SIGAL UNIQA GROUP AUSTRIA SH.A.

Separate Financial Statements
As at and for the year ended 31 December 2023

(with independent auditors' report thereon)

Contents

Independent Auditor's Report

To the shareholders of Sigal Uniqa Group Austria SH.A.:

Our opinion

In our opinion, the separate financial statements of Sigal Uniqa Group Austria SH.A: are prepared, in all material respects, in accordance with Law 52/2014 "On insurance and reinsurance activity".

What we have audited

The Company's separate financial statements comprise:

- the separate statement of financial position as at 31 December 2023;
- the separate statement of profit or loss and other comprehensive income for the year then ended;
- the separate statement of changes in equity for the year then ended;
- the separate statement of cash flows for the year then ended; and
- the notes to the separate financial statements, comprising material accounting policy information and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Code of Ethics for Statutory Auditors that are relevant to our audit of the separate financial statements in Albania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Code of Ethics for Statutory Auditors.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the separate financial statements and our auditor's report thereon) which is expected to be made available to us after the date of this auditor's report.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to management and those charged with governance.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation of the separate financial statements in accordance with Law 52/2014 “On insurance and reinsurance activity", 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 judgement and maintain professional scepticism 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.

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.

Statutory Auditor

Jonid Lamllari

PricewaterhouseCoopers Assurance Services SH.P.K.

30 April 2024

Tirana, Albania

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

	Note	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	8	127,496	84,254
Term deposits with banks	9	5,239,158	5,288,919
Debt securities carried at amortised cost	10	624,830	-
Equity securities at FVTPL	11	34,654	32,518
Insurance receivables	12	410,157	421,880
Deferred acquisition costs	13	409,725	449,517
Reinsurance assets	14	827,706	832,265
Corporate income tax receivable		51,705	-
Investments in subsidiaries	15	2,223,050	2,223,050
Loans receivable (subordinated loan)	15	108,536	117,294
Property and equipment	16	915,254	979,091
Other assets	17	103,820	229,959
Total Assets		**11,076,091**	**10,658,747**
Liabilities			
Insurance contract liabilities – claims	18	3,185,199	2,929,194
Insurance contract liabilities – unearned premium	19	2,663,953	2,497,688
Provision for insurance compensation fund		173,895	167,118
Corporate income tax liability		-	25,309
Lease liabilities	16	125,977	164,923
Other liabilities	20	460,378	441,537
Total Liabilities		**6,609,402**	**6,225,769**
Equity			
Share capital	21	2,232,909	2,232,909
Insurance risk reserves	22	260,496	260,496
Retained earnings		1,973,284	1,939,573
Total Equity		**4,466,689**	**4,432,978**
Total Liabilities and Equity		**11,076,091**	**10,658,747**

These separate financial statements have been approved by the Management of the Company on 26 April 2024 and signed on their behalf by:

Avni Ponari
General Manager

SIGAL UNIQA
UNIQA GROUP AUSTRIA
DREJTORIA E PERGJITHSHME
HEAD OFFICE

Klement Mersini
Finance Manager

The notes on pages 5 to 40 are an integral part of these financial statements.

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

	Note	2023	2022
Gross written premiums	23	5,499,080	5,218,347
Change in unearned premium reserve	19	(166,264)	(170,520)
Gross earned premium		**5,332,816**	**5,047,827**
Written premium ceded to reinsurers	24	(966,819)	(841,141)
Change in reinsurance part of unearned premium reserve	19	33,906	(42,876)
Net insurance premium revenue		**4,399,903**	**4,163,810**
Other income	25	75,514	147,229
Net income		**4,475,417**	**4,311,039**
Change in insurance claims reserves	18	(256,005)	(50,372)
Change in reinsurance share of claims reserves	18	(38,464)	(18,808)
Insurance paid claims	18	(1,384,548)	(1,572,723)
Reinsurance paid claims	18	113,158	179,246
Net insurance claims		**(1,565,859)**	**(1,462,657)**
Acquisition costs	13, 26	(862,901)	(839,151)
Administrative expenses	27	(1,168,174)	(1,178,656)
Other insurance expenses	28	(163,149)	(142,938)
Operating profit		**715,334**	**687,637**
Investment and interest income	29	162,398	118,637
Interest expense		(6,662)	(8,360)
Foreign currency losses less gains, net		(478,599)	(234,291)
Profit before tax		**392,471**	**563,623**
Income tax expense	30	(58,760)	(96,785)
Profit for the year		**333,711**	**466,838**
Other comprehensive income		-	-
Total comprehensive income for the year		**333,711**	**466,838**

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

	Share capital	Insurance risk reserve	Retained earnings	Total
Balance at 1 January 2022	**2,232,909**	**260,496**	**1,732,736**	**4,226,141**
Profit for the ear	-	-	466,837	466,837
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**466,837**	**466,837**
Dividends paid	-	-	(260,000)	(260,000)
Balance at 31 December 2022	**2,232,909**	**260,496**	**1,939,573**	**4,432,978**
Profit for the year	-	-	333,711	333,711
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**333,711**	**333,711**
Dividends paid	-	-	(300,000)	(300,000)
Balance at 31 December 2023	**2,232,909**	**260,496**	**1,973,284**	**4,466,689**

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

	Note	2023	2022
Cash flows from operating activities			
Profit before tax		392,471	563,623
Adjustments for:			
Depreciation and amortization	27	146,700	149,449
Losses from disposals of property and equipment		38,314	1,092
Interest income	29	(76,672)	(35,708)
Dividend income	29	(85,726)	(82,929)
Interest expense		6,662	8,360
Foreign exchange losses on loans to related parties		8,757	
Fair value of investments in equity securities FVTPL		(2,136)	3,866
Impairment of insurance receivables	12	37,285	148,912
Operating cash flows before changes in:		**465,655**	**756,664**
Insurance receivables		(25,562)	(41,661)
Deferred acquisition costs		39,792	(39,519)
Reinsurance assets		4,559	61,684
Other assets		126,139	144,551
Insurance contract liabilities – claims		256,005	50,372
Insurance contract liabilities – unearned premium		166,264	170,520
Other liabilities		25,618	67,059
Changes in operating assets and liabilities		**592,815**	**413,006**
Corporate income tax paid		(135,775)	(45,424)
Interest received		39,755	39,414
Net cash from operating activities		**962,450**	**1,163,660**
Acquisition of property and equipment		(121,176)	(62,289)
Proceeds from disposal of property and equipment		-	802
Net change in term deposits		85,129	(774,642)
Investment in securities carried at amortised cost		(623,280)	-
Investments in equity securities FVTPL		-	(36,384)
Dividends received		85,727	82,929
Net cash used in investing activities		**(573,601)**	**(789,584)**
Dividends paid	21	(300,000)	(260,000)
Lease payments	16	(45,608)	(107,474)
Net cash used in financing activities		**(345,608)**	**(367,474)**
Increase/(decrease) of cash equivalents during the year		43,242	6,602
Cash and cash equivalents at the beginning of the year		**84,254**	**77,652**
Cash and cash equivalents at the end of the year	**8**	**127,495**	**84,254**

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

1. General information

These are the financial statements of Sigal Uniqa Group Austria SH.A. ("the Company") standing alone, referred throughout this document as separate financial statements, prepared in accordance with financial reporting provisions of Law 52/2014 "On insurance and reinsurance activity".

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 Law"). During 2023, the intermediate parent company was UNIQA Osterrich Versicherungen AG, Vienna, Austria. The ultimate controlling party of the Group is UNIQA Versicherungsverein Privatstiftung, 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.

Functional and presentation currency These separate financial statements are presented in Albanian Lekë ("ALL") rounded to the nearest thousand. Albanian Lek is also the Company's functional currency, currency of the primary economic environment in which it operates.

The Company owns subsidiaries in Albania, Kosovo and Macedonia operating non-life and life insurance businesses as well as investment fund management companies.

Albanian operations

Sigal Life Uniqa Group Austria SH.A. (99.9% ownership by the Company) – was established by the Company as a subsidiary to provide life insurance business in Albania since 2004.

SH.A.F.P. Sigal Life Uniqa Group Austria SH.A. (51% ownership by the Company) is an investment fund manager". Since April 2022, its registered name changed to Shoqëria Administruese e Fondeve të Pensionit dhe Sipërmarrjeve të Investimeve Kolektive Sigal Life Uniqa Group Austria SH.A.

Kosovo operations

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

Sigal Life Uniqa Group Austria SH.A. – Prishtina (100% ownership by the Company) was established on 10 May 2011 to provide life insurance 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. Its main lines of business are motor vehicles related insurance (MTPL, motor hull, border, green card), property and accidents. Since 2007, the Company's registered name is "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 to provide life insurance in Macedonia.

The Company's legal representative is Mr. Avni Ponari, General Manager. The Supervisory Board during 2023 and up to the date of approval of these separate financial statements consisted of the:

Andreas Brandstetter	Chairman
Wolfgang Kindl	Member
Mag Gerald Muller	Member
Georgios Bartzis	Member
Vinzenz Benedict	Member

2. **Basis of preparation**

These separate financial statements have been prepared under the historical cost convention as modified by the measurement of investment securities at fair value through profit or loss. The accounting policies set out below have been applied consistently by the Company to all periods presented in these separate financial statements.

The Company has prepared these separate financial statements for reporting on the operations separately as well as to report the results to the tax authorities and the Albanian Financial Supervisory Authority ("AFSA") in Albania. The Company also prepares consolidated financial statements in accordance with Law 52/2014 for the Company and its subsidiaries (the 'Group'). In the consolidated financial statements, subsidiaries have been fully consolidated. The consolidated financial statements are available and can be obtained from the Company's website. Users of these separate financial statements should read them together with the group's consolidated financial statements as at and for the year ended 31 December 2023 to obtain full information on the financial position, results of operations and changes in financial position of the group.

The preparation of the separate financial statements requires management to make estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

Investment in subsidiaries, associates, and joint ventures

Investments in subsidiaries, associates and joint ventures are measured at cost less any impairment loss. The transaction costs are capitalized as part of the cost of the investment. The transaction costs are the costs directly attributable to the acquisition of the investment such a professional fee for legal services, transfer taxes and other acquisition related costs.

Initial cost of the investments comprises also the contingent consideration. The subsequent re-measurement of the contingent consideration classified as financial liability is adjusted against the costs of the investment.

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 derecognized on disposal. The difference between the fair value of the sale proceeds and the disposed share of the carrying amount of the investment is recognized 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.

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.

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.

2. **Basis of preparation** (continued)

Recognition and measurement of insurance contracts

i) General insurance contracts

Insurance contract liabilities are calculated separately for all insurance products and are made up of future (unearned) premiums, future contract liabilities risk (outstanding) and future contract liabilities losses (outstanding at the reporting date). Insurance contract liabilities (provisions) represent estimates of future payments for reported and unreported claims as well as the unearned portion of gross written premium. The company does not discount insurance contract liabilities. Any change in the estimate is reflected in the results of operations in the period in which the estimates are changed. Assessment of insurance contract 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 AFSA (also insurance regulator) to determine insurance contract liabilities.

ii) Premium generated by general insurance activity

Gross written premium constitutes the amount due during the financial year in accordance with direct insurance even though these amounts provide insurance in whole or in part to a subsequent accounting period. Premiums are presented gross from commissions due to or paid to intermediaries/agents and exclude taxes and fees on premiums. Premiums are earned from the date risk is attached to the policy, for the indemnity period, based on the risk underwritten. Accounts receivable from insurance for which the amount owed is estimated to be uncollectible are written off.

iii) Reserve for unearned premium ("unearned premium reserve" or "UPR")

The unearned premium reserve in all business segments includes that portion of gross written premium 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.

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.

Acquisition costs are defined as the costs arising on the acquisition of new insurance contracts such as acquisition commissions only.

v) 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 previous experience and trends. Provisions for claims outstanding are not discounted. Adjustments to claim provisions established in prior years are reflected in the separate financial statements in 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") while for the other business lines a simplified methodology based on Earned Premium Ratio is used.

Whilst the Supervisory Board considers that the insurance liabilities for claims and the related reinsurance recoveries are fairly stated, the ultimate liability may differ because 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 in the period in which the adjustments are made.

vi) 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 31.

2. **Basis of preparation** (continued)

vii) 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 reinsurance assets. The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions 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, because 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.

viii) 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 which is included in insurance contract liabilities - claims.

Financial instruments

The Company's financial instruments are measured at amortised cost. Financial assets are all classified as loans and receivable. The Company classifies non-derivative financial liabilities into other financial liabilities.

Recognition. The Company's financial instruments (assets and liabilities) are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Classification. Financial assets of the Company are classified as loans and receivables (term deposits with banks and insurance receivables). Insurance receivables are insurance assets. Securities issued by the Albanian Government are not classified as held-to-maturity as there is no active market for those securities and thus, they fulfil the definition of loans and receivables. Financial liabilities are classified as other financial liabilities (including insurance/trade liabilities and other liabilities) and are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Company intends to sell in the near term. Loans and receivables include **term deposits with banks**, **insurance and other receivables** and **treasury bills and bonds** issued by the Albanian Government are carried at amortized cost using the effective interest method, net of provision for incurred impairment losses.

Derecognition. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Amortized cost measurement. Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses.

2. **Basis of preparation** (continued)

Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method.

Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

Offsetting. Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise 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 trading activity.

Impairment of financial assets carried at amortized cost. Impairment losses are recognized in profit or loss when incurred because of one or more events ("loss events") that occurred after the initial recognition of the financial asset, and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment.

The primary factors that the Company considers in determining whether a financial asset is impaired are its overdue status, liabilities that can be offset for the same customer and realizability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue, and the late payment cannot be attributed to a delay caused by the settlement systems.
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Company obtains.
- the counterparty considers bankruptcy or a financial reorganisation.
- there is adverse change in the payment status of the counterparty because of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases because of deteriorating market conditions.

Cash and cash equivalents and term deposits with banks

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.

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.

Insurance and other receivables

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

Insurance 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.

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

2. **Basis of preparation** (continued)

Green card guarantee

One of the Company's lines of business is green card insurance. At the reporting date, Albania is under monitoring of the International Bureau of Insurance regarding its insurance market players ability to meet obligations arising from green card insurance. To this extent, the International Bureau was required the Albanian Insurance Bureau to deposit a guarantee in its favour which may be utilised if one of the Albanian insurance companies fails to meet green card insurance liabilities. The Company therefore contributed based on its share of green card insurance into the deposit of the Albanian Insurance Bureau. The contribution is recognised by the Company as a guarantee in other assets once it is paid to the Albanian Insurance Bureau.

Property and equipment

Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenses that are directly attributable to the cost of purchasing the asset. 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.

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.

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:

Category	**2023**	**2022**
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.

Right-of-use assets

The Company leases various offices. Contracts may contain both lease and non-lease components. For leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets arising from a lease are initially measured on a present value basis (lease liability).

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives of buildings of 10 years.

2. **Basis of preparation** (continued)

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. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved.

Insurance risk reserves

Insurance risk reserve was created based on article 93 of the previous Insurance Law. The reserve was accumulated each year based on one third of the prior period profit if the profit was not used to cover previous accumulated deficits. This reserve was created to guarantee the solvency and guarantee fund and may not be utilised by the Company for any other purposes. The reserve is not accumulated anymore since the new Insurance Act came into effect in 2014. The Company is exempt from legal reserve under the Commercial Companies Law's requirement pursuant Article 9 of the current Insurance Law.

Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

Extension and termination options are included in several property leases. These terms are used to maximize operational flexibility in terms of managing the assets used in the Company's operations. Most of the extension and termination options held are exercisable by both the Company and by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. As that rate cannot be readily determined, which is generally the case for leases of the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Company refers to the rate that is available to Uniqa Group which:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes specific adjustments to the lease, e.g., term, country, currency and collateral.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation because of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense within finance costs.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment. Among others, on the same basis, the Company creates provision for the motor insurance compensation fund which is allocated by AFSA to all insurance companies based on their motor insurance market share.

2. **Basis of preparation** (continued)

Revenue recognition

Investment income. Interest income is recognised in the profit or loss as earned, considering the effective yield on the financial asset using the effective interest rate method. Dividend income is recognised in profit or loss on the date that the dividend is declared.

Fee and commission income. Fee and commission income include reinsurance commission, recognised on the settlement with reinsurers.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

Employee benefits

Compulsory social security

Wages, salaries, contributions to the state or private retirement benefit plans and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory and private defined contribution scheme.

Operating leases

Where the Company is a lessor in a lease which does not transfers substantially all the risks and rewards incidental to ownership to the lessee (i.e., operating lease), lease payments from operating leases are recognised as other income on a straight-line basis.

Taxation

Income tax expense comprises current and deferred tax. It is recognized in profit or loss.

Current tax comprises the expected tax payable or receivable on the taxable income 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 income tax assets and liabilities are offset.

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 deductible temporary differences to the extent that it is 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.

3. **Critical accounting estimates and judgments in applying accounting policies**

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.

3. **Critical accounting estimates and judgments in applying accounting policies** (continued)

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 assumes that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events.

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 considers current estimates of cash outflows. The Company does not discount these estimated cash flows because most claims are expected and required 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 Reported but not Settled ("RBNS") and Incurred but not Reported ("IBNR") separately as well as on combined basis (Note 0). 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. An additional liability adequacy test performed for UPR which represents calculation of unexpired risk reserve (URR). This reserve is calculated on a quarterly basis by the Company's actuaries. Main variable used is combined ratio (sum of claim and expense ratio). If the value of combined ratio is below 100%, UPR can be considered as adequate. In case combined ratio is greater than 100%, then URR will be required and booked to supplement deficiency of UPR.

This analysis, including sensitivities to main assumptions, is included in these financial statements within Note 6, insurance risk management.

Contingency for claims under legal process

A significant portion of claims are under legal process. Whilst Management considers that the insurance liabilities for claims and the related reinsurance recoveries including reserves and contingencies for claims under a legal process 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 financial statements for the period in which the adjustments are made.

Insurance risk management is discussed in detail in Note 6, whilst insurance contract provisions are analysed in Note 18. Contingencies regarding claims under litigation are disclosed in Note 31.

4. **New accounting pronouncements**

The Company is expected to transition to IFRS Accounting Standards from 1 January 2025. IFRS 1 is going to be applied on transition with comparatives to be restated accordingly.

5. **Insurance risk management**

The Company accepts insurance risk through insurance contracts it enters into where it assumes the risk of loss from individuals 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.

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

5. Insurance risk management (continued)

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.

Management of risks

The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which consider 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 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 concentration of claims provisions by groups of insurance contracts is summarized below by reference to insurance liabilities:

		2023			2022	
Line of business	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Motor vehicles	2,420,827	(209,064)	2,211,763	2,191,387	(200,588)	1,990,799
Property	713,549	(385,354)	328,195	682,653	(431,895)	250,758
Health and accidents	50,823	-	50,823	55,154	(399)	54,755
	3,185,199	**(594,418)**	**2,590,781**	**2,929,194**	**(632,882)**	**2,296,312**

The concentration of unearned premium reserves by type of contract is summarized below by reference to insurance liabilities:

		2023			2022	
Line of business	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Motor vehicles	1,593,109	(41)	1,593,068	1,491,232	-	1,491,232
Property	819,039	(217,016)	602,023	226,236	(179,056)	47,180
Health and accidents	251,805	(16,231)	235,574	780,220	(20,327)	759,893
	2,663,953	**(233,288)**	**2,430,665**	**2,497,688**	**(199,383)**	**2,298,305**

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.

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

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 estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than reported claims. Company's actuaries predominantly assess IBNR provisions using statistical techniques extrapolating historical data 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 (e.g., 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.

The following table shows actual claims incurred compared to previous estimates for the year ended 31 December 2023 from 2018. They do not include claims handling costs and thus the difference with Note 18.

	2023	**2022**	**2021**	**2020**	**2019**	**2018**
RBNS						
Opening claim estimates	1,732,429	1,790,796	1,956,213	2,635,617	1,562,151	1,480,768
Prior periods' claims paid during the year	(460,200)	(627,182)	(771,530)	(913,512)	(879,443)	(447,728)
Closing claim estimates for prior periods' claims	(1,215,272)	(1,102,094)	(1,148,024)	(1,531,464)	(897,123)	(1,118,493)
Run-off in ALL '000	**56,957**	**61,520**	**36,659**	**190,641**	**(214,415)**	**(85,453)**
Run-off in %	**3.29%**	**3.44%**	**1.87%**	**7.23%**	**-13.73%**	**-5.77%**
IBNR						
Opening claim estimates	1,161,663	1,057,244	928,991	1,080,914	689,691	650,389
Prior periods' incurred claims reported during the year	(316,035)	(556,168)	(360,466)	(440,586)	(409,646)	(150,796)
Closing claim estimates for claims incurred but not reported in prior periods	(836,423)	(660,237)	(781,449)	(570,042)	(396,919)	(514,180)
Run-off in ALL '000	**9,205**	**(159,161)**	**(212,924)**	**70,286**	**(116,874)**	**(14,587)**
Run-off in %	**0.79%**	**-15.05%**	**-22.92%**	**6.50%**	**-16.95%**	**-2.24%**

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

	2023	2022	2021	2020	2019	2018
Insurance contract liabilities – claims						
Opening claim estimates	2,894,092	2,848,040	2,885,204	3,716,530	2,251,842	2,131,157
Paid and reported during the period	(776,235)	(1,183,351)	(1,131,996)	(1,354,098)	(1,289,089)	(598,524)
Closing claim estimates	(2,051,695)	(1,762,330)	(1,929,473)	(2,101,506)	(1,294,042)	(1,632,673)
Run-off in ALL ‘000	**66,162**	**(97,641)**	**(176,265)**	**260,926**	**(331,289)**	**(100,040)**
Run-off in %	**2.29%**	**(-3.43%)**	**(-6.11%)**	**(7.02%)**	**(14.71%)**	**(4.69%)**

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

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.

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

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

Accounting period	2016 and earlier	2017	2018	02019	2020	2021	2022	2023	Total
Estimate of ultimate cost									
At the end of the year	50,510,116	1,612,848	1,172,869	2,772,834	1,079,702	1,503,837	1,520,946	1,699,932	
One year later	9,390,148	1,548,703	1,444,673	2,860,745	1,108,004	1,953,990	1,606,001	-	
Two years later	9,549,694	1,569,019	1,470,123	2,947,652	1,003,750	1,815,269	-	-	
Three years later	9,588,863	1,558,552	1,453,891	2,851,485	1,033,252	-	-	-	
Four years later	9,525,041	1,652,085	1,436,692	2,844,137	-	-	-	-	
Five years later	9,508,798	1,593,352	1,360,607	-	-	-	-	-	
Six years later	9,432,639	1,583,812	-	-	-	-	-	-	
Seven years later	9,483,612	-	-	-	-	-	-	-	
Current estimate of cumulative claims cost	9,483,612	1,583,812	1,360,607	2,844,137	1,033,252	1,815,269	1,606,001	1,699,932	21,426,622
Cumulative claims paid	9,090,772	1,471,079	1,246,010	2,515,350	787,305	1,378,547	1,020,261	774,086	18,283,410
Liabilities recognized	392,840	112,733	114,597	328,787	245,947	436,722	585,740	925,846	3,143,211

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 net amount of provisions suggests sufficient levels of the claim provisions including incurred but not reported claims.

Accounting period	2016 and earlier	2017	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate cost									
At the end of the year	49,702,809	1,233,767	1,155,060	1,611,114	1,033,883	1,375,464	1,503,033	1,613,174	
One year later	9,211,376	1,166,905	1,409,630	2,356,826	1,100,710	1,766,782	1,593,642	-	
Two years later	9,403,388	1,543,995	1,441,955	2,746,240	992,327	1,693,814	-	-	
Three years later	9,397,938	1,515,016	1,427,296	2,700,263	1,033,252	-	-	-	
Four years later	9,319,905	1,567,312	1,410,957	2,729,099	-	-	-	-	
Five years later	9,305,554	1,530,526	1,339,334	-	-	-	-	-	
Six years later	9,256,084	1,526,678	-	-	-	-	-	-	
Seven years later	9,303,211	-	-	-	-	-	-	-	
Current estimate of cumulative claims cost	9,303,211	1,526,678	1,339,334	2,729,099	1,033,252	1,693,814	1,593,642	1,613,174	20,832,204
Cumulative claims paid	9,090,772	1,471,079	1,246,010	2,515,350	787,305	1,378,547	1,020,261	774,086	18,283,410
Liabilities recognized	212,439	55,599	93,325	213,748	245,947	315,267	573,381	839,088	2,548,794

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

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

The following table shows the gradual development of the estimate of ultimate loss according to claims incurred year for the previous years up to 2022. 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	**2015 and earlier**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Estimate of ultimate cost									
At the end of the year	41,020,886	1,455,064	1,612,848	1,172,869	2,772,834	1,079,702	1,503,837	1,520,946	
One year later	8,034,166	1,341,510	1,548,703	1,444,673	2,860,745	1,108,004	1,953,990	-	
Two years later	8,048,638	1,351,384	1,569,019	1,470,123	2,947,652	1,003,750	-	-	
Three years later	8,198,310	1,361,274	1,558,552	1,453,891	2,851,485	-	-	-	
Four years later	8,227,590	1,386,112	1,652,085	1,436,692	-	-	-	-	
Five years later	8,138,929	1,428,289	1,593,352	-	-	-	-	-	
Six years later	8,080,509	1,388,559	-	-	-	-	-	-	
Seven years later	8,044,080	-	-	-	-	-	-	-	
Current estimate of cumulative claims cost	8,044,080	1,388,559	1,593,352	1,436,692	2,851,485	1,003,750	1,953,990	1,520,946	19,792,854
Cumulative claims paid	7,846,208	1,215,408	1,467,545	1,233,151	2,426,996	743,925	1,247,934	717,595	16,898,762
Liabilities recognized	197,873	173,151	125,807	203,540	424,489	259,825	706,056	803,351	2,894,092

The comparison of statistical estimation of sufficient provisions with net amount of provisions suggests sufficient levels of the claim provisions including incurred but not reported claims.

Accounting period	**2015 and earlier**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Estimate of ultimate cost									
At the end of the year	40,522,062	1,166,428	1,233,767	1,155,060	1,611,114	1,033,883	1,375,464	1,503,033	
One year later	8,014,319	1,216,771	1,166,905	1,409,630	2,356,826	1,100,710	1,766,782	-	
Two years later	7,994,605	1,237,008	1,543,995	1,441,955	2,746,240	992,327	-	-	
Three years later	8,166,380	1,248,957	1,515,016	1,427,296	2,700,263	-	-	-	
Four years later	8,148,980	1,261,993	1,567,312	1,410,957	-	-	-	-	
Five years later	8,057,912	1,303,620	1,530,526	-	-	-	-	-	
Six years later	8,001,934	1,270,632	-	-	-	-	-	-	
Seven years later	7,985,452	-	-	-	-	-	-	-	
Current estimate of cumulative claims cost	7,985,452	1,270,632	1,530,526	1,410,957	2,700,263	992,327	1,766,782	1,503,033	19,159,972
Cumulative claims paid	7,846,208	1,215,408	1,467,545	1,233,151	2,426,996	743,925	1,247,934	717,595	16,898,762
Liabilities recognized	139,245	55,224	62,981	177,805	273,267	248,402	518,848	785,439	2,261,211

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

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

The assumptions which have the greatest effect on the measurement of insurance contract liabilities are as follows:

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 settled period however not significantly longer that 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's reinsurance arrangements include quota share, excess of loss or catastrophe coverage. The effect of such reinsurance arrangement limits the Company net insurance losses or retention to EUR 250 – 500 in any given year, for each MTPL, Property and Causality liability lines of business. Other lines of business have lower exposures. In addition to the overall Company's reinsurance program, customers are allowed to purchase additional reinsurance protection, so called facultative reinsurance.

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 2023 and 2022 is as below:

	2023	**2022**
Claims ratio	(35.6%)	(29%)
Expense ratio	(49.9%)	(43%)
Combined ratio	(85.5%)	(72%)

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.

	Impact	**2023**	**Impact**	**2022**
Claims ratio				
10% increase	Loss	(156,589)	Loss	(146,264)
10% decrease	Gain	156,589)	Gain	146,264
Expense ratio				
10% increase	Loss	(219,422)	Loss	(216,074)
10% decrease	Gain	219,422	Gain	216,074
Combined ratio				
10% increase	Loss	(376,011)	Loss	(362,338)
10% decrease	Gain	376,011	Gain	362,338

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

6. **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.

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.

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. The applicable official Bank of Albania published rates (ALL to the foreign currency unit) for the principal currencies were as below:

	31 December 2023	**31 December 2022**
USD	93.94	107.05
CHF	112.10	116.13
EUR	103.88	114.23

The Company underwrites policies in ALL, EUR or USD. It enters into reinsurance agreements mostly in EUR and purchases goods and services in both EUR and ALL and sometimes USD. Insurance and claims and reserves are mainly incurred in the currency the policy is underwritten. Therefore, the Company is exposed to currency risk.

Currency risk is managed using assets/liabilities matching principles. Policies and processes of the Company focus on mitigating currency risk by balancing the amount of cash used in each currency, mainly by investing in term deposits to match the resulting liabilities in the respective currency.

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

The Company's financial assets and liabilities denominated in foreign currency as of 31 December 2023 are as follows:

In ALL '000	ALL	EUR	USD	CHF	Total
Assets					
Cash and cash equivalents	47,940	73,418	6,085	53	127,496
Term deposits with banks	1,455,770	3,348,839	434,550	-	5,239,159
Debt securities carried at amortised cost	-	624,830	-	-	624,830
Insurance receivables	136,693	258,644	14,820	-	410,157
Reinsurance assets	79,079	716,859	31,769	-	827,707
Investments in subsidiaries	-	108,537	-	-	108,537
Other assets	8,441	9,281	-	-	17,722
Monetary assets	**1,727,923**	**5,140,408**	**487,224**	**53**	**7,355,608**
Insurance contract liabilities (incl. UPR)	(3,816,886)	(1,986,298)	(45,429)	(538)	(5,849,151)
Lease liabilities	(125,977)	-	-	-	(125,977)
Other liabilities	(237,689)	(139,389)	(9,657)	0	(386,735)
Monetary liabilities	(4,180,552)	(2,125,687)	(55,086)	(538)	(6,361,863)
Currency gap	**(2,452,629)**	**3,014,721**	**432,138**	**(485)**	**993,745**

The Company's financial assets and liabilities denominated in foreign currency as of 31 December 2022 are as follows:

In ALL '000	ALL	EUR	USD	CHF	Total
Assets					
Cash and cash equivalents	44,305	34,514	5,403	32	84,254
Term deposits with banks	1,051,392	3,796,695	440,832	-	5,288,919
Insurance receivables	146,309	250,347	25,224	-	421,880
Reinsurance assets	155,952	642,284	34,029	-	832,265
Subordinated loan	-	117,294			117,294
Other assets	9,912	14,982	-	-	24,894
Monetary assets	1,407,870	4,856,116	505,488	32	6,769,506
Insurance contract liabilities – claims	(3,508,849)	(1,854,148)	(63,117)	(768)	(5,426,882)
Lease liabilities	(164,923)	-	-	-	(164,923)
Other liabilities	(288,851)	(84,627)	(9,335)	-	(382,813)
Monetary liabilities	(3,962,623)	(1,938,775)	(72,452)	(768)	(5,974,618)
Currency gap	(2,554,753)	2,917,341	433,036	(736)	794,88

Sensitivity to foreign currency risk

The following table details the Company's sensitivity of profit or loss after 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 2023:

	Impact	Amount
EUR increases by 10% against ALL	Gain	301,472
EUR decreases by 10% against ALL	Loss	(301,4720)
USD increases by 10% against ALL	Gain	43,214
USD decreases by 10% against ALL	Loss	(43,214)

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

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

Sensitivity analysis for the year ended 31 December 2022:

	Impact	Amount
EUR increases by 10% against ALL	Gain	291,734
EUR decreases by 10% against ALL	Loss	(291,734)
USD increases by 10% against ALL	Gain	43,304
USD decreases by 10% against ALL	Loss	(43,304)

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.

31 December 2023	**Up to 3 months**	**3 – 6 months**	**6 – 12 months**	**Non-interest sensitive**	**Total**
Assets					
Cash and cash equivalents	-	-	-	127,496	127,496
Term deposits with banks	1,977,443	806,493	2,071,905	383,317	5,239,158
Debt securities carried at amortised cost	624,830	-	-	-	624,830
Equity securities at FVTPL	-	-	-	410,157	410,157
Insurance receivables	-	-	-	827,706	827,706
Subordinated loan	-	-	-	34,654	34,654
Reinsurance assets	-	-	-	108,537	108,537
Other assets	-	-	-	17,722	17,722
Financial assets	**2,602,273**	**806,493**	**2,071,905**	**1,909,589**	**7,390,260**
Insurance contract liabilities – claims	-	-	-	(5,849,151)	(5,849,151)
Lease liabilities	-	-	-	(125,977)	(125,977)
Other liabilities	-	-	-	(386,735)	(386,735)
Financial liabilities	**-**	**-**	**-**	**(6,361,863)**	**(6,361,863)**
Interest rate gap	**2,602,273**	**806,493**	**2,071,905**	**(4,452,276)**	**1,028,397**

31 December 2022	**Up to 3 months**	**3 – 6 months**	**6 – 12 months**	**Non-interest sensitive**	**Total**
Assets					
Cash and cash equivalents	-	-	-	84,254	84,254
Term deposits with banks	1,515,432	2,113,648	1,659,839	-	5,288,919
Equity securities (FVTP)				32,518	32,518
Insurance receivables	-	-	-	421,880	421,880
Reinsurance assets	-	-	-	832,265	832,265
Subordinated loan	-	-	117,294	-	117,294
Other assets	-	-	-	24,894	24,894
Financial assets	**1,515,432**	**2,113,648**	**1,777,133**	**1,395,811**	**6,802,024**
Insurance contract liabilities – claims	-	-	-	(5,426,882)	(5,426,882)
Lease liabilities	-	-	-	(164,923)	(164,923)
Other liabilities	-	-	-	(382,813)	(382,813)
Financial liabilities	**-**	**-**	**-**	**(5,974,618)**	**(5,974,618)**
Interest rate gap	**1,515,432**	**2,113,648**	**1,777,133**	**(4,578,807)**	**827,406**

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

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

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 2023	31 December 2022
Cash and cash equivalents (excluding cash on hand)	8	126,816	78,906
Term deposits with banks	9	5,239,158	5,288,919
Debt securities carried at amortised cost	10	624,830	-
Equity securities at FVTPL	11	34,654	32,518
Insurance receivables	12	410,157	421,880
Reinsurance assets	14	827,706	832,265
Subordinated loan	15,32	117,294	117,294
Other assets	17	17,722	24,894
Maximum exposure to credit risk		**7,398,337**	**6,796,676**

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

			31 December 2023		31 December 2022	
	Agency	Rating	Total exposure	Of which: Cash equivalent	Total exposure	Of which: Cash equivalent
Banka Kombëtare Tregtare	JCR Eurasia	BB	1,791,796	25,414	2,426,551	17,273
Intesa San Paolo Bank	Moody's	Baa1	272,585	39,732	35,058	8,859
Raiffeisen Bank	Moody's	A2	44,569	12,314	45,562	9,165
Credins Bank	Not rated	-	764,023	2,394	726,155	3,132
Banka Amerikane e Investimeve	Not rated	-	413,910	17,858	762,070	4,125
OTP Bank Albania	Moody's	Baa1	581,423	14,254	613,915	9,679
ProCredit Bank	Fitch	BBB	169,706	3,361	191,350	8,060
Tirana Bank	Not rated	-	1,180,906	4,465	418,616	4,532
United Bank of Albania	Not rated	-	1,677	1,677	2,397	2,397
OTP Bank Albania (former Alpha Bank)	Moody's	Baa1	-	-	21,087	3,091
Union Bank	Not rated	-	96,507	2,880	107,945	3,866
First Investment Bank	Fitch	B	1,113	2,467	4,727	4,727
Total exposure with banks			**5,318,215**	**126,816**	**5,355,433**	**78,906**

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

Local banks without ratings are subject to regulation by the central Bank of Albania. Accounts with banks are not secured except by the Albanian Deposit Insurance Agency. 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. For local banks that are not rated, the Bank of Albania liquidity reports presents no issues with their liquidity positions.

Investment securities at fair value through profit or loss consist of the Company's investment in WVP Investment Fund. The Company has invested in WVP Global index which is comprised of 30% DJI and 70% Stoxx indexes. WVP is not rated. It operates with First Investment Bank as its custodian (Fitch B-).

The reinsurance assets are monitored according to the credit rating. For the year ended 31 December 2023 and 2022, the credit risk assessment of the reinsurance premiums ceded and reinsurance assets by rating of reinsurer (required by local legislation) are as follows:

	2023				2022			
	Premium ceded		Reinsurance assets		Premium ceded		Reinsurance assets	
Credit rating	**ALL '000**	**%**	**ALL '000**	**%**	**ALL '000**	**%**	**ALL '000**	**%**
A	753,422	77.9%	722,104	87.2%	656,400	78%	739,703	89%
BBB	171,791	17.8%	105,602	12.8%	146,961	17%	92,562	11%
BB	41,606	4.3%	-	-	37,781	4%	-	-
Total	**966,819**	**100%**	**827,706**	**100%**	**841,142**	**100%**	**832,265**	**100%**

Credit quality of insurance receivables is presented in Note 12.

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.

Financial assets and liabilities as of 31 December 2023 detailed by expected (for Insurance liabilities only) and contractual maturity are disclosed below. The amounts detailed below relate to contractual maturities but in practice the cash inflows or outflows are not expected to occur in these intervals.

31 December 2023	**Up to 3 months**	**3 – 12 months**	**1 – 7 years**	**Total**
Assets				
Cash and cash equivalents	127,496	-	-	127,496
Term deposits with banks	1,672,895	3,182,946	383,317.20	5,239,158
Debt securities carried at amortised cost	624,830	-	-	624,830
Equity securities at FVTPL	-	-	34,654	34,654
Insurance receivables	207,788	165,419	36,518	409,725
Reinsurance assets	108,659	178,902	540,145	827,706
Subordinated loan	-	-	108,537	108,537
Other assets	8,441	9,281	-	17,722
Financial assets	2,750,109	3,536,548	1,103,170	7,389,827
Insurance contract liabilities – claims	(1,261,275)	(2,119,473)	(2,468,403)	(5,849,151)
Lease liabilities	(16,269)	(48,808)	(60,900)	(125,977)
Other liabilities	(216,572)	(170,164)	-	(386,735)
Financial liabilities	(1,494,116)	(2,338,443)	(2,529,303)	(6,361,864)
Liquidity gap	1,255,993	1,198,105	(1,426,133)	1,027,963

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

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

The Company's financial assets and liabilities as of 31 December 2022 have the following maturities:

31 December 2022	Up to 3 months	3 – 12 months	1 – 5 years	Total
Assets				
Cash and cash equivalents	84,254	-	-	84,254
Term deposits with banks	1,482,914	3,806,005	-	5,288,919
	32,518			32,518
Insurance receivables	254,924	144,647	22,310	421,880
Reinsurance assets	71,952	117,209	643,104	832,265
Subordinated loan			117,294	117,294
Other assets	9,912	14,982		24,894
Financial assets	1,936,474	4,082,843	782,708	6,802,024
Insurance contract liabilities – claims	(1,210,276)	(1,934,052)	(2,282,554)	(5,426,882)
Lease liabilities	(21,299)	(63,897)	(79,727)	(164,923)
Other liabilities	(193,213)	(189,600)	-	(382,813)
Financial liabilities	(1,424,788)	(2,187,549)	(2,362,281)	(5,974,618)
Liquidity gap	511,686	1,895,294	(1,579,573)	827,406

In the liquidity position of the Company, disclosed above, the undiscounted expected cash inflows and outflows have been disclosed respectively. As far as insurance contract liabilities are concerned, the expected undiscounted cash outflows have been disclosed assuming that mandatory maximum period of settlement, as per legislation in force, will be respected. Nevertheless, situations may occur where the Company and the claimant do not share the same views regarding the assessment of the claim the dispute is further resolved through a court process. Even though in the latter case settlement is significantly postponed, it is not possible to make accurate forecasts.

7. Fair value disclosures

Fair value measurements for measurement and/or presentation purposes 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 observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety. The Company has no assets which are measured at fair value using non-recurring measurements.

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period:

Investment in equity securities at FVTPL. The Company's investment in WVP Global invest index is measured at fair value using level 1 inputs which is available at wvpfunds.al (Note 11).

b) Assets and liabilities not measured at fair value but for which fair value is disclosed

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. *Insurance receivables* – due to their short-term nature, the fair value of insurance receivables is deemed to approximate their carrying amount.

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

8. Cash and cash equivalents

	31 December 2023	31 December 2022
Cash on hand	680	5,348
Current accounts with banks		
- In ALL	47,940	40,751
- In foreign currency	78,876	38,155
	126,816	78,906
	127,496	84,254

Credit quality of cash at banks is provided in Note 6.

9. Term deposits with banks

Term deposits with banks as at 31 December 2023 and 2022 are composed of the following:

	31 December 2023	31 December 2022
Bank term deposits	4,451,398	4,536,527
Bank term deposits – placed as guarantee fund	740,000	740,000
Accrued interest	47,760	12,392
	5,239,158	5,288,919

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. 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 2023, the guarantee fund is ALL 740,000 thousand (2022: ALL 740,000 thousand). Term deposits with banks comprise the following local and foreign currency deposits as at 31 December 2023 and 2022:

	2023	Yield %	2022	Yield %
In EUR	3,311,932	0.01 – 3.80	3,796,696	0.5 – 1.3
In USD	431,466	1.50 – 2.60	440,832	0.3 – 1.9
In ALL	1,448,000	1.15 – 3.80	1,039,000	0.85 – 2.6
	5,191,398		5,276,527	

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

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

10. Debt securities carried at amortised cost

	31 December 2023	31 December 2022
Debt securities carried at amortised cost	623,280	-
Accrued interest - debt securities carried at amortised cost	1,550	-
	624,830	-

At 31 December 2023 the Reporting Entity has invested in bonds issued by the National Commercial Bank (BKT) and OTP Bank Albania, with maturities between 1 and 7 years and fixed interest coupon rate between 4% to 4.5%. Bonds were acquired at their nominal amount. These instruments are neither past due nor impaired at the reporting date. BKT is rated as BB (stable) by JCR while OTP Bank is rated BBB- by S&P.

11. Equity securities at fair value through profit or loss

Equity securities at FVTPL are comprised of WVP Investment Fund "Global" index. At 31 December 2023, the Company had the following quotas invested in the index on 14 February 2022 which at the trading price at the end of the year were as follows:

	2023		2022	
	No. Quota	Amount in ALL	No. Quota	Amount in ALL
At the beginning of the year	2496.0895	32,517,716	-	-
Purchased during the year	-	-	2496.0895	36,384,000
Fair valuation at the end of the year		2,135,964		(3,866,284)
Totals	**2496.0895**	**34,653,680**	**2496.0895**	**32,517,716**

12. Insurance receivable

Insurance receivables are composed of the following:

	31 December 2023	31 December 2022
Insurance receivables from policyholders	407,523	417,080
Insurance receivables from agents	2,634	4,800
	410,157	421,880

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

	31 December 2023	31 December 2022
Gross insurance receivable from policyholders	690,457	698,638
Allowance for impairment of receivables	(282,934)	(281,558)
	407,523	417,080

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

12. **Insurance receivable** (continued)

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

	2023	2022
At 1 January	281,558	175,062
Impairment charged to profit or loss	37,285	148,912
Written-off balances	(35,909)	(42,416)
	282,934	281,558

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

	31 December 2023			31 December 2022		
	Gross	**Allowance**	**Net**	**Gross**	**Allowance**	**Net**
Current, neither past due nor impaired (up to 3 months from invoice date) – 2%	212,028	(4,241)	207,788	250,123	-	250,123
Past due but not impaired						
3 – 6 months – 5%	74,672	(3,734)	70,937	74,338	(3,717)	70,621
6 – 12 months – 20%	118,102	(23,620)	94,482	92,532	(18,506)	74,026
More than 12 months – 60%	85,790	(51,474)	34,317	49,577	(27,268)	22,310
	490,592	(83,069)	407,524	466,570	(49,491)	417,080
Impaired						
More than 1 year –100%	199,865	(199,865)	-	232,067	(232,067)	-
	690,457	**(282,934)**	**407,524**	**698,637**	**(281,558)**	**417,080**

Insurance receivables more than 1 year due from invoice date also include ALL 85,790 thousand (2022: ALL 40,562 thousand) balances due from Company's ongoing suppliers of services which are expected to be subject to offsetting against future financial liabilities. They are provisioned at 60% 2023 of their gross outstanding balance instead of 100% which is the rate used for other receivables due for more than 1 year from invoice/premium date.

13. **Deferred acquisition cost**

	31 December 2023	31 December 2022
Property and casualty (P&C)	100,243	125,065
Motor insurance	262,636	263,843
Accidents and health	41,417	41,185
Other lines of business	5,429	19,424
	409,725	449,517

Movement in deferred acquisition costs are as follows:

	2023	2022
At 1 January	449,517	409,998
Acquisition costs incurred during the year	823,109	878,670
Acquisition costs expensed during the year (Note 26)	(862,901)	(839,151)
	409,725	449,517

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

14. Reinsurance assets

	31 December 2023	31 December 2022
Reinsurance share in unearned premium reserve (Note 19)	233,288	199,383
Reinsurance share in RBNS and IBNR (Note 18)	594,418	632,882
	827,706	832,265

The Company's reinsurance assets are not secured and are neither past due nor impaired. Credit quality of reinsurance assets is presented in Note 6 (Credit Risk).

15. Investments in subsidiaries and subordinated loan

The table below summarises the movements in the carrying amount of the investment in subsidiaries. The investment represents the capital contributed in subsidiaries for 100% ownership interest held. There were no movements in investments during the year.

During 2021, the Company disbursed a subordinated loan of EUR 1,000 thousand to its subsidiary in North Macedonia operating in non-life insurance to enable the subsidiary to comply with minimum regulatory requirements. The loan bears an interest rate of 1.8% with an undetermined maturity and is only to be used for covering technical reserves.

	Country of incorporation	31 December 2023	31 December 2022
			~
Investments at cost			
Sigal Uniqa Group Austria	Kosovo	554,409	554,409
Sigal Life Uniqa Group Austria	Kosovo	491,728	491,728
Uniqa Life A.D.	N. Macedonia	488,040	488,040
Sigal Life Uniqa Group Austria	Albania	369,999	369,999
Uniqa A.D.	N. Macedonia	318,874	318,874
		2,223,050	2,223,050
Subordinated loan – Uniqa A.D.	N. Macedonia	108,536	117,294
		2,331,586	2,340,344

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

16. Property and equipment, right-of-use assets, lease liabilities

31 December 2021	Land	Buildings	Motor vehicles	Computer and office equipment	Leasehold improv.	Total
Cost						
At 1 January 2022	82,853	1,379,743	174,879	415,779	38,053	2,091,307
Additions	-	55,407	3,643	35,374	-	94,424
Disposals	-	(11,000)	(10,200)	(1,992)	-	(23,192)
At 31 December 2022	82,853	1,424,150	168,322	449,161	38,053	2,162,539
Additions	-	57,539	51,918	11,719	-	121,176
Disposals	-	(58,707)	(22,227)	(37,806)	-	(118,740)
At 31 December 2023	82,853	1,422,982	198,013	423,074	38,053	2,164,975
Depreciation						
At 1 January 2022	-	(571,162)	(126,586)	(328,268)	(29,281)	(1,055,297)
Charge for the year	-	(113,897)	(10,016)	(21,730)	(3,805)	(149,449)
Disposals	-	10,379	9,224	1,695	-	21,298
At 31 December 2022	-	(674,680)	(127,378)	(348,303)	(33,086)	(1,183,447)
Charge for the year	-	(109,180)	(11,800)	(21,915)	(3,805)	(146,700)
Disposals	-	28,332	17,643	34,451	-	80,426
At 31 December 2023	-	(755,528)	(121,535)	(335,767)	(36,891)	(1,249,721)
Net carrying value						
At 31 December 2022	82,853	749,470	40,944	100,858	4,967	979,091
At 31 December 2023	82,853	667,454	76,478	87,307	1,162	915,254

The depreciation charge is recognised under “administrative expenses” in profit or loss. No assets are pledged as collateral or guarantee. Land is owned by the Company and held for future development projects for use in the Company’s normal course of business (as a training centre).

In the buildings category above, the Company also includes leases of buildings in addition to buildings owned. Rental contracts are typically made for 5 years with an option exercisable from the Company to extend by 5 more years. The Company considered 10 years as term of these leases given its intentions and contract flexibility.

Movements in the cost and depreciation of right-of-use assets and carrying amounts are presented as follows:

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

16. Property and equipment, right-of-use assets, lease liabilities (continued)

	Buildings	Total
Cost		
At 1 January 2022	481,973	481,973
Additions	32,135	32,135
Terminations	(11,000)	(11,000)
At 31 December 2022	503,108	503,108
Additions	56,443	56,443
Terminations	(7,186)	(7,186)
At 31 December 2023	552,365	552,365
Depreciation		
At 1 January 2022	(261,318)	(261,318)
Charge for the year	(98,858)	(98,858)
Terminations	10,379	10,379
At 31 December 2022	(349,797)	(349,797)
Charge for the year	(94,574)	(94,574)
Terminations	6,703	6,703
At 31 December 2023	(437,668)	(437,668)
Net carrying value		
At 31 December 2022	153,311	153,311
At 31 December 2023	114,697	114,697

The Company recognised lease liabilities as follows:	31 December 2023	31 December 2022
Short-term lease liabilities	86,294	107,800
Long-term lease liabilities	39,683	57,123
Total lease liabilities	**125,977**	**164,923**

The company has 103 lease contracts (2022 – 103 contracts) for buildings for which it has recognized right-of-use assets 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.

Interest expense included in finance costs of 2023 was ALL 6,662 thousand (2022: ALL 8,306 thousand). Total cash outflow for leases in 2023 was ALL 45,608 thousand (2022: ALL 107,474 thousand).

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

17. Other assets

	31 December 2023	31 December 2022
Due from subsidiaries	9,281	14,982
Advances to employees	8,441	9,912
Other financial assets	17,722	24,894
Prepaid guarantee for green card insurance	11,687	76,175
Advances to suppliers of services	29,725	39,968
Advances to the compensation's fund	3,012	37,938
Other assets	16,979	17,372
Reinsurance recoveries	-	9,759
Advances for health insurance	10,393	8,166
Advances to agents	8,360	8,092
Advances for claim mediation	5,733	7,178
Receivables from insurance companies	209	417
	103,820	229,959

18. Insurance contract liabilities – claims

	2023			2022		
	Gross	Reinsur.	Net	Gross	Reinsur.	Net
Claims reported	1,732,429	(621,459)	1,110,970	1,790,796	(644,445)	1,146,351
Claims incurred but not reported	1,161,664	(11,423)	1,150,241	1,057,244	(7,246)	1,049,998
Claims handling costs	35,101	-	35,101	30,782	-	30,782
At the beginning of the year	2,929,194	(632,882)	2,296,312	2,878,822	(651,691)	2,227,131
Claims reported	1,647,440	(74,695)	1,572,745	1,627,414	(160,438)	1,466,976
Claims incurred but not reported	(1,384,549)	113,158	(1,271,390)	(1,572,722)	179,246	(1,393,476)
Claims handling costs	(6,886)	-	(6,886)	(4,320)	-	(4,320)
Movements for the year	256,005	38,464	294,468	50,372	18,808	69,180
At the end of the year	3,185,199	(594,418)	2,590,780	2,929,194	(632,882)	2,296,312
Claims reported	1,822,950	(551,575)	1,271,374	1,732,429	(621,459)	1,110,970
Claims incurred but not reported	1,320,261	(42,843)	1,277,418	1,161,664	(11,423)	1,150,241
Claims handling costs	41,988	-	41,988	35,101	-	35,101

Paid claims by insurance product are as follows:

	2023	2022
Motor insurance	961,222	1,042,984
Health and accidents	265,164	301,691
Property & casualty	151,543	214,521
Other	6,619	13,527
	1,384,548	1,572,723

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

18. Insurance contract liabilities - claims (continued)

Claims reported but not settled	2023	2022
At 1 January	1,732,429	1,790,796
Prior period claims paid	(776,235)	(1,183,351)
New claims during the year and revised estimates	866,756	1,124,984
At the end of the year	1,822,950	1,732,429

Claims incurred but not reported	2023	2022
At 1 January	1,161,663	1,057,244
Change of assumptions	158,598	104,419
At the end of the year	1,320,261	1,161,663

19. Unearned premium reserve

	2023	2022
At 1 January	2,497,688	2,327,168
Premiums written during the year (Note 23)	5,499,081	5,218,347
Premiums earned during the year	(5,332,816)	(5,047,827)
At the end of the year	2,663,953	2,497,688

	2023	2022
Gross change in UPR	166,264	170,520
Change in premium ceded	(33,906)	42,876
Net change in UPR	132,358	213,396

20. Other liabilities

	2023	2022
Suppliers of goods and services	243,041	268,364
Liabilities to related parties (note 32)	62,477	37,744
Commissions payable to agents	81,217	76,705
Financial other liabilities	386,735	382,813
VAT liabilities	10,176	7,596
Other tax liabilities	63,467	51,128
	460,378	441,537

21. **Share capital**

As at 31 December 2023 the paid-up capital is equal to ALL 2,232,909 thousand (2022: 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 2023, and 2022 the shareholding structure was as follows. The amount of dividend per share distributed in 2023 was ALL 543.86.

	No. Shares	In ALL '000	In %
UNIQA Osterrich Versicherungen AG	479,513	1,829,647	86.93%
Mr. Avni Ponari	55,160	334,709	10.00%
Mr. Edvin Hoxhaj	16,935	68,553	3.07%
	551,608	2,232,909	100%

22. **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.

23. **Gross written premium**

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

	2023	2022
Motor insurance	3,272,613	3,064,520
Property and casualty	1,444,212	1,314,183
Health and accidents	656,975	670,719
Marine and aviation	111,218	119,460
Reinsurance	14,062	49,465
	5,499,080	5,218,347

Motor vehicle premiums are further detailed as follows:

	2023	2022
Motor third party liability	2,393,045	2,209,519
Green card insurance	453,417	446,127
Motor hull	319,990	301,075
Border insurance	106,161	107,799
	3,272,613	3,064,520

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

24. Written premium ceded to reinsurers

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

	2023	2022
Property and casualty	791,760	683,626
Marine and aviation	59,500	43,847
Health and accidents	78,103	66,442
Motor vehicles	37,456	47,226
	966,819	841,141

25. Other income

	2023	2022
Brokerage and fees	27,510	39,979
Rent and logistical income	10,565	12,070
Claim reimbursement	22,250	88,409
Other income	15,189	6,771
	75,514	147,229

26. Acquisition costs

Acquisition costs by line of business are presented below:

	2023	2022
Property and casualty	186,472	176,522
Motor insurance	539,567	535,476
Accidents and health	109,180	111,902
Other	27,682	15,251
	862,901	839,151

27. Administrative expenses

	2023	2022
Personnel costs	486,887	441,307
Other external services	132,870	133,849
Marketing expenses	150,894	120,035
Other administrative expenses	182,606	151,070
Depreciation (note 12)	146,700	149,449
Impairment allowance (note 12)	37,285	148,912
Telecommunication expenses	13,495	10,618
Local taxes	17,435	19,333
Penalties	2	4,083
	1,168,174	1,178,656

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

27. Administrative expenses (continued)

In 2023, the average number of employees was 295 (2022: 302 employees). In the amount of personnel costs shown above, the Company includes ALL 50,647 thousand (2022: 45,468 thousand) of employee retirement benefits contributions.

External audit fees for 2023 total ALL 8,880 thousand and are included in other external services (2022: ALL 5,997 thousand). No non-audit services were provided to the Company by the external auditor.

28. Other insurance expenses

	2023	2022
Contribution to AFSA	71,870	69,234
Compensation fund	87,841	62,560
Cost of policies and related consumables	3,438	11,144
	163,149	142,938

29. Investment and interest income

	2023	2022
Interest income	76,672	35,708
Dividends received	85,727	82,929
	162,398	118,637

30. Income tax

The tax expense for the period comprises current income tax only. The components of income tax expense are as follows:

	2023	2022
Current income tax expense	58,760	96,785
Deferred income tax expense	-	-
	58,760	96,785

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

30. **Income tax** (continued)

Income tax in Albania is assessed at the rate of 15% (2021: 15%) of taxable income. A reconciliation between the expected and the actual taxation charge is provided below.

	2023	**2022**
Profit before tax	392,471	563,623
Theoretical tax charge at statutory rate of 15%:	58,871	84,543
Income not subject taxation	(12,859)	(12,439)
Non-deductible expenses		
- bad debt allowance	5,386	6,362
- penalties and fees	7,156	1,274
- other provisions	206	17,045
	58,760	96,785

The Company did not recognise an amount of ALL 18,897 thousand of deferred income tax assets and ALL 17,205 thousand of deferred income tax liabilities (net of ALL 1,692 thousand of deferred income tax assets) related to its right-of-use assets and lease liabilities at the reporting date as it considered those not material to the financial statements.

Corporate income tax receivable/(payable) at the reporting date is comprised of the following movements:

	2023	**2022**
At 1 January	(25,309)	26,052
Current income tax expense	(58,760)	(96,785)
Corporate income tax prepayments	135,774	45,424
At 31 December	51,705	(25,309)

31. **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 outcome may be higher or lower than the amount provided. As at 31 December 2023 there were 189 cases still in process for which customer requests in total were ALL 643,360 thousand more than the amount provided by the Company (2022: 206 cases in process, with customer requests in total of 454,268 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 claims in litigation.

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

32. Balances and transactions with related parties

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:

Related party	Relationship
UNIQA Osterrich Versicherungen	Parent company
Avni Ponari	Administrator/Shareholder/Key management
SIGAL UNIQA Group AUSTRIA SH.A (Kosovo)	Subsidiary/controlled
UNIQA Life AD Skopje	Subsidiary/controlled
SIGAL UNIQA Group AUSTRIA SH.A (Kosovo)	Subsidiary/controlled
SIGAL Life UNIQA Group AUSTRIA SH.A	Subsidiary/controlled
SHAFP Sigal Life Uniqa Group Austria SH.A	Subsidiary/controlled/indirect
UNIQA Re	Company within the group
UNIQA Vaduz	Company within the group
Uniqa IT-Services	Company within the group
Uniqa Insurance	Company within the group
SIGAL AD	Administrator owned company
Sigal Business Centre	Administrator owned company
Avel sh.p.k.	Administrator owned company
Alto sh.p.k	Administrator owned company

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

Expenses	Nature of transaction	2023	2023
UNIQA RE	Premium ceded	142,879	138,671
UNIQA Osterrich Versicherungen AG	Premium ceded	26,826	27,199
SIGAL Life UNIQA Group AUSTRIA Sh.a.	Rent	240	240
Sigal Business Center	Rent	38,297	41,880
UNIQA Insurance	Management fee	30,158	30,290
Uniqa IT-Services	Services	20,076	7,453
Avel sh.p.k.	Services	170,594	147,090
Avni Ponari	Rent	1,773	1,937
SIGAL AD	Services	6,112	6,243
SHAFP	Employee benefits	6,408	5,798

Revenue	Nature of transaction	2023	2022
UNIQA RE	Reinsurance recoveries	52,059	136,417
SIGAL Life UNIQA Group AUSTRIA Sh.a.(Kosovo)	Reinsurance	3,211	2,254
SIGAL Life UNIQA Group AUSTRIA Sh.a.	Dividends	85,726	82,929
UNIQA AD North Macedonia	Services	1,586	3,112
UNIQA Life North Maqedonia	Reinsurance	1,133	769
SIGAL UNIQA Group AUSTRIA Sh.a. (Kosovo)	Services	5,909	911
SIGAL Life UNIQA Group AUSTRIA Sh.a.	Rent	6,517	7,121
SIGAL Life UNIQA Group AUSTRIA Sh.a.	Reinsurance	1,987	626
SIGAL Life UNIQA Group AUSTRIA Sh.a.(Kosovo)	Rent	-	295
SIGAL AD	Rent	154	120
SHAFP	Rent	3,397	3,517

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

32. Balances and transactions with related parties (continued)

Dividends paid	2023	2022
Uniqa	260,790	226,018
Avni Ponari	30,000	26,000
Edvin Hoxhaj	9,210	7,982
	300,000	260,000

Balances at the reporting date were as follows:

Receivables	Nature	31 December 2023	31 December 2022
UNIQA RE	Reinsurance assets	(26,239)	9,759
UNIQA Insurance	Insurance payable	(30,158)	(30,290)
UNIQA IT – Services	Other payable	-	(7,453)
Sigal AD	Other payable	(535)	(367)
Avel sh.p.k.	Other payable/prepayments	337	(1,604)
UNIQA AD, – MNK	Subordinated loan	108,537	117,294
UNIQA LIFE AD – MNK	Insurance receivable	618	553
SIGAL UNIQA Group AUSTRIA Sh.a. (Kosovë)	Other receivable	(3,826)	199
SIGAL Life UNIQA Group AUSTRIA Sh.a.	Other receivable	(2,254)	1,074
Sigal Life UNIQA Group AUSTRIA Sh.a (Kosovo)	Other receivable	639	6,174
SHAFP Sigal Life Uniqa Group Austria Sh.a	Other receivable	8,024	4,641

During 2021, the Company issued a subordinated loan to its subsidiary Uniqa MK AD solely to cover its technical reserves with an undetermined term. which bears an interest of 1.8% p.a.

Key management includes the members of the Board of Directors and the General Manager. Their compensation for the year ended 31 December 2023 were ALL 93,241 thousand, for the year ended 31 December 2022 were ALL 103,088 thousand and consisted of salaries and bonuses.

33. Management of capital

For the year ended on 31 December 2023, the Company has reported capital of ALL 4,466,686 thousand (2022: ALL 4,432,978 thousand), level of solvency of ALL 1,776,153 thousand (2022: ALL 1,644,902 thousand), and assets deemed to back insurance liabilities of 128.78 % (2022: 128.59%) above the levels required by law and regulatory acts of the Financial Supervisory Authority.

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 2023 and 31 December 2022, the Company's met all capital requirements, including solvency margin and ratio of assets covering insurance contract liabilities.

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

33. **Management of capital** (continued)

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.

For required solvency of the Company refer to supplementary schedules.

	Note	2022	2021
Total equity		**4,466,689**	**4,432,978**
Required solvency		816,878	735,412
150% of required solvency		1,225,317	1,103,118
As a % of total capital		27.4%	25%
Guarantee fund	9	740,000	740,000
As a % of required solvency		91%	101%

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.

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

Supplementary Schedules (unaudited)

Solvency margin

Solvency margin as at 31 December 2023 and 31 December 2022 is as follows:

	2023	**2022**
a) Required solvency based on premiums	816,878	735,412
b) Required solvency based on claims	359,356	323,668
Required margin – the higher of (a) and (b)	**816,878**	**735,412**
b) Current level		
Share capital	2,232,909	2,232,909
Insurance risk reserve	260,496	260,496
Retained earnings	1,973,284	1,939,573
Investment in subsidiaries	(2,223,050)	(2,223,050)
Other assets deductible in solvency calculation	(467,486)	(565,026)
Current solvency level	**1,776,153**	**1,644,902**

(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:

			31 December 2023
Gross technical and mathematical provisions			**(A) 5,849,151**
	Investment limit as a percentage of gross provision	**Amount of investment limit as per regulation**	**Assets deemed to back insurance liabilities**
Land and buildings	30%	1,628,065	628,841
Term deposits (excluding guarantee fund)	no limit	-	4,451,399
Investment in treasury bills (excluding guarantee fund)	no limit	-	-
Reinsurance assets (upper BBB- classification)	no limit	-	827,706
Securities traded in unregulated market	35%	1,899,409	669,620
Insurance and other receivables (less than 3 months)	20%	499,538	214,662
Cash and cash equivalents	3%	175,475	127,496
Investments in fixed assets other than land and buildings	5%	292,458	163,787
Accrued interest and prepaid expenses	5%	292,458	49,309
Prepaid expenses	15%	399,593	399,593
Total B			**7,532,413**
Coverage level in percentage of assets deemed to back insurance liability		**B/A**	**128.78%**