) as part of a transition process.

#### **IFRS 17 Insurance Contracts**

IFRS 17 replaces IFRS 4, which was introduced as an interim standard in 2004. IFRS 4 has allowed companies to continue accounting for insurance contracts using national accounting standards, resulting in a variety of different approaches.

IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for consistently, benefiting investors and insurance companies. Insurance liabilities will be accounted for using current values, rather than historical cost.

#### **Other standards**

At the date of approval of these financial statements, some new but not yet effective Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been previously approved by the Company.

Management provides that all relevant Standards will be adopted in the first period beginning on or after the effective date of the Standard. 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 Company's financial statements.

## **5. Use of judgments and estimates**

The Company makes estimates and assumptions that affect the amounts recognised in the separate financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

**Policyholder claims and benefits** The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. The Company's decisions for reported and unreported losses and establishing resulting provisions and related reinsurance recoverable are annually reviewed and updated, and adjustments resulting from this review are reflected in profit or loss. The process is based on the assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. Insurance risk management is discussed in detail in Note 6, whilst insurance contract provisions are analysed in Note 6.

**Insurance receivables and impairment losses** Insurance and other receivables are initially recognized at fair value. Subsequently receivables are measured at amortised cost less impairment losses. Evaluation of allowance for impairment losses is also a critical estimate performed by management. Insurance receivables are assessed for impairment on each reporting date. Insurance receivables more than one year past due are provided for in full unless there is high probability that they will be collected. Such probability exists when the Company has long term relationship with significant clients or when the Company procures goods and/or services from the insured and receivables are settled on a net basis. Insurance receivables less than one year past due are assessed individually in case there are significant and are provided if they are indications that those receivables will not be collected.

Insurance receivables less than one year past due are also assessed on a collective basis grouped based on the credit risk characteristics of the receivables, usually days past due at the reporting date. Percentages of provisioning applied for each aging category of insurance receivables less than one year past due represent management's best estimate of expected future losses and are based on prior years history of recoverability and market experience.

## **6. Insurance risk management**

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

Insurance risk relates to the uncertainty of the insurance business. The most significant components of insurance risk are the premium risk and the reserve risk. These concern the adequacy of insurance premium rate levels and the adequacy of provisions with respect to insurance liabilities and the capital base. Premium risk is present when the policy is issued before any insured event has happened. The risk is that expenses and incurred losses will be higher than the premium received. Reserve risk represents the risk that the absolute level of the technical provisions is misestimate or that the actual claims will fluctuate around the statistical mean value.

The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either quota share or excess of loss treaty basis. Regulatory capital is also managed (though not exclusively) by reference to the insurance risk to which the Company is exposed.

The Company writes property, liability and motor risks primarily over twelve-month duration. The most significant risks arise from natural disasters, climate change and other catastrophes (i.e., high severity, low frequency events). A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

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**6. Insurance risk management (continued)**

The concentration of claims provisions by type of contract is summarized below by reference to insurance liabilities:

|                      | 2021             |                  |                  | 2020             |                  |                  |
|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                      | Gross            | Reinsurance      | Net              | Gross            | Reinsurance      | Net              |
| <b>Business line</b> |                  |                  |                  |                  |                  |                  |
| Motor vehicles       | 2,194,115        | (225,422)        | 1,968,693        | 2,005,803        | (128,082)        | 1,877,721        |
| Property             | 628,430          | (426,269)        | 202,161          | 858,862          | (698,497)        | 160,365          |
| Health and accidents | 56,277           | -                | 56,277           | 50,043           | -                | 50,043           |
| <b>Total</b>         | <b>2,878,822</b> | <b>(651,691)</b> | <b>2,227,131</b> | <b>2,914,708</b> | <b>(826,579)</b> | <b>2,088,129</b> |

The concentration of premiums provisions by type of contract is summarized below by reference to insurance liabilities:

|                      | 2021             |                  |                  | 2020             |                  |                  |
|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                      | Gross            | Reinsurance      | Net              | Gross            | Reinsurance      | Net              |
| <b>Business line</b> |                  |                  |                  |                  |                  |                  |
| Motor vehicles       | 1,373,336        | -                | 1,373,336        | 1,296,164        | -                | 1,296,164        |
| Property             | 765,711          | (240,904)        | 524,807          | 744,257          | (321,380)        | 422,877          |
| Health and accidents | 188,120          | (1,355)          | 186,765          | 136,513          | (7,675)          | 128,838          |
| <b>Total</b>         | <b>2,327,167</b> | <b>(242,259)</b> | <b>2,084,908</b> | <b>2,176,934</b> | <b>(329,055)</b> | <b>1,847,879</b> |

The following table shows actual claims incurred compared to previous estimates for the year ended 31 December 2021 and 2020:

|  | 2021             | 2020           | 2019             | 2018             | 2017          |
|--|------------------|----------------|------------------|------------------|---------------|
| <b>RBNS</b>  |                  |                |                  |                  |               |
| Opening claim estimates                                      | 1,956,213        | 2,635,617      | 1,562,151        | 1,480,768        | 1,225,311     |
| Prior periods' claims paid during the year                   | (771,530)        | (913,512)      | (879,443)        | (447,728)        | (576,466)     |
| Closing claim estimates for prior periods' claims            | (1,148,024)      | (1,531,464)    | (897,123)        | (1,118,493)      | (646,553)     |
| <b>Run off in ALL '000</b>                                   | <b>36,659</b>    | <b>190,641</b> | <b>(214,415)</b> | <b>(85,453)</b>  | <b>2,292</b>  |
| <b>Run off in %</b>  | <b>1.87%</b>     | <b>7.23%</b>   | <b>(13.73) %</b> | <b>(5.77) %</b>  | <b>0.19%</b>  |
| <b>IBNR</b>  |                  |                |                  |                  |               |
| Opening claim estimates                                      | 928,991          | 1,080,914      | 689,691          | 650,389          | 660,295       |
| Prior periods' incurred claims reported during the year      | (360,466)        | (440,586)      | (409,646)        | (150,796)        | (164,260)     |
| Closing claim estimates for claims incurred in prior periods | (781,449)        | (570,042)      | (396,919)        | (514,180)        | (399,246)     |
| <b>Run off in ALL '000</b>                                   | <b>(212,924)</b> | <b>70,286</b>  | <b>(116,874)</b> | <b>(14,587)</b>  | <b>96,789</b> |
| <b>Run off in %</b>  | <b>(22.92) %</b> | <b>6.50%</b>   | <b>(16.95) %</b> | <b>(2.24) %</b>  | <b>14.66%</b> |
| <b>Total claim reserves</b>                                  |                  |                |                  |                  |               |
| Opening claim estimates                                      | 2,885,204        | 3,716,530      | 2,251,841        | 2,131,157        | 1,885,606     |
| Paid and reported during the period                          | (1,131,996)      | (1,354,098)    | (1,289,089)      | (598,524)        | (740,726)     |
| Closing claim estimates                                      | (1,929,473)      | (2,101,506)    | (1,294,042)      | (1,632,673)      | (1,045,799)   |
| <b>Run off in ALL '000</b>                                   | <b>(176,265)</b> | <b>260,926</b> | <b>(331,289)</b> | <b>(100,040)</b> | <b>99,081</b> |
| <b>Run off in %</b>  | <b>(6.11) %</b>  | <b>7.02%</b>   | <b>(14.71) %</b> | <b>(4.69) %</b>  | <b>5.25%</b>  |

**Actual claims compared to estimates**

Provision for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid is made at the reporting date. The liability for reported claims (RBNS) is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case reserves are reviewed regularly and are updated as and when new information arises. The Company Management has established an internal process with respect to recognition and measurement of provisions and contingencies due to liability for reported claims in litigation.

**6. Insurance risk management (continued)**

***Actual claims compared to estimates (continued)***

Management believes, that reported and not enough reported but no settled claims in litigation are adequately reserves and any shortfall due to due to causes beyond legal background and framework is mitigated based on prudent estimation of incurred but not reported reserving.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than reported claims. IBNR provisions are predominantly assessed by the Company's actuaries using statistical techniques, whereby historical data is extrapolated in order to estimate ultimate claims costs.

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

- economic, legal, political and social trends (resulting in different than expected levels of inflation);
- changes in the mix of insurance contracts incepted;
- random fluctuations, including the impact of large losses.

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries.

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**6. Insurance risk management (continued)**

The following table shows the gradual development of the estimate of ultimate loss according to claims incurred year. The estimate changed in individual periods depending on the actual claims paid. The comparison of statistical estimation of sufficient provisions with gross amount of provisions suggests sufficient levels of the claim provisions including incurred but not reported claims.

| Accounting Period                                | 2014<br>and earlier | 2015             | 2016             | 2017               | 2018             | 2019               | 2020             | 2021             | Total            |
|--|---------------------|------------------|------------------|--------------------|------------------|--------------------|------------------|------------------|------------------|
| <b>Estimate of final claims cost:</b>            |                     |                  |                  |                    |                  |                    |                  |                  |                  |
| -at the end of the reporting period              | 32,587,715          | 315,045          | 308,231          | 307,947            | 310,168          | 310,340            | 310,400          | 310,400          | 34,760           |
| -one year later                                  | 8,828,016           | 402,454          | 402,970          | 402,226            | 399,829          | 399,741            | 396,030          | -                | -                |
| -two years later                                 | 9,881,581           | 480,912          | 480,642          | 479,606            | 478,316          | 476,655            | -                | -                | -                |
| -three years later                               | 11,166,566          | 525,257          | 521,476          | 520,488            | 520,453          | -                  | -                | -                | -                |
| -four years later                                | 12,105,420          | 714,254          | 713,993          | 709,593            | -                | -                  | -                | -                | -                |
| -five years later                                | 14,787,281          | 760,596          | 760,099          | -                  | -                | -                  | -                | -                | -                |
| -six years later                                 | 15,359,235          | 1,095,592        | -                | -                  | -                | -                  | -                | -                | -                |
| -seven years later                               | 16,182,785          | -                | -                | -                  | -                | -                  | -                | -                | -                |
| Current estimate of cumulative claims cost       | 16,182,785          | 1,095,592        | 760,099          | 709,593            | 520,453          | 476,655            | 396,030          | 310,400          | 20,451,607       |
| Cumulative payments of claims                    | 7,084,644           | 1,547,217        | 1,464,800        | 1,711,284          | 1,353,005        | 2,505,558          | 901,382          | 1,035,675        | 17,603,565       |
| <b>Liability recognised in the balance sheet</b> | <b>9,098,141</b>    | <b>(451,625)</b> | <b>(704,701)</b> | <b>(1,001,691)</b> | <b>(832,552)</b> | <b>(2,028,903)</b> | <b>(505,352)</b> | <b>(725,275)</b> | <b>2,848,042</b> |

Management reviews claims estimates and assumptions based on actual claim development and makes appropriate adjustments to claim methodologies.

**6. Insurance risk management (continued)**

The following assumptions have the greatest effect on the measurement of non-life insurance liabilities:

**Expected claims ratio.** The expected claims ratio represents the ratio of claims paid and expected claims incurred to premiums earned by excluding the reinsurer share in the premiums earned and claims paid and expected (changes in IBNR and RBNS). The assumptions in respect of expected claims ratios for the most recent accident year, per class of business, have the most influence on the level of provisions.

**Tail factors.** For long-tail business, the level of provision is significantly influenced by the estimate of the development of claims from the latest development year for which historical data is available to ultimate settlement. These tail factors are estimated prudently based on experience.

**Discounting.** Non-life claims provisions are not discounted.

**Claim development**

Claims incurred by the Company have generally short processing period and are normally closed with one year. Green card claims tend to have longer settling period however not significantly longer than one year. In the experience of the Company, the development of claims does not differ materially from initial estimates.

**Assumptions and sensitivities**

The risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses statistical and actuarial techniques including indicators such as the expected loss ratio. The Company considers that the liability for non-life insurance claims recognized in the separate statement of financial position is adequate. However actual experience will differ from the expected outcome. An overview of claim loss and combined ratio for the year 2021 and 2020 is as below:

|                       |             |             |
|-----------------------|-------------|-------------|
| Claim ratio           | <b>2021</b> | <b>2020</b> |
| Expense ratio         | 35%         | 27%         |
| <b>Combined ratio</b> | <b>43%</b>  | <b>45%</b>  |
|                       | <b>78%</b>  | <b>72%</b>  |

The results of the sensitivity analysis showing the impact on profit for the year are set out below. For such sensitivity, the impact of a change in a single factor is shown, with other assumptions unchanged.

|                               | <b>Impact</b> | <b>2021</b> | <b>Impact</b> | <b>2020</b> |
|-------------------------------|---------------|-------------|---------------|-------------|
| <b>Claim ratio</b>            |               |             |               |             |
| 5% increase in claim ratio    | Loss          | (76,846)    | Loss          | (52,026)    |
| 5% decrease in claim ratio    | Gain          | 76,846      | Gain          | 52,026      |
| <b>Expense ratio</b>          |               |             |               |             |
| 5% increase in expense ratio  | Loss          | (94,421)    | Loss          | (88,392)    |
| 5% decrease in expense ratio  | Gain          | 94,421      | Gain          | 88,392      |
| <b>Combined ratio</b>         |               |             |               |             |
| 5% increase in combined ratio | Loss          | (171,267)   | Loss          | (140,418)   |
| 5% decrease in combined ratio | Gain          | 171,267     | Gain          | 140,418     |

**7. Financial risk management**

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks. The Company does not make use of derivative financial instruments to hedge these risks exposures.



*(All amounts are expressed in thousand ALL, unless otherwise stated)*

**7. Financial risk management (continued)**

**i) Market risk**

Market risk includes three types of risk:

- Currency risk – the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Fair value 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. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements. Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

**ii) Currency risk**

The Company undertakes transactions in both local and foreign currencies; hence exposures to exchange rate fluctuations arise. Because of this, currency exchange fluctuations may affect the level of shareholders' equity as a result of translations into local currency. Currency risk in the investment's portfolio is managed using assets/liabilities matching principles. The applicable official Bank rates (ALL to the foreign currency unit) for the principal currencies were as below:

|     | <b>31 December 2021</b> | <b>31 December 2020</b> |
|-----|-------------------------|-------------------------|
| USD | 106.54                  | 100.84                  |
| CHF | 116.82                  | 114.46                  |
| EUR | 120.76                  | 123.70                  |

The Company underwrites policies in ALL, Euro or USD. It enters into reinsurance agreements mostly in Euro and purchases goods and services in both Euro and ALL or USD. Insurance and claims and reserves are mainly incurred in the currency the policy is underwritten. Therefore, the Company is exposed to currency risk. Policies and processes of the Company focus on mitigating currency risk, through balancing amount of cash used in each currency, mainly by investing in term deposits to match the resulting liabilities in the respective currencies.

The Company's financial assets and liabilities denominated in foreign currency as of 31 December 2021 are as follows:

|   | <b>ALL</b>         | <b>EUR</b>         | <b>USD</b>              | <b>CHF</b>     | <b>Total</b>       |
|---|--------------------|--------------------|-------------------------|----------------|--------------------|
|   |                    |                    | <b>(ALL equivalent)</b> |                |                    |
| <b>Assets</b>                                 |                    |                    |                         |                |                    |
| Cash and cash equivalents                     | 29,977             | 35,919             | 11,706                  | 50             | 77,652             |
| Term deposits with banks                      | 713,671            | 3,431,068          | 366,817                 | -              | 4,511,556          |
| Insurance receivables                         | 217,763            | 270,255            | 41,114                  | -              | 529,132            |
| Reinsurance assets                            | 108,733            | 752,698            | 32,518                  | -              | 893,949            |
| Other assets                                  | 11,027             | 149,321            | -                       | -              | 160,348            |
| <b>Total Financial Assets</b>                 | <b>1,081,171</b>   | <b>4,639,261</b>   | <b>452,155</b>          | <b>50</b>      | <b>6,172,637</b>   |
| <b>Liabilities</b>                            |                    |                    |                         |                |                    |
| Insurance liabilities and contract provisions | (3,222,629)        | (1,916,716)        | (65,602)                | (1,042)        | (5,205,990)        |
| Other liabilities                             | (112,811)          | (207,915)          | (5,044)                 | -              | (325,769)          |
| <b>Total Financial Liabilities</b>            | <b>(3,335,440)</b> | <b>(2,124,631)</b> | <b>(70,646)</b>         | <b>(1,042)</b> | <b>(5,531,759)</b> |
| <b>Net Foreign Currency Position</b>          | <b>(2,254,269)</b> | <b>2,514,630</b>   | <b>381,509</b>          | <b>(992)</b>   | <b>640,878</b>     |

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**Notes to the separate financial statements**

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**7. Financial risk management (continued)**

**ii) Currency risk (continued)**

The Company's financial assets and liabilities denominated in foreign currency as of 31 December 2020 are as follows:

|   | ALL                | EUR                | USD<br>(ALL equivalent) | CHF            | Total              |
|---|--------------------|--------------------|-------------------------|----------------|--------------------|
| <b>Assets</b>                                 |                    |                    |                         |                |                    |
| Cash and cash equivalents                     | 45,877             | 33,095             | 5,592                   | 69             | 84,633             |
| Term deposits with banks                      | 955,000            | 2,914,994          | 586,889                 | -              | 4,456,883          |
| Insurance receivables                         | 204,249            | 141,258            | 96,855                  | -              | 442,362            |
| Reinsurance assets                            | 282,413            | 820,274            | 52,946                  | -              | 1,155,633          |
| Other assets                                  | 10,710             | 14,582             | -                       | -              | 25,292             |
| <b>Total Financial Assets</b>                 | <b>1,498,249</b>   | <b>3,924,203</b>   | <b>742,282</b>          | <b>69</b>      | <b>6,164,803</b>   |
| <b>Liabilities</b>                            |                    |                    |                         |                |                    |
| Insurance liabilities and contract provisions | (3,095,801)        | (1,887,856)        | (106,711)               | (1,275)        | (5,091,643)        |
| Other liabilities                             | (153,219)          | (75,382)           | (56,621)                | -              | (285,222)          |
| <b>Total Financial Liabilities</b>            | <b>(3,249,020)</b> | <b>(1,963,238)</b> | <b>(163,332)</b>        | <b>(1,275)</b> | <b>(5,376,865)</b> |
| <b>Net Foreign Currency Position</b>          | <b>(1,750,771)</b> | <b>1,960,965</b>   | <b>578,950</b>          | <b>(1,206)</b> | <b>787,938</b>     |

**Sensitivity analysis**

The following table details the Company's sensitivity of profit or loss before tax to an increase and decrease in the ALL against the relevant foreign currencies. Such change in foreign exchange rates is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. For each sensitivity analysis the impact of change in a single factor is shown, with other assumptions unchanged.

Sensitivity analysis for the year ended 31 December 2021:

|                                  | Impact | Amount    |
|----------------------------------|--------|-----------|
| EUR increases by 10% against ALL | Gain   | 251,463   |
| EUR decreases by 10% against ALL | Loss   | (251,463) |
| USD increases by 10% against ALL | Gain   | 38,151    |
| USD decreases by 10% against ALL | Loss   | (38,151)  |

Sensitivity analysis for the year ended 31 December 2020:

|                                  | Impact | Amount    |
|----------------------------------|--------|-----------|
| EUR increases by 10% against ALL | Gain   | 196,096   |
| EUR decreases by 10% against ALL | Loss   | (196,096) |
| USD increases by 10% against ALL | Gain   | 57,895    |
| USD decreases by 10% against ALL | Loss   | (57,895)  |

**iii) Interest rate risk**

Interest rate risk is comprised of the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturities of interest-bearing assets differ from the maturities of the interest-bearing liabilities used to fund those assets. The length of time for which the rate of interest is fixed on a financial instrument indicates to what extent it is exposed to interest rate risk. The financial assets and liabilities of the Company carry market interest rates.

|   | Up to<br>3 months | From 3 to<br>6 months | 6 months<br>to 1 year | Over 1<br>year | Not interest<br>sensitive | Total              |
|---|-------------------|-----------------------|-----------------------|----------------|---------------------------|--------------------|
| <b>Assets</b>                                 |                   |                       |                       |                |                           |                    |
| Cash and cash equivalents                     | -                 | -                     | -                     | -              | 77,652                    | 77,652             |
| Term deposits with banks                      | 1,891,031         | 1,107,811             | 1,512,714             | -              | -                         | 4,511,556          |
| Insurance receivables                         | -                 | -                     | -                     | -              | 529,132                   | 529,132            |
| Reinsurance assets                            | -                 | -                     | -                     | -              | 893,949                   | 893,949            |
| Other assets                                  | -                 | -                     | -                     | -              | 160,348                   | 160,348            |
| <b>Total Financial Assets</b>                 | <b>1,891,031</b>  | <b>1,107,811</b>      | <b>1,512,714</b>      | <b>-</b>       | <b>1,661,081</b>          | <b>6,172,637</b>   |
| <b>Liabilities</b>                            |                   |                       |                       |                |                           |                    |
| Insurance liabilities and contract provisions | -                 | -                     | -                     | -              | (5,205,990)               | (5,205,990)        |
| Other liabilities                             | -                 | -                     | -                     | -              | (325,769)                 | (325,769)          |
| <b>Total Financial Liabilities</b>            | <b>-</b>          | <b>-</b>              | <b>-</b>              | <b>-</b>       | <b>(5,531,759)</b>        | <b>(5,531,759)</b> |
| <b>IR gap as at 31 December 2021</b>          | <b>1,891,031</b>  | <b>1,107,811</b>      | <b>1,512,714</b>      | <b>-</b>       | <b>(3,870,678)</b>        | <b>640,878</b>     |

The notes on pages 5 to 36 are an integral part of these separate financial statements.

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(All amounts are expressed in thousand ALL, unless otherwise stated)

**7. Financial risk management (continued)**

**iii) Interest rate risk (continued)**

|   | Up to 3 months   | From 3 to 6 months | 6 months to 1 year | Over 1 year | Not interest sensitive | Total              |
|---|------------------|--------------------|--------------------|-------------|------------------------|--------------------|
| <b>Assets</b>                                 |                  |                    |                    |             |                        |                    |
| Cash and cash equivalents                     | -                | -                  | -                  | -           | 84,633                 | 84,633             |
| Term deposits with banks                      | 1,587,123        | 1,274,470          | 1,595,290          | -           | -                      | 4,456,883          |
| Insurance receivables                         | -                | -                  | -                  | -           | 442,362                | 442,362            |
| Reinsurance assets                            | -                | -                  | -                  | -           | 1,155,633              | 1,155,633          |
| Other assets                                  | -                | -                  | -                  | -           | 25,292                 | 25,292             |
| <b>Total Financial Assets</b>                 | <b>1,587,123</b> | <b>1,274,470</b>   | <b>1,595,290</b>   | <b>-</b>    | <b>1,707,919</b>       | <b>6,164,802</b>   |
| <b>Liabilities</b>                            |                  |                    |                    |             |                        |                    |
| Insurance liabilities and contract provisions | -                | -                  | -                  | -           | (5,091,643)            | (5,091,643)        |
| Other liabilities                             | -                | -                  | -                  | -           | (285,222)              | (285,222)          |
| <b>Total Financial Liabilities</b>            | <b>-</b>         | <b>-</b>           | <b>-</b>           | <b>-</b>    | <b>(5,376,865)</b>     | <b>(5,376,865)</b> |
| <b>IR gap as at 31 December 2020</b>          | <b>1,587,123</b> | <b>1,274,470</b>   | <b>1,595,290</b>   | <b>-</b>    | <b>(3,668,945)</b>     | <b>787,938</b>     |

Interest rates are fixed. However, any increase/decrease by 1% in interest rate would result in a net impact of ALL 45,116 thousand (2020: 44,569 ALL thousand).

**iv) Credit risk**

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. In the normal course of its business as premiums are received, these funds are invested to pay for future policy holder obligations. The Company is exposed to credit risk on its financial assets held to maturity, term deposits, insurance and receivables/assets.

The Company has established internal procedures and guidelines where the reinsurance partners should be rated BB- or higher rates and the risk is monitored by the reinsurance personnel. The Company manages its exposure to credit risk on a regular basis. It monitors the financial conditions of its guarantee fund counterparties and does not concentrate more than 25% of its guarantee fund with one single counterpart. Concentration of the investments is based on the financial performance of the counterpart as published by their regulator. The Company only invests its liquidities in banks that operate in Albania and are regulated by the Bank of Albania.

With regard to insurance receivables, the Company monitors days past due. Once days past due are identified, the Company's credit monitoring sub-functions contact the customers and understand the reasons for the delay. In case of ineffectiveness of initial contacts, the Company identifies all relationships with the customer in order to take appropriate measures to mitigate the credit risk including more frequent calls and meeting with the counterpart, identification of liabilities to the counterpart so that offsetting agreements may be entered into, etc.

The Company's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the separate statement of financial position as follows:

|  | Note | 31 December 2021 | 31 December 2020 |
|--|------|------------------|------------------|
| Cash and cash equivalents (excluding cash on hand) | 9    | 74,910           | 81,780           |
| Term deposits with banks                           | 10   | 4,511,556        | 4,456,883        |
| Insurance receivables                              | 11   | 529,132          | 442,362          |
| Reinsurance assets                                 | 13   | 893,949          | 1,155,633        |
| Other assets                                       | 16   | 160,348          | 25,292           |
| <b>Maximum exposure to credit risk</b>             |      | <b>6,169,895</b> | <b>6,161,950</b> |

No objective indications for impairment have been identified by the Company on the other financial assets as at the reporting date, therefore management considers other financial assets such as cash equivalents, term deposits and other assets as neither past due nor impaired. Refer to the notes for the credit quality of the financial assets.

**7. Financial risk management (continued)**

**iv) Credit risk (continued)**

The Company's cash and cash equivalents and term deposits are placed with the following financial institutions:

|   | Agency    | Rating    | 31 December 2021             |                                       | 31 December 2020             |                                       |
|---|-----------|-----------|------------------------------|---------------------------------------|------------------------------|---------------------------------------|
|   |           |           | Cash equivalent and deposits | Out of which Cash equivalent (note 9) | Cash equivalent and deposits | Out of which Cash equivalent (note 9) |
| Banka Kombëtare Tregëtare   | JCR       | AAA (Alb) | 1,801,373                    | 14,559                                | 1,494,396                    | 12,781                                |
| Intesa San Paolo Bank   | Eurasia   |           | 60,455                       | 13,030                                | 240,301                      | 4,805                                 |
| Raiffeisen Bank   | S&P       | BBB       | 41,656                       | 5,433                                 | 45,118                       | 10,832                                |
| Credins Bank  | S&P       | BBB       | 584,294                      | 6,481                                 | 680,423                      | 1,959                                 |
| Banka Amerikane e Investimeve   | Not rated | -         | 845,996                      | 3,396                                 | 834,202                      | 16,950                                |
| OTP Bank  | Not rated | -         | 567,179                      | 8,954                                 | 565,062                      | 9,084                                 |
| ProCredit Bank  | S&P       | BBB       | 186,595                      | 4,469                                 | 181,578                      | 3,455                                 |
| Tirana Bank   | Fitch     | BBB       | 404,068                      | 2,541                                 | 408,158                      | 4,896                                 |
| United Bank of Albania  | S&P       | C         | -                            | 3,437                                 | 3,692                        | 3,692                                 |
| Alpha Bank – Albania  | Not rated | -         | 3,437                        | 3,437                                 | 17,434                       | 7,434                                 |
| Union Bank  | S&P       | CCC+      | 13,727                       | 3,727                                 | 60,164                       | 4,231                                 |
| First Investment Bank   | Not rated | -         | 65,431                       | 6,298                                 | 1,661                        | 1,661                                 |
|   | Fitch     | B-        | 2,585                        | 2,585                                 |                              |                                       |
| <b>Total cash equivalent and deposits with banks (note 9 and note 10)</b> |           |           | <b>4,576,796</b>             | <b>74,910</b>                         | <b>4,532,189</b>             | <b>81,780</b>                         |

The Company operates with local banks which are mainly subsidiaries of international banking groups. Accounts with banks are not secured. Because few Albanian banks are rated by international rating agencies, the Company uses the credit ratings of the banks' major shareholders in order to take its investment decisions as well as the Bank of Albania quarterly reports on the banks that operate in the Albanian market.

The reinsurance assets are monitored according to the credit rating. For the year ended 31 December 2021 and 2020, the credit risk assessment of the reinsurance premiums ceded and reinsurance assets by rating of reinsurer (required by local legislation) are as follows:

| Rating       | 2021                    |             |                             |             | 2020                    |             |                             |             |
|--------------|-------------------------|-------------|-----------------------------|-------------|-------------------------|-------------|-----------------------------|-------------|
|              | Premiums ceded '000 ALL | % of total  | Reinsurance assets '000 ALL | % of total  | Premiums ceded '000 ALL | % of total  | Reinsurance assets '000 ALL | % of total  |
| A            | 468,857                 | 74%         | 778,635                     | 87%         | 460,031                 | 77%         | 1,028,513                   | 89%         |
| BBB          | 136,799                 | 21%         | 115,314                     | 13%         | 113,839                 | 19%         | 127,120                     | 11%         |
| BB           | 31,484                  | 5%          | 0                           | -           | 25,282                  | 4%          | 0                           | -           |
| <b>Total</b> | <b>637,140</b>          | <b>100%</b> | <b>893,949</b>              | <b>100%</b> | <b>599,152</b>          | <b>100%</b> | <b>1,155,633</b>            | <b>100%</b> |

**v) Liquidity risk**

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due. Liquidity risk is moderately inherent to the Company's business as certain assets purchased and liabilities sold could have liquidity characteristics that are specific. If the Company would require significant amounts on short notice in excess of normal cash requirements it may face difficulties to obtain attractive prices. Nevertheless, the Company has access to short-term facilities being in a cooperation with all banks in Albania which it may use to over-come short-term liquidity issues. The Company also monitoring forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

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*(All amounts are expressed in thousand ALL, unless otherwise stated)*

**7. Financial risk management (continued)**

**v) Liquidity risk (continued)**

Financial assets and liabilities as of 31 December 2021 detailed by expected (for Insurance liabilities only) and contractual maturity are disclosed below:

|   | Less than<br>3 months | Between<br>3 months<br>and 1 year | Between<br>1 year<br>and 5 years | Total              |
|---|-----------------------|-----------------------------------|----------------------------------|--------------------|
| <b>Assets</b>                                 |                       |                                   |                                  |                    |
| Cash and cash equivalents                     | 77,652                | -                                 | -                                | 77,652             |
| Term deposits with banks                      | 1,891,031             | 2,620,525                         | -                                | 4,511,556          |
| Insurance receivables                         | 303,983               | 165,871                           | 59,278.00                        | 529,132            |
| Reinsurance assets                            | 80,752                | 258,847                           | 554,350                          | 893,949            |
| Other assets                                  | 11,028                | 149,320                           | -                                | 160,348            |
| <b>Total Financial Assets</b>                 | <b>2,364,446</b>      | <b>3,194,563</b>                  | <b>613,628</b>                   | <b>6,172,637</b>   |
| <b>Liabilities</b>                            |                       |                                   |                                  |                    |
| Insurance liabilities and contract provisions | (1,100,889)           | (1,746,980)                       | (2,358,121)                      | (5,205,990)        |
| Other liabilities                             | (155,912)             | (169,857)                         | -                                | (325,769)          |
| <b>Total Financial Liabilities</b>            | <b>(1,256,801)</b>    | <b>(1,916,837)</b>                | <b>(2,358,121)</b>               | <b>(5,531,759)</b> |
| <b>Net Liquidity Gap</b>                      | <b>1,107,645</b>      | <b>1,277,726</b>                  | <b>(1,744,493)</b>               | <b>640,878</b>     |

The Company's financial assets and liabilities as of 31 December 2020 have the following maturities:

|   | Less than<br>3 months | Between<br>3 months<br>and 1 year | Between<br>1 year<br>and 5 years | Total              |
|---|-----------------------|-----------------------------------|----------------------------------|--------------------|
| <b>Assets</b>                                 |                       |                                   |                                  |                    |
| Cash and cash equivalents                     | 84,633                | -                                 | -                                | 84,633             |
| Term deposits with banks                      | 1,587,123             | 2,869,760                         | -                                | 4,456,883          |
| Insurance receivables                         | 235,685               | 206,677                           | -                                | 442,362            |
| Reinsurance assets                            | 100,413               | 128,912                           | 926,308                          | 1,155,633          |
| Other assets                                  | 10,710                | 14,582                            | -                                | 25,292             |
| <b>Total Financial Assets</b>                 | <b>2,018,564</b>      | <b>3,219,931</b>                  | <b>926,308</b>                   | <b>6,164,803</b>   |
| <b>Liabilities</b>                            |                       |                                   |                                  |                    |
| Insurance liabilities and contract provisions | (1,188,978)           | (1,404,613)                       | (2,498,052)                      | (5,091,643)        |
| Other liabilities                             | (136,873)             | (148,349)                         | -                                | (285,222)          |
| <b>Total Financial Liabilities</b>            | <b>(1,325,851)</b>    | <b>(1,552,962)</b>                | <b>(2,498,052)</b>               | <b>(5,376,865)</b> |
| <b>Net Liquidity Gap</b>                      | <b>692,713</b>        | <b>1,666,969</b>                  | <b>(1,571,744)</b>               | <b>787,938</b>     |

**vi) Capital risk management**

The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings. The Company manages its capital to ensure that adequate capital levels is maintained for the Company to be able to continue as a going concern and comply with the regulators' capital requirements, while maximising the return to stakeholders through an optimisation of debt and equity balances. As at 31 December 2021 and 31 December 2020, the Company's met all capital requirements, including solvency margin and ratio of assets covering insurance contract liabilities.

In accordance with Law "On insurance and reinsurance activity", the insurance companies in Albania calculate the regulatory capital as at the reporting date by comparing it to the required solvency. The capital of insurance companies should at least amount to the higher of the guarantee fund of the Company as at the reporting date and 150% of the required solvency calculated in accordance with the Insurance Law. As at the reporting date 31 December 2021, the required solvency of the Company is ALL 649,471 thousand (2020: ALL 730,605 thousand) refer to supplementary schedules).

| Note                                    | 2021           | 2020             |
|---|----------------|------------------|
| Equity                                  | 4,226,141      | 4,085,796        |
| Required solvency margin                | 649,471        | 730,605          |
| 150% of required solvency margin        | <b>974,206</b> | <b>1,095,908</b> |
| <b>In % to regulatory capital</b>       | <b>23%</b>     | <b>27%</b>       |
| Guarantee fund                          | 10 740,000     | 740,000          |
| <b>In % to required solvency margin</b> | <b>114%</b>    | <b>101%</b>      |

The notes on pages 5 to 36 are an integral part of these separate financial statements.

**7. Financial risk management (continued)**

**vi) Capital risk management (continued)**

**Other risks**

Changes in governmental regulations in the business segments in which the Company operates may affect profitability. The insurance business is subject to comprehensive and developing supervision. The primary purpose of such regulations is to protect policyholders. Changes in existing insurance laws and regulations may affect the way in which the Company conducts its business and the products offered. Additionally, the insurance laws or regulations adopted and amended from time to time may be more restrictive or may result in higher costs than current requirements.

**8. Fair value disclosures**

The fair value measurement is determined utilising relevant information generated by market transactions involving comparable securities. They are often based on model pricing techniques that discount prospective cash flows to present value using appropriate sector-adjusted credit spreads commensurate with the security's duration, also taking into account issuer-specific credit quality and liquidity. Observable inputs used include benchmark yields. The Company does not have financial assets measured at fair value. The Company accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for disclosures purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed as followed:

*Cash and cash equivalent and Term deposits with banks* – which comprise cash at bank and time 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.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. The Company's financial assets fair values, fair value measurement level and measurement category are presented below:

|  | Fair value level | Loans and receivables | Total carrying amount |
|--|------------------|-----------------------|-----------------------|
| <b>31 December 2021</b>                            |                  |                       |                       |
| Cash on hand                                       | Level 2          | 2,742                 | 2,742                 |
| Cash and cash equivalents (excluding cash on hand) | Level 2          | 74,910                | 74,910                |
| Term deposits with banks                           | Level 2          | 4,511,556             | 4,511,556             |
| Other receivables                                  | Level 2          | 160,348               | 160,348               |
| <b>31 December 2020</b>                            |                  |                       |                       |
| Cash on hand                                       | Level 2          | 2,853                 | 2,853                 |
| Cash and cash equivalents (excluding cash on hand) | Level 2          | 81,780                | 81,780                |
| Term deposits with banks                           | Level 2          | 4,456,883             | 4,456,883             |
| Other receivables                                  | Level 2          | 25,292                | 25,292                |

**9. Cash and cash equivalents**

|                                   | 31 December 2021 | 31 December 2020 |
|-----------------------------------|------------------|------------------|
| Cash on hand                      | 2,742            | 2,853            |
| <i>Current accounts</i>           |                  |                  |
| Cash at banks in ALL              | 28,306           | 43,433           |
| Cash at banks in foreign currency | 46,604           | 38,347           |
| Total Cash at banks               | 74,910           | 81,780           |
| <b>Total</b>                      | <b>77,652</b>    | <b>84,633</b>    |

**SIGAL UNIQA GROUP AUSTRIA Sh.a.**  
**Notes to the separate financial statements**

*(All amounts are expressed in thousand ALL, unless otherwise stated)*

**10. Term deposits with banks**

Term deposits with banks as at 31 December 2021 and 2020 are composed of the following:

|   | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Bank deposits   | 3,761,885        | 3,710,409        |
| Guarantee fund  | 740,000          | 740,000          |
| Accrued interest  | 9,671            | 6,474            |
| <b>Total term deposits including the guarantee fund</b> | <b>4,511,556</b> | <b>4,456,883</b> |

The guarantee fund is composed of restricted term deposits with commercial banks. The guarantee fund can only be invested through the banking system in term deposits or treasury bills and is not available for daily operations and based on local legislation requirements the Company maintains a minimum of one-third of the required level of the solvency margin but not less than ALL 740 million, in term deposits with maturity of not less than 1 year. As at 31 December 2021, the guarantee fund is ALL 740,000 thousand (2020: ALL 740,000 thousand). Term deposits with banks comprise the following ALL and foreign currency deposits as at 31 December 2021 and 2020:

|                  | 2021<br>Amounts  | Yield in %  | 2020<br>Amounts  | Yield in %  |
|------------------|------------------|-------------|------------------|-------------|
| In EUR           | 704,000          | 0.50 – 1.50 | 955,000          | 0.40 – 1.40 |
| In USD           | 366,817          | 0.20 – 1.20 | 586,889          | 0.10 – 1.10 |
| In ALL           | 3,431,068        | 0.20 – 0.80 | 2,908,520        | 0.01 – 0.40 |
| Accrued interest | 9,671            |             | 6,474            |             |
| <b>Total</b>     | <b>4,511,556</b> |             | <b>4,456,883</b> |             |

Bank deposits excluding the respective guarantee funds have maturities ranging from 6 months to 1 year.

**11. Insurance receivables**

Insurance receivables are composed of the following:

|                                | 31 December 2021 | 31 December 2020 |
|--------------------------------|------------------|------------------|
| Receivables from policyholders | 525,993          | 432,355          |
| Receivables from agents        | 3,139            | 10,007           |
| <b>Total</b>                   | <b>529,132</b>   | <b>442,362</b>   |

Receivables from policyholders gross and net of allowance for doubtful receivables are presented below:

|                                       | 31 December 2021 | 31 December 2020 |
|---------------------------------------|------------------|------------------|
| Gross insurance receivables           | 701,055          | 598,043          |
| Less: Allowance for impairment losses | (175,062)        | (165,688)        |
| <b>Insurance receivables, net</b>     | <b>525,993</b>   | <b>432,355</b>   |

Receivables from agents are neither past due nor impaired. Movement in allowance for impairment losses are as follows:

|                                     | 2021           | 2020           |
|-------------------------------------|----------------|----------------|
| Balance at 1 January                | 165,689        | 129,774        |
| Allowance charged to profit or loss | 44,926         | 65,932         |
| Write-offs                          | (35,553)       | (30,018)       |
| <b>Balance at 31 December</b>       | <b>175,062</b> | <b>165,688</b> |

The credit quality of insurance receivables from policy holders is presented below.

|                    | 31 December 2021 |                  |                | 31 December 2020 |                  |                |
|--------------------|------------------|------------------|----------------|------------------|------------------|----------------|
|                    | Gross<br>Balance | Impairment       | Net<br>Balance | Gross<br>Balance | Impairment       | Net<br>Balance |
| 0-3 months         | 300,844          | -                | 300,844        | 235,685          | -                | 235,685        |
| 3-6 months         | 72,793           | (3,640)          | 69,153         | 67,910           | (3,396)          | 64,514         |
| 6 months to 1 year | 113,785          | (17,067)         | 96,718         | 94,234           | (14,135)         | 80,099         |
| more than 1 year   | 213,633          | (154,355)        | 59,278         | 200,214          | (148,157)        | 52,057         |
| <b>Total</b>       | <b>701,055</b>   | <b>(175,062)</b> | <b>525,993</b> | <b>598,043</b>   | <b>(165,688)</b> | <b>432,355</b> |

More than 1 year in delay insurance receivables as at 31 December 2021 include ALL 59,278 thousand (2020: ALL 52,057 thousand) balances subject to future offsetting against financial liabilities.

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**Notes to the separate financial statements**

*(All amounts are expressed in thousand ALL, unless otherwise stated)*

**12. Deferred acquisition cost**

|                       | <b>31 December 2021</b> | <b>31 December 2020</b> |
|-----------------------|-------------------------|-------------------------|
| Property and casualty | 105,808                 | 91,676                  |
| Motor insurance       | 265,026                 | 225,973                 |
| Accidents and health  | 32,535                  | 28,850                  |
| Other                 | 6,629                   | 3,447                   |
| <b>Total</b>          | <b>409,998</b>          | <b>349,946</b>          |

Movement in deferred acquisition costs are as follows:

|  | <b>2021</b>    | <b>2020</b>    |
|--|----------------|----------------|
| As at 1 January                        | 349,946        | 336,853        |
| Increase in deferred acquisition costs | 838,415        | 659,712        |
| Deferred acquisition costs expensed    | (778,363)      | (646,619)      |
| <b>At 31 December</b>                  | <b>409,998</b> | <b>349,946</b> |

**13. Reinsurance assets**

|                                      | <b>31 December 2021</b> | <b>31 December 2020</b> |
|--------------------------------------|-------------------------|-------------------------|
| Reinsurers share in unearned premium | 242,258                 | 329,055                 |
| Reinsurers share in reported claims  | 651,691                 | 826,578                 |
| <b>Total</b>                         | <b>893,949</b>          | <b>1,155,633</b>        |

The Company's reinsurance assets are not secured and are neither past due nor impaired.

**14. Investments in subsidiaries**

The table below summarises the movements in the carrying amount of the investment in subsidiaries, associates and joint ventures.

|   | <b>2021</b>      | <b>2020</b>      |
|---|------------------|------------------|
| <b>Carrying amount at 1 January</b>           | <b>2,223,050</b> | <b>2,223,050</b> |
| Increase in the share capital of subsidiaries | -                | -                |
| <b>Carrying amount at 31 December</b>         | <b>2,223,050</b> | <b>2,223,050</b> |

Based on the subsidiary for 2021 performance and year end solvency position the Management did not identify any impairment indication.

The investment represents the capital contributed in subsidiaries for 100% ownership interest held.

|  | <b>31 December 2021</b> | <b>31 December 2020</b> |
|--|-------------------------|-------------------------|
| SIGAL UNIQA Group AUSTRIA sh.a. (Kosovo)       | 554,409                 | 554,409                 |
| SIGAL Life UNIQA Group AUSTRIA sh.a. (Kosovo)  | 491,728                 | 491,728                 |
| UNIQA Life AD Skopje                           | 488,040                 | 488,040                 |
| SIGAL Life UNIQA Group AUSTRIA sh.a. (Albania) | 369,999                 | 369,999                 |
| UNIQA A.D. Skopje                              | 318,874                 | 318,874                 |
| <b>Total</b>                                   | <b>2,223,050</b>        | <b>2,223,050</b>        |



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(All amounts are expressed in thousand ALL, unless otherwise stated)

**15. Property and equipment**

Movements in property and equipment were as follows:

|                                 | Land          | Buildings        | Motor vehicles   | Computer and office equipment | Leasehold improvements | Total              |
|---------------------------------|---------------|------------------|------------------|-------------------------------|------------------------|--------------------|
| <b>Cost</b>                     |               |                  |                  |                               |                        |                    |
| At 1 January 2020               | 82,853        | 1,133,857        | 181,643          | 371,985                       | 38,053                 | 1,808,391          |
| Additions                       | -             | 98,394           | 20,452           | 28,069                        | -                      | 146,914            |
| Disposals                       | -             | -                | (25,346)         | 0                             | -                      | (25,346)           |
| <b>At 31 December 2020</b>      | <b>82,853</b> | <b>1,232,251</b> | <b>176,749</b>   | <b>400,054</b>                | <b>38,053</b>          | <b>1,929,960</b>   |
| Balance on 1 January 2021       | 82,853        | 1,232,251        | 176,749          | 400,054                       | 38,053                 | 1,929,960          |
| Additions                       | -             | 147,492          | 866              | 16,482                        | -                      | 164,840            |
| Disposals                       | -             | -                | (2,736)          | (757)                         | -                      | (3,493)            |
| <b>At 31 December 2021</b>      | <b>82,853</b> | <b>1,379,742</b> | <b>174,879</b>   | <b>415,779</b>                | <b>38,053</b>          | <b>2,091,307</b>   |
| <b>Accumulated depreciation</b> |               |                  |                  |                               |                        |                    |
| At 1 January 2020               | -             | (367,429)        | (109,047)        | (282,520)                     | (21,670)               | (780,666)          |
| Charge for the year             | -             | (100,927)        | (14,483)         | (23,041)                      | (3,805)                | (142,257)          |
| Disposals                       | -             | -                | 6,556            | -                             | 0                      | 6,556              |
| <b>At 31 December 2020</b>      | <b>-</b>      | <b>(468,356)</b> | <b>(116,974)</b> | <b>(305,561)</b>              | <b>(25,476)</b>        | <b>(916,367)</b>   |
| Charge for the year             | -             | (102,805)        | (12,074)         | (22,960)                      | (3,805)                | (141,645)          |
| Disposals                       | -             | -                | 2,463            | 252                           | -                      | 2,715              |
| <b>At 31 December 2021</b>      | <b>-</b>      | <b>(571,162)</b> | <b>(126,586)</b> | <b>(328,268)</b>              | <b>(29,281)</b>        | <b>(1,055,297)</b> |
| <b>Carrying amount</b>          |               |                  |                  |                               |                        |                    |
| At 1 January 2020               | 82,853        | 766,428          | 72,597           | 89,465                        | 16,383                 | 1,027,725          |
| At 31 December 2020             | 82,853        | 763,894          | 59,775           | 94,492                        | 12,577                 | 1,013,593          |
| At 31 December 2021             | 82,853        | 808,581          | 48,293           | 87,511                        | 8,771                  | 1,036,010          |

The depreciation charge is recognised under "administrative expenses" in profit or loss.

*Change in estimates*

The building includes the assets of the right of use on 31 December 2021 in the gross value of ALL 481,973 thousand (2020 – ALL 422,631 thousand), accumulated depreciation of ALL 261,318 thousand (2020 – ALL 172,988 thousand) and net value of ALL 220,655 thousand (2020 – ALL 249,643 thousand).

**16. Other assets**

|   | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Amounts due from subsidiaries             | 149,320          | 14,582           |
| Receivables from employees                | 11,028           | 10,710           |
| <b>Financial other assets</b>             | <b>160,348</b>   | <b>25,292</b>    |
| Prepayment for health insurance           | 1,135            | 2,950            |
| Prepayments for intermediation in damages | 28,106           | 9,341            |
| Prepayment for green card insurance       | 66,944           | 68,574           |
| Prepaid suppliers and expenses            | 29,534           | 19,095           |
| Damages paid, required by the reinsurer   | 135,704          | 74,659           |
| Claims on insurance companies             | 3,900            | 9,298            |
| Prepayments to the Compensation Fund      | 44,477           | 26,280           |
| Prepayments for Agents                    | 7,262            | 6,662            |
| Other assets                              | 20,820           | 15,696           |
| <b>Total</b>                              | <b>498,230</b>   | <b>257,847</b>   |

Claims paid, receivable by the reinsurer are related to collection claims against the reinsurer UNIQA RE.

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*(All amounts are expressed in thousand ALL, unless otherwise stated)*

**17. Claim reserves**

|                                       | 2021             |                  |                  | 2020             |                    |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|--------------------|------------------|
|                                       | Gross            | Reinsurance      | Net              | Gross            | Reinsurance        | Net              |
| Reported claims                       | 1,956,213        | (814,827)        | 1,141,386        | 2,635,617        | (1,412,711)        | 1,222,906        |
| Incurred but not reported             | 928,991          | (11,751)         | 917,240          | 1,080,914        | (300,000)          | 780,914          |
| Claims handling costs                 | 29,504           |                  | 29,504           | 28,947           |                    | 28,947           |
| <b>Total at beginning of the year</b> | <b>2,914,708</b> | <b>(826,578)</b> | <b>2,088,130</b> | <b>3,745,478</b> | <b>(1,712,711)</b> | <b>2,032,767</b> |
| Claims incurred                       | 1,682,621        | (144,413)        | 1,538,208        | 819,148          | 221,920            | 1,041,068        |
| Claims paid                           | (1,717,229)      | 319,302          | (1,397,927)      | (1,649,361)      | 664,213            | (985,148)        |
| Claims handling costs                 | (1,278)          | -                | (1,278)          | (557)            | -                  | (557)            |
|                                       | <b>(35,886)</b>  | <b>174,889</b>   | <b>139,003</b>   | <b>(830,770)</b> | <b>886,133</b>     | <b>55,363</b>    |
| <b>Total at end of year</b>           | <b>2,878,822</b> | <b>(651,691)</b> | <b>2,227,132</b> | <b>2,914,708</b> | <b>(826,578)</b>   | <b>2,088,130</b> |
| Reported claims                       | 1,790,796        | (644,445)        | 1,146,351        | 1,956,213        | (814,827)          | 1,141,386        |
| Incurred but not reported             | 1,057,244        | (7,245)          | 1,049,999        | 928,991          | (11,751)           | 917,240          |
| Claims handling costs                 | 30,782           | -                | 30,782           | 29,504           | -                  | 29,504           |
| <b>Change in claims reserves, net</b> | <b>(35,886)</b>  | <b>174,888</b>   | <b>139,003</b>   | <b>(830,770)</b> | <b>886,133</b>     | <b>55,363</b>    |

Paid claims by insurance product are as follows:

|   | 2021             | 2020             |
|---|------------------|------------------|
| Motor vehicles                                  | 1,075,629        | 655,054          |
| Health and accidents                            | 289,267          | 219,197          |
| Property  | 350,057          | 771,716          |
| Other   | 2,276            | 3,395            |
| <b>Total</b>                                    | <b>1,717,229</b> | <b>1,649,362</b> |
| <b>Reported but not settled</b>                 | <b>2021</b>      | <b>2020</b>      |
| At 1 January                                    | 1,956,213        | 2,635,617        |
| Net change during the year                      | (165,417)        | (679,404)        |
| <b>At 31 December</b>                           | <b>1,790,796</b> | <b>1,956,213</b> |
| <b>Incurred but not reported claims reserve</b> | <b>2021</b>      | <b>2020</b>      |
| At 1 January                                    | 928,991          | 1,080,914        |
| Net change during the year                      | 128,253          | (151,923)        |
| <b>At 31 December</b>                           | <b>1,057,244</b> | <b>928,991</b>   |

**18. Unearned premium reserve**

|  | 2021             | 2020             |
|--|------------------|------------------|
| As at 1 January                                      | 2,176,935        | 2,193,911        |
| Premiums written during the year (note 22)           | 4,589,269        | 3,890,395        |
| Less: premiums earned during the year                | (4,439,036)      | (3,907,371)      |
| <b>Balance at 31 December</b>                        | <b>2,327,168</b> | <b>2,176,935</b> |
|  | <b>2021</b>      | <b>2020</b>      |
| Gross change in provision for unearned premium       | 150,233          | (16,976)         |
| Change in reinsurers share                           | 86,797           | 31,778           |
| <b>Change in provision for unearned premium, net</b> | <b>237,030</b>   | <b>14,802</b>    |

The notes on pages 5 to 36 are an integral part of these separate financial statements.

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*(All amounts are expressed in thousand ALL, unless otherwise stated)*

**19. Other liabilities**

|   | <b>2021</b>    | <b>2020</b>    |
|---|----------------|----------------|
| Suppliers of goods and services               | 223,577        | 212,041        |
| Liabilities to related parties (note 32)      | 41,101         | 14,480         |
| Commissions payable to agents                 | 61,091         | 58,701         |
| <b>Financial other liabilities</b>            | <b>325,769</b> | <b>285,222</b> |
| VAT liabilities                               | 8,272          | 5,895          |
| Other tax liabilities                         | 47,573         | 49,639         |
| Lease Liabilities (IFRS 16)                   | 231,902        | 259,237        |
| Provisions for Compensation Fund Expenditures | 159,982        | 132,355        |
| <b>Total</b>                                  | <b>773,498</b> | <b>732,347</b> |

Lease Liabilities represent the leased premises where the Company in function of the main activity of the Company. With the exception of short-term leases and rents of low value assets, each lease is reflected in the balance sheet as a right of use asset and a lease liability. Variable rent payments, which do not depend on an index or rate (such as rent payments based on a percentage of the Company's sales), are excluded from the initial measurement of the lease liability and the asset. The Company classifies usufruct assets consistently into Property, Plant and Equipment (Note 15).

The company has 103 lease contracts (2020 – 105 contracts) for buildings for which it has recognized the active right to use for the remaining 10 years. Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2021 were as follows:

|                           | <b>Less than 1 year</b> | <b>Over 1 year</b> | <b>Total</b>   |
|---------------------------|-------------------------|--------------------|----------------|
| <b>31 December 2021</b>   |                         |                    |                |
| Lease payments            | 40,879                  | 230,153            | 271,032        |
| Interest expenses         | (7,250)                 | (31,880)           | (39,130)       |
| <b>Net present values</b> | <b>33,629</b>           | <b>198,273</b>     | <b>231,902</b> |
| <b>31 December 2020</b>   |                         |                    |                |
| Lease payments            | 64,871                  | 222,080            | 286,951        |
| Interest expenses         | (6,281)                 | (21,433)           | (27,714)       |
| <b>Net present values</b> | <b>58,590</b>           | <b>200,647</b>     | <b>259,237</b> |

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*(All amounts are expressed in thousand ALL, unless otherwise stated)*

**20. Share capital**

As at 31 December 2021 the paid-up capital is equal to ALL 2,232,909 thousand (2020: ALL 2,232,909 thousand). The share capital is composed of 551,608 authorised and fully paid shares with a par value of ALL 4,048 per share. As of 31 December 2021, and 2020 the shareholding structure was as follows:

| Shareholder                        | No. shares     | 31 December 2021   |                |
|------------------------------------|----------------|--------------------|----------------|
|                                    |                | Amount in ALL '000 | In %           |
| UNIQA Österreich Versicherungen AG | 479,513        | 1,829,647          | 86.93%         |
| Z. Avni Ponari                     | 55,160         | 334,709            | 10.00%         |
| Z. Edvin Hoxhaj                    | 16,935         | 68,553             | 3.07%          |
| <b>Total</b>                       | <b>551,608</b> | <b>2,232,909</b>   | <b>100.00%</b> |

| Shareholder  | No. shares     | 31 December 2020   |                |
|--|----------------|--------------------|----------------|
|  |                | Amount in ALL '000 | In %           |
| UNIQA INTERNATIONALE BETEILIGUNGS-<br>VERWALTUNGS GMBH | 479,513        | 1,829,647          | 86.93%         |
| Z. Avni Ponari   | 55,160         | 334,709            | 10.00%         |
| Z. Edvin Hoxhaj  | 16,935         | 68,553             | 3.07%          |
| <b>Total</b>   | <b>551,608</b> | <b>2,232,909</b>   | <b>100.00%</b> |

During 2021, ALL 233,599 thousand (ALL 423 per share) was distributed as dividends from retained earnings. No dividend was distributed during 2020.

**21. Insurance risk reserves**

Insurance risk reserve is created based on the former Insurance Law amounting to one third of the prior period profit if the profit is not used to cover accumulated losses inherited from the previous years. Such reserve is not increased further if the amount created approximates 30% of the average premiums collected in the last two years. This reserve was created to guarantee the solvency and guarantee fund.

**22. Gross written premium**

Gross written insurance and reinsurance premiums as per product are detailed as follows:

|                      | 2021             | 2020             |
|----------------------|------------------|------------------|
| Motor vehicles       | 2,760,793        | 2,456,821        |
| Property             | 1,197,024        | 958,394          |
| Health and accidents | 524,553          | 422,324          |
| Marine and aviation  | 79,666           | 43,541           |
| Reinsurance          | 27,233           | 9,315            |
| <b>Total</b>         | <b>4,589,269</b> | <b>3,890,395</b> |

Motor vehicle premiums are further detailed as follows:

|                             | 2021             | 2020             |
|-----------------------------|------------------|------------------|
| Motor third party liability | 2,092,629        | 1,983,883        |
| Green card insurance        | 323,959          | 246,751          |
| Motor hull (casco)          | 241,756          | 190,212          |
| Border insurance            | 102,449          | 35,975           |
| <b>Total</b>                | <b>2,760,793</b> | <b>2,456,821</b> |

**SIGAL UNIQA GROUP AUSTRIA Sh.a.**  
**Notes to the separate financial statements**

*(All amounts are expressed in thousand ALL, unless otherwise stated)*

**23. Written premium ceded to reinsurers**

Premiums ceded to reinsurers by insurance products are detailed as follows:

|                      | 2021           | 2020           |
|----------------------|----------------|----------------|
| Property             | 532,773        | 516,219        |
| Marine and aviation  | 45,790         | 10,536         |
| Health and accidents | 54,438         | 64,716         |
| Motor vehicles       | 4,139          | 7,681          |
| <b>Total</b>         | <b>637,140</b> | <b>599,152</b> |

**24. Other income**

|                     | 2021          | 2020          |
|---------------------|---------------|---------------|
| Brokerage and fees  | 26,112        | 21,329        |
| Rental income       | 10,427        | 10,444        |
| Claim reimbursement | 42,447        | 11,978        |
| Other income        | 16,369        | 27,447        |
| <b>Total</b>        | <b>95,355</b> | <b>71,198</b> |

**25. Acquisition costs**

Acquisition costs by line of business are presented below:

|                       | 2021           | 2020           |
|-----------------------|----------------|----------------|
| Property and casualty | 175,516        | 139,253        |
| Motor insurance       | 499,862        | 414,348        |
| Accidents and health  | 87,730         | 69,765         |
| Other                 | 15,255         | 23,253         |
| <b>Total</b>          | <b>778,363</b> | <b>646,619</b> |

**26. Administrative expenses**

|                                | 2021           | 2020           |
|--------------------------------|----------------|----------------|
| Personnel costs                | 397,653        | 365,114        |
| Impairment allowance (note 11) | 44,926         | 65,932         |
| Other external services        | 133,656        | 81,536         |
| Marketing expenses             | 84,770         | 107,221        |
| Other administrative expenses  | 151,503        | 144,710        |
| Depreciation (note 15)         | 141,645        | 142,257        |
| Telecommunication expenses     | 11,302         | 19,736         |
| Local taxes                    | 10,088         | 10,203         |
| Penalties                      | 1,832          | 74             |
| <b>Total</b>                   | <b>977,375</b> | <b>936,783</b> |

In 2021, the average number of employees was 281 (2020: 270 employees).

**27. Other insurance expenses**

|  | 2021           | 2020           |
|--|----------------|----------------|
| Contribution to AFSA                     | 61,566         | 56,126         |
| Compensation fund                        | 68,080         | 124,574        |
| Cost of policies and related consumables | 3,042          | 3,742          |
| <b>Total</b>                             | <b>132,688</b> | <b>184,442</b> |

The notes on pages 5 to 36 are an integral part of these separate financial statements.

**SIGAL UNIQA GROUP AUSTRIA Sh.a.**  
**Notes to the separate financial statements**

(All amounts are expressed in thousand ALL, unless otherwise stated)

**28. Investment income**

|                                  | 2021           | 2020         |
|----------------------------------|----------------|--------------|
| Interest income                  | 22,657         | 18,095       |
| Lease Interest expense (IFRS 16) | (11,416)       | (14,761)     |
| Dividends received               | 101,246        | -            |
| <b>Total</b>                     | <b>112,487</b> | <b>3,334</b> |

Dividends received by the Company from its subsidiaries during the year 2021 were utilised to distribute dividends to its shareholders (note 20).

**29. Income tax**

Income tax in Albania is assessed at the rate of 15% (2020: 15%) of taxable income. The tax expense for the period comprises current income tax only. Deferred tax, being calculated as the difference between tax base and accounting base, is not recognised by the Company as their temporary differences are not material. The following is a reconciliation of income taxes calculated at the applicable tax rate to income tax expense.

|  | 2021       |                | 2020        |                |
|--|------------|----------------|-------------|----------------|
| Profit for the year before income tax        |            | 437,293        |             | 557,721        |
| Non-taxable income (Note 28)                 |            | (101,246)      |             | -              |
| <b>Taxable profit of the year</b>            |            | <b>336,047</b> |             | <b>557,721</b> |
| Prima facie tax calculated at 15%            | 15%        | 50,407         | 15%         | 83,658         |
| Tax effect of non-deductible expenses        | 4%         | 12,941         | 97%         | 20,681         |
| -Bad debt expenses                           | 2%         | 5,333          | 36%         | 9,890          |
| -Penalties and other non-deductible expenses | 1%         | 3,706          | 18%         | 3,098          |
| -Other Provisions                            | 1%         | 3,903          | 43%         | 7,693          |
| -Depreciation of investments in subsidiaries | -          | -              | -           | -              |
| <b>Income tax expense</b>                    | <b>19%</b> | <b>63,348</b>  | <b>112%</b> | <b>104,339</b> |

Corporate income tax movement

|   | 2021          | 2020            |
|---|---------------|-----------------|
| Opening Balance                                 | (74,161)      | 30,177          |
| Income tax expense                              | (63,348)      | (104,338)       |
| Corporate income tax paid                       | 163,561       | -               |
| <b>Current income tax receivable/ (payable)</b> | <b>26,052</b> | <b>(74,161)</b> |

Unrecognised deferred tax asset arisen from temporary differences is comprised as following:

|                                  | 2021          |               | 2020          |               |
|----------------------------------|---------------|---------------|---------------|---------------|
|                                  | Gross amount  | Tax effect    | Gross amount  | Tax effect    |
| Deductible temporary differences | 86,273        | 12,941        | 87,196        | 13,079        |
|                                  | <b>86,273</b> | <b>12,941</b> | <b>87,196</b> | <b>13,079</b> |

**30. Commitments and contingencies**

In the ordinary course of business, the Company is involved in various claims and legal actions. In the opinion of management, the ultimate settlement of these matters will not have a material adverse effect on the Company's financial position or changes in net assets. Legal cases are common when claimants do not agree with the claim valuation performed by the Company. Management evaluates claims using external and internal expertise including legal advice. Management believes that these estimates are appropriate however acknowledges that the final outcome may be higher or lower than the amount provided. As at December 31, 2021 there were 174 cases still in process for which customer requests in total were ALL 618,154 thousand more than the amount provided by the Company (2020: 212 cases in process, with customer requests in total of 434,456 thousand ALL more than the amount provided by the Company). The Company's assessments and provisions are based on the expectations of legal counsel, first instance court decisions, past experience, and a "look back" analysis of damages in litigation.

The notes on pages 5 to 36 are an integral part of these separate financial statements.

**SIGAL UNIQA GROUP AUSTRIA Sh.a.**  
**Notes to the separate financial statements**

*(All amounts are expressed in thousand ALL, unless otherwise stated)*

**31. Offsetting financial assets and financial liabilities**

Insurance and financial assets and liabilities that are subject to offsetting based on the insurance and non-insurance contractual agreements are presented below:

|                      | <b>Gross amount of<br/>recognized<br/>financial assets</b>      | <b>Financial<br/>liabilities offset</b> | <b>Net amount of<br/>financial liabilities<br/>presented</b> |
|----------------------|---|---|--|
| Insurance receivable |   |   |  |
| 31 December 2021     | 789,237   | 260,105                                 | 529,132  |
| 31 December 2020     | 614,245   | 171,883                                 | 442,362  |
|                      |   |   |  |
|                      | <b>Gross amount of<br/>recognized<br/>financial liabilities</b> | <b>Financial<br/>liabilities offset</b> | <b>Net amount of<br/>financial liabilities<br/>presented</b> |
| Other liabilities    |   |   |  |
| 31 December 2021     | 544,773   | 260,105                                 | 284,668  |
| 31 December 2020     | 442,625   | 171,883                                 | 270,742  |

**32. Related party disclosures**

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties with which the Company had transactions with are listed below:

| <b>Related party</b>                      | <b>Relationship</b>         |
|---|-----------------------------|
| UNIQA                                     | Parent Company              |
| Avni Ponari                               | Administrator/Shareholder   |
| SIGAL UNIQA Group AUSTRIA Sh.a (Kosovo)   | Subsidiary                  |
| UNIQA Life AD Skopje                      | Subsidiary                  |
| SIGAL UNIQA Group AUSTRIA Sh.a (Kosovo)   | Subsidiary                  |
| SIGAL Life UNIQA Group AUSTRIA Sh.a       | Subsidiary                  |
| SHAFP Sigal Life Uniqa Group Austria Sh.a | Subsidiary                  |
| UNIQA Re                                  | Company within the group    |
| UNIQA Vaduz                               | Company within the group    |
| Uniqa IT-Services                         | Company within the group    |
| UNIQA Osterrich Versicherungen AG         | Company within the group    |
| Uniqa Insurance                           | Company within the group    |
| SIGAL AD                                  | Administrator owned company |
| Sigal Business Center                     | Administrator owned company |
| Avel sh.p.k.                              | Administrator owned company |
| Alto sh.p.k                               | Administrator owned company |

**SIGAL UNIQA GROUP AUSTRIA Sh.a.**  
**Notes to the separate financial statements**

*(All amounts are expressed in thousand ALL, unless otherwise stated)*

**32. Related party disclosures (continued)**

During the year the Company had the following transaction with related parties:

|   |                                 | <b>2021</b>    | <b>2020</b> |
|---|---------------------------------|----------------|-------------|
| <b>Expenses to:</b>                           | <b>Type</b>                     |                |             |
| UNIQA RE                                      | Premium ceded                   | 115,696        | 96,040      |
| UNIQA Osterreich Versicherungen AG            | Prime ceded                     | 28,734         | 11,789      |
| SIGAL Life UNIQA Group AUSTRIA Sh.a.          | Rent                            | 240            | 240         |
| Sigal Business Center                         | Rent                            | 43,054         | 43,566      |
| UNIQA Insurance                               | Management fee                  | 30,985         | 23,354      |
| Uniqa IT-Services                             | Services                        | 10,116         | 3,988       |
| Avel sh.p.k.                                  | Services                        | 131,570        | 119,418     |
| Avni Ponari                                   | Rent                            | 1,996          | 2,018       |
| SIGAL AD                                      | Services                        | 8,783          | 6,803       |
|   | Contribution for personnel      |                |             |
| SHAFFP Sigal Life Uniqa Group Austria Sh.a    |                                 | 5,676          | 5,676       |
| <b>Revenues from:</b>                         |                                 |                |             |
| UNIQA RE                                      | Claims paid - reinsurers' share | 253,749        | 654,045     |
| Uniqa Osterreich Versich. AG                  | Claims paid - reinsurers' share | 2,383          | 2,624       |
| SIGAL Life UNIQA Group AUSTRIA Sh.a.(Kosovo)  | Reinsurance                     | 101,246        | -           |
| SIGAL Life UNIQA Group AUSTRIA Sh.a.          | Dividend                        | 1,848          | 572         |
| SIGAL Life UNIQA Group AUSTRIA Sh.a. (Kosovo) | Dividend                        | 624            | -           |
| UNIQA AD Macedonia                            | Services                        | 242            | 4,166       |
| SIGAL UNIQA Group AUSTRIA Sh.a. (Kosovo)      | Services                        | 7,341          | 7,439       |
| SIGAL Life UNIQA Group AUSTRIA Sh.a.          | Rent                            | 260            | -           |
| SIGAL Life UNIQA Group AUSTRIA Sh.a.(Kosovo)  | Rent                            | 293            | 888         |
| SIGAL AD                                      | Rent                            | 196            | 348         |
| SHAFFP  | Rent                            | 1,708          | 1,182       |
|   |                                 | <b>2021</b>    | <b>2020</b> |
| <b>Dividend paid</b>                          |                                 |                |             |
| UNIQA   |                                 | 203,068        | -           |
| Avni Ponari                                   |                                 | 23,360         | -           |
| Edvin Hoxhaj                                  |                                 | 7,171          | -           |
| <b>Total</b>                                  |                                 | <b>233,599</b> | <b>-</b>    |



**SIGAL UNIQA GROUP AUSTRIA Sh.a.**  
**Notes to the separate financial statements**

*(All amounts are expressed in thousand ALL, unless otherwise stated)*

**32. Related party disclosures (continued)**

At each reporting date, the following related party amounts were included in the separate statement of financial position:

|  | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| <b>Receivable from:</b>                      |                  |                  |
| UNIQA RE                                     | 135,703          | 74,659           |
| Avel sh.p.k.                                 | 4,055            | -                |
| UNIQA AD – Shkup                             | 123,720          | 2,320            |
| SIGAL UNIQA Group AUSTRIA Sh.a. (Kosovë)     | 18,409           | 9,551            |
| SIGAL Life UNIQA Group AUSTRIA Sh.a.         | 851              | -                |
| Sigal Life UNIQA Group AUSTRIA Sh.a (Kosovo) | 4,411            | 2,624            |
| SHAFP Sigal Life Uniqa Group Austria Sh.a    | 1,693            | 1,440            |
| <b>Total</b>                                 | <b>288,842</b>   | <b>90,594</b>    |

|  | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| <b>Receivable from:</b>                |                  |                  |
| UNIQA RE                               | -                | -                |
| UNIQA Insurance                        | 30,985           | 10,491           |
| UNIQA IT – Services                    | 10,117           | 3,989            |
| UNIQA Osterrich Versicherungen AG      | -                | -                |
| Sigal AD                               | 2,179            | 777              |
| Avel sh.p.k.                           | -                | 3,427            |
| SIGAL UNIQA Group AUSTRIA Sh.a. Kosovë | -                | -                |
| SIGAL Life UNIQA Group AUSTRIA Sh.a.   | -                | 526              |
| <b>Total</b>                           | <b>43,281</b>    | <b>19,210</b>    |

Fees paid to the Board of Directors for the year ended 31 December 2021 were ALL 30,985 thousand, for the year ended 31 December 2020 were ALL 23,354 thousand. For the year ended 31 December 2021, the compensation of top management is ALL 72,103 thousand (2020: ALL 65,611 thousand).

**33. Events after the reporting period**

There are no events after the balance sheet date that may require correction or additional notes to the company financial statements.

**Supplementary Schedules**

**SIGAL UNIQA Group AUSTRIA Sh.a.**  
**Supplementary schedules for the year ended 31 December 2021**  
*(all amounts are expressed in thousand ALL, unless otherwise stated)*

**Solvency margin**

Solvency margin as at 31 December 2021 and 31 December 2020 is as follows:

|   | <b>2021</b>      | <b>2020</b>      |
|---|------------------|------------------|
| <i>a) Requested level of solvency based on premiums</i>         | 649,471          | 730,605          |
| <i>a) Requested level of solvency based on claims</i>           | 323,369          | 301,294          |
| <b>Requested level of solvency based on premiums and claims</b> | <b>649,471</b>   | <b>730,605</b>   |
| <i>b) Current solvency level:</i>                               |                  |                  |
| Paid Share capital (see note 20)                                | 2,232,909        | 2,232,909        |
| Insurance risk reserve  | 260,496          | 260,496          |
| Retained earnings   | 1,732,736        | 1,592,391        |
| Investments in subsidiaries                                     | (2,223,050)      | (2,223,050)      |
| Other Assets deductible in the calculation of Solvency Margin   | (678,579)        | (438,408)        |
| <b>Current level of solvency margin</b>                         | <b>1,324,512</b> | <b>1,424,338</b> |

**SIGAL UNIQA Group AUSTRIA Sh.a.**  
**Supplementary schedules for the year ended 31 December 2021**  
*(all amounts are expressed in thousand ALL, unless otherwise stated)*

**Assets deemed to back insurance liabilities**

In accordance with Decision of the Council of Ministers no. 96 dated 3 February 2008, amended with Decision no.5 dated 7 January 2009; insurance companies may invest no more than the following ratios of assets and investments covering technical and mathematical reserves:

|   | <b>31 December 2021</b>                                    |   |
|---|--|---|
|   |  | <b>(A) 5,205,990</b>                                |
| <b>Gross technical and mathematical provisions (note 17 and 18)</b> |  |   |
| Land and buildings  |  |   |
| Term deposits (excluding guarantee fund)                            |  |   |
| Investment in treasury bills (excluding guarantee fund)             |  |   |
| Reinsurance assets (upper BBB- classification)                      |  |   |
| Securities traded in unregulated market                             |  |   |
| Insurance and other receivables (less than 3 months)                |  |   |
| Cash and cash equivalents   |  |   |
| Investments in fixed assets other than land and buildings           |  |   |
| Accrued interest and prepaid expenses                               |  |   |
| Prepaid expenses  |  |   |
| <b>Total B</b>  |  | <b>6,349,366</b>                                    |
|   | <b>Investment limit as a percentage of gross provision</b> | <b>Amount of investment limit as per regulation</b> |
|   | <b>Assets deemed to back insurance liabilities</b>         | <b>Assets deemed to back insurance liabilities</b>  |
|   | 30%  | 1,561,797   |
|   | no limit   | -   |
|   | no limit   | -   |
|   | no limit   | -   |
|   | no limit   | -   |
|   | 20%  | 438,782   |
|   | 3%   | 156,180   |
|   | 5%   | 260,299   |
|   | 5%   | 260,299   |
|   | 15%  | 349,076   |

**Coverage level in percentage of assets deemed to back insurance liability**

**B/A**

**121.96%**

Under the section "Securities traded in unregulated market" are included the Green Card guarantees in favour of Albanian Insurance Bureau, which amount to ALL 66,944 thousand as at 31 December 2021.

The ratios of assets and investments covering technical reserves for as at 31 December 2021 are within the required levels.