

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A

**Financial statements for the year ended
31 December 2017**

(with independent auditors' report thereon)

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Independent Auditors' Report

To the Board of Directors and Management of Sigal Life Uniqa Group Austria sh.a.

Opinion

We have audited the financial statements of Sigal Life Uniqa Group Austria sh.a. ("the Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements of the Law No.04/L -014 "On accounting, financial reporting and audit", and the Law No. 05/L -045 "On insurances", that are relevant to our audit of the financial statements in Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion..

Other Matter

The financial statements of the Company prepared in accordance with IFRS for the year ended 31 December 2016 were audited by another firm, which on 2 May 2017 expressed an unqualified opinion on these financial statements.



Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report prepared by management in accordance with Article 81 of the Law No.05/L -045 "On insurance", but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

In preparing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.



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

- Identify and assess the risks of material misstatement of the 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.



Report on regulatory requirements of the supervisory authority, the Central Bank of Kosovo, for Solvency Margin and Assets Covering Technical Reserves.

Pursuant to the requirements of the Central Bank of Kosovo ("CBK"), we have read the accompanying Supplementary Schedules of Solvency Margin and Assets Covering Technical Reserves ("Supplementary Schedules"). These Supplementary Schedules prepared by management are not part of the accompanying financial statements. The historical financial information, presented in the Supplementary Schedules prepared by management, is consistent in all material respects, with the annual financial information disclosed in the accompanying financial statements of the Company as of 31 December 2017, prepared in accordance with International Financial Reporting Standards, applicable for insurance companies in Kosovo. Management is responsible for the preparation of the Supplementary Schedules, in accordance with CBK "Regulation on investment of assets covering technical and mathematical provisions and investment of charter capital for insures" dated 31 December 2016 and Rule No.31 "Rule on Life Insurance" dated 1 January 2008.

V. ARÇI Albanija Shpk. - Kosovo Branch

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Pristina, 30 April 2018

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A
Statement of Financial Position

(all amounts in EUR, unless otherwise stated)

	Note	31 December 2017	31 December 2016
ASSETS			
Cash and cash equivalents	9	289,170	228,317
Term deposits	10	4,057,270	3,632,846
Investment securities	11	354,246	656,437
Insurance receivable	12	205,943	128,522
Reinsurance assets		382	1,390
Deferred acquisition costs	13	26,171	31,035
Equipment	14	3,452	1,577
Prepayment		1,000	-
TOTAL ASSETS		4,937,634	4,680,124
LIABILITIES			
Insurance contract liabilities	15	407,112	301,775
Unearned premium insurance liabilities	16	86,722	55,425
Other liabilities	17	50,824	67,359
TOTAL LIABILITIES		544,658	424,559
SHAREHOLDERS' EQUITY			
Share capital	18	3,500,000	3,500,000
Retained earnings		892,976	755,565
TOTAL SHAREHOLDERS' EQUITY		4,392,976	4,255,565
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,937,634	4,680,124

These financial statements have been approved by the Executive Management of the company on 30 April 2018 and signed on their behalf by:


 Mr. Perparim Drini
 Chief Executive Officer


 Mrs. Vlera Halili
 Chief Financial Officer



SIGAL LIFE UNIQA GROUP AUSTRIA SH.A
Statement of Profit or Loss and Other Comprehensive Income

(All amounts in EUR, unless otherwise stated)

	Note	Year ended 31 December 2017	Year ended 31 December 2016
Gross written premiums	19	636,650	761,751
Premium tax		(31,833)	(38,087)
Change in the gross provision for unearned premiums	16	(31,297)	(3,892)
Gross earned premium net of premium tax		573,520	719,772
Premium ceded to reinsurers		(4,766)	(3,242)
Reinsurance share of unearned premium		(1,005)	1,390
Net premiums earned		567,749	717,920
Other income		5,762	-
Net income		567,749	717,920
Losses and loss adjustment expenses	15	(126,124)	(129,211)
Acquisition costs	20	(227,396)	(320,162)
Administrative expenses	21	(144,332)	(122,176)
Impairment of insurance receivables	12	(2,208)	(6,262)
Total expenses		(500,060)	(577,811)
Interest income		64,937	62,483
Financial expenses		(977)	(785)
		13,282	23,384
Profit for the year		137,411	201,807
Other comprehensive income		-	-
Total comprehensive income		137,411	201,807

Notes from pages 5 to 26 form an integral part of these financial statements.

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A
Statement of Changes in Equity

(All amounts in EUR unless otherwise stated)

	Share capital	Retained earnings	Total
Balance as at 1 January 2016	3,500,000	553,758	4,053,758
Net profit for the year	-	201,807	201,807
Other comprehensive income	-	-	-
Total comprehensive income	-	201,807	201,807
Balance as at 31 December 2016	3,500,000	755,565	4,255,565
Net profit for the year	-	137,411	137,411
Other comprehensive income	-	-	-
Total comprehensive income	-	137,411	137,411
Balance as at 31 December 2017	3,500,000	892,976	4,392,976

Notes from pages 5 to 26 form an integral part of these financial statements.

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A
Statement of Cash Flows

(All amounts in EUR, unless otherwise stated)

	Notes	For the year ended 31 December 2017	For the year ended 31 December 2016
Cash flows from operating activities			
Profit for the year		137,411	201,807
Adjustments for:			
Depreciation	14	878	781
Premium tax expenses		31,833	38,087
Interest income		(50,678)	(38,314)
Investments income		(14,259)	(24,169)
		105,185	178,192
Increase/(decrease) in reinsurance share for unearned premiums		1,005	(1,390)
(Increase)/decrease in insurance receivables		(77,422)	4,182
Decrease/(increase) in deferred acquisition cost		4,864	(1,990)
Increase in insurance contract liabilities		105,336	59,803
Increase in unearned premium reserve		31,297	3,892
(Decrease)/increase in other liabilities		(15,279)	39
Increase in prepayments		(1,000)	-
		153,986	242,728
Interest received		65,706	54,266
Premium tax paid		(33,090)	(40,793)
Cash inflows from operating activities		186,602	256,201
Cash flows from investing activities			
Purchases of equipment	14	(2,753)	(215)
Increase in term deposits		(423,000)	(890,000)
Acquisition of investment securities	11	-	(650,000)
Redemption of investment securities	11	300,000	1,390,000
Net cash used in investing activities		(125,753)	(150,215)
Net increase in cash and cash equivalents		60,849	105,986
Cash and cash equivalents at 1 January		228,317	122,331
Cash and cash equivalents at 31 December	9	289,170	228,317

Notes from pages 5 to 26 form an integral part of these financial statements.

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A

Notes to the financial statements as at and for the year ended 31 December 2017

(All amounts in EUR, unless otherwise stated)

1. General information

Sigal Life Uniqa Group Austria sh.a (“the Company”) is a joint-stock company registered at the Kosovo Business Registration Agency on 10 May 2011. The Company was established under UNMIK regulation 2001/25 and rule 31 of Central Bank of Kosovo in licensing of life insurance companies in Kosovo dated 18 December 2007. The Company is owned by Sigal Uniqa Group Austria Sh.a, an Albanian entity which ultimate parent is Uniqa Insurance Group A.G Vienna, Austria (“UNIQA” or “Ultimate Parent Company”) a joint stock company incorporated and domiciled in Republic of Austria.

The Company Provides life assurance services such as Term life insurance, Credit life Insurance and Endowment insurance in the Republic of Kosovo. The Company is registered address and place of business is “Pashko Vasa” St, Pristina, Kosovo no.15. At 31 December 2017, the Company had 11 employees (2016: 7).

Management of the Company

The Management Board during 2017 and up to the date of the approval of these financial statements, comprised:

Perparim Drini	CEO
Vlera Halili	CFO

The Board of Directors during 2017 and up to the date of the approval of these financial statements, comprised:

Avni Ponari	Chairman
Klement Mersini	Member
Abdyl Sarja	Member
Elvis Ponari	Member
Mal Berisha	Member

2. Basis of accounting

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

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

3. Functional and presentation currency

These financial statements are presented in euro, which is the Company’s functional currency, and the currency of the primary economic environment in which the Company operates.

4. Significant accounting policy

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

(a) Basis of measurement

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

(b) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the spot exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

(All amounts in EUR, unless otherwise stated)

4. Significant accounting policy (continued)

(c) Classification of insurance contracts

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

(d) Recognition and measurement of insurance contracts

(i) Life insurance premiums

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

(ii) Unearned premium provision

The provision for term life and personal insurance has been calculated using actuarial methods by considering the outstanding principal adjusted with the mortality risk coefficient and risk of loss of life. The Company has used the daily pro - rata basis (1/365 method) to determine the unearned premium for the health insurance. The unearned premium is calculated net of acquisition expenses for credit life and term life. The unearned premium for the Payment Protection Insurance ("PPI") has been disclosed gross of policy acquisition costs. The effect of the acquisition costs is estimated based on the ratio of acquisition costs to gross written premium.

(iii) Claims

Benefits recognized for life insurance policies during the reporting period consist of payments during the financial year together with the movement in the provision for outstanding benefits. Anticipated reinsurance recoveries are disclosed separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

(iv) Claims provisions

The provision represents the estimated ultimate cost of settling all claims including direct and indirect settlement costs, arising from events that occurred up to the reporting date including an estimate for the cost of claims incurred but not reported (IBNR) at that date. The provision for reported but not settled claims is created on a case by case basis to the amount of expected payment. The provision for claims incurred but not reported is created using the simple claims ratio method.

(v) Claims arising from life insurance business

Life insurance business claims reflect the cost of all claims arising during the year, including policyholder bonuses allocated in anticipation of a bonus declaration.

(vi) Other mathematical reserves

The life insurance provision is calculated on a policy basis using standard actuarial commutation factor formulae, based on net reserving. The assumptions on mortality and interest rate used in reserving are consistent with pricing assumptions; Interest rate used does not exceed 2.5%, where the Company calculates 80% of the extra yield is returned if the interest rate earned results higher than guaranteed technical interest rate, starting the third year of the policy.

(All amounts in EUR, unless otherwise stated)

4. Significant accounting policy (continued)**(d) Recognition and measurement of contracts (continued)***(vii) Reinsurance*

Contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance. Amounts recoverable under such contracts are recognized in the same year as the related claim. Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers' are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy. The Company ceded insurance premiums and risk in order to limit its potential losses arising from longer exposures to significant losses from credit life insurance. Reinsurance does not relieve the originating insurer of its liability. Premiums ceded to reinsurers are presented in profit or loss on the basis of the current period reinsurance charges. Benefits reimbursed are presented in profit or loss and statement of financial position on a gross basis. The product portfolio has been covered by reinsurance obligatory treaty covering the surplus of the sum at risk on the related insurance policies. Any additional benefit is divided between the retention and the surplus at the same proportion as the basic life sum insured. The reinsurance share in reserves is established case by case according to relevant treaties.

(viii) Deferred acquisition costs

Deferred acquisition costs are calculated based on Endowment, Regular Term and Single Term policies. For Term Life policies, DAC is calculated based on the commission determined on an individual policy basis. Commission paid per each policy is divided by the gross written premium of that policy. The resulting ratio is further multiplied by GWP UPR reserves. As a result, acquisition costs are deferred over the duration of the respective policies. For Endowment policies, DAC is calculated in accordance with Uniqa Group DAC Standard. The simplified approach specified in the standard has been implemented by the Company. Therefore, Simplified Standard DAC Excel file provided by the Group has been used together with the following assumptions are used in calculation:

- Discount rates – risk free rates that are calculated and obtained from the Group
- Lapse rates – rates calculated based on portfolio experience
- Mortality rates – mortality from the Customized MT for the average policyholder per each underwriting year
- Commission – actual brokerage commissions.

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

(All amounts in EUR, unless otherwise stated)

4. Significant accounting policy (continued)

(e) Financial instruments

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

(i) Non-derivative financial assets and financial liabilities – Recognition and derecognition

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

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

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

(ii) Non-derivative financial assets and financial liabilities – Measurement

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

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

(iii) Offsetting

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

(iv) Fair value measurement

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

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

(All amounts in EUR, unless otherwise stated)

4. Significant accounting policy (continued)

(e) Financial instruments (continued)

(v) Identification and measurement of impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

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

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

(f) Cash and cash equivalents

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

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

(g) Term deposits

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

(h) Investment securities

Investment securities are debt investments that the Company has the intent and ability to hold to maturity and are classified as held-to-maturity assets. Investments, which have fixed or determinable payments and which are intended to be held-to-maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition.

(i) Insurance and other receivables

Receivables including insurance receivables are initially recognized at fair value and subsequently measured at their amortised cost less impairment losses.

(j) Insurance and other payables

Insurance and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

(All amounts in EUR, unless otherwise stated)

4 Significant accounting policy (continued)

(k) Equipment

(i) Recognition and measurement

Items of equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

(ii) Subsequent cost

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

(iii) Depreciation

Depreciation is recognised in profit or loss using the declining balance method. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The depreciation rates for the current and comparative periods are as follows:

	%
Computers and related equipment	25
Furniture, fixtures, and equipment	20

(l) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

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

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

(m) Revenue recognition

The accounting policy in relation to revenue from insurance contracts is disclosed in notes 4.d.i. Interest income on financial assets is recognised using the effective interest method.

(n) Employee benefits

The Company makes only compulsory social security contributions that provide pension benefits for employees upon retirement. The Government is responsible for providing the legally set minimum threshold for pensions in Kosovo under a defined contribution pension plan. The Company's contributions to the pension plan are charged to profit or loss as incurred and the Company has no further liabilities.

(All amounts in EUR, unless otherwise stated)

4 Significant accounting policy (continued)

(o) Operating leases

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

(p) Provisions

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

(q) Income tax

Effective 1 September 2015 in accordance with Republic of Kosovo Law on Corporate Income Tax no.05/L-029, insurance companies are required to pay a premium tax of 5% (2016: 5%) on their quarterly gross premiums. Premiums returned and retrospective premium adjustments are deducted from gross premiums to arrive at the tax base. Tax on gross premiums written is presented separately as a deduction from the gross premiums written. Premium tax constitutes a part of acquisition costs and is expensed when incurred. Insurance companies are not liable to tax on profit in Kosovo; however, the Company is required to pay tax of 10% on interest income.

(r) New standards and interpretation not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Company has not early adapted new or amended standards in preparing these financial statements.

IFRS 9 Financial instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company does not expect that the new Standard, when initially applied, will have material impact on the financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance standard, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Company's financial statements, management does not expect that the new Standard, when initially applied, will have material impact on the Company's financial statements. The timing and measurement of the Company's revenues are not expected to change under IFRS 15 because of the nature of the Company's operations and the types of revenues it earns.

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

(All amounts in EUR, unless otherwise stated)

4 Significant accounting policy (continued)

(r) New standards and interpretation not yet adopted (continued)

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Company's borrowing rate at 1 January 2019, the composition of the Company's lease portfolio at that date, the Company's latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Company will recognize new assets and liabilities for its operating leases of offices. As at 31 December 2017, the Company's future minimum lease payments under operating leases amounted to EUR 2,590 (see Note 23).

In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

IFRS 17 Insurance contracts

IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches.

IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values, instead of historical cost.

Other standards

The following new or amended standards are not expected to have a significant impact on the Company's financial statements:

- Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28;
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
- Transfers of Investment Property (Amendments to IAS 40);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Prepayment Features with Negative Compensation (Amendments to IFRS 9);
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28);
- Annual Improvements to IFRS 2015-2017 Cycle;
- Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23);
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).

(All amounts in EUR, unless otherwise stated)

5. Critical judgement and estimates

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and information available at the date of preparation of the financial statements, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on Customized mortality tables ("MTs") based on mortality tables used in region due to lack of reliable MT's for Kosovo, adjusted where appropriate to reflect the Company's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics (e.g. AIDS, SARS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, post-war trauma, etc. could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk). However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Company is exposed to longevity risk.

At each reporting date, the Company performs tests to ensure the adequacy of insurance contract liabilities. The primary tests performed are claim ratio analysis. The claim ratio analysis is performed annually on the major lines of business individually (credit life and combined life). The calculation is performed on claims alone as well as claims including acquisition costs and any other external claim handling costs. In performing this analysis the Company takes into account current estimates of cash outflows. The Company does not discount these estimated cash outflows because most claims are expected to be settled within one year. Sensitivity analysis results for main assumptions used on estimate of liability arising from claims is shown on note 6.

(All amounts in EUR, unless otherwise stated)

6. Insurance risk management

The Company is exposed to actuarial and underwriting risk arising from the range of life products offered to customers.

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 as soon as the policy is issued, that is the risk 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 underestimated or that the actual claims will fluctuate around the statistical mean value.

Underwriting risk components of the life business include biometric risk (comprising mortality, longevity, morbidity and disability) and lapse risk. Lapse risk relates to unanticipated higher or lower rate of policy lapses, terminations, changes to paid-up status (cessation of premium payment) and surrenders.

6.1 Risk management objectives and policies for mitigating insurance risk

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

Reinsurance is purchased to mitigate the effect of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional 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. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio.

6.2 Underwriting strategy

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

6.3 Terms and conditions of insurance contracts

Substantially, all products underwritten by the Company cover mortality risk as well as additional risk such as temporary and/or permanent disability, medical expenses cover repatriating and hospitalization expenses. Products other than endowment fund have similar characteristics of short tail products and are renewable every year with an option to change the premium by the Company. The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contract are set out below.

Credit Life

The contracts classified as credit life are mainly renewable annual policies covering risk of death sold through a bank extending credit. In some cases the risk is covered partially. The amount insured decreases with time together with the repayment of credit.

Combined insurance

The combined insurance represents policies under which the Company is writing both term life and personal accidents. The term contracts pay out guaranteed benefits on death and critical illness that are fixed amounts and not at discretion of the Company. The contracts include both individual and group schemes.

(All amounts in EUR, unless otherwise stated)

6. Insurance risk management (continued)

6.3 Terms and conditions of insurance contracts (continued)

Endowment

The Endowment product has a life and savings component. Benefits of such life insurance are payable to the insured if he/she is still living on the policy's maturity date, or to a beneficiary otherwise. The maturity varies from 5 to 30 years. In case of surrender in the first three years of the policy, the Company does not have any obligation to the policyholder. After this period the Company pays the surrender a value defined by the conditions of the policy. The product is long term with guaranteed benefits which volume is expected to grow in the future. The benefit in case of death is equal to the sum of the savings part of the reserve and the sum assured which is in the range of EUR 2,400 and EUR 50,000.

Reinsurance and concentration risk

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. The Company has ceded insurance risk to limit exposure to underwriting losses and to minimize the effect of losses from credit life insurance, by way of reinsurance treaties entered into.

6.4 Exposure relating to catastrophic events

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

6.5 Technical interest

The technical interest rate is used when calculating the reserve. The technical interest rate is the minimum guaranteed return for every life insurance contract. To avoid the risk that income from investments will not cover the minimum guaranteed return, the Company has used an interest rate of 1.75% in calculating mathematical reserves. In 2017, the generated net income on investments (including mathematical reserves) covers the minimum guaranteed income for some part of the portfolio, granting additional profit above the technical interest. The analysis of the actuarial parameters used in the calculation of the tariffs and life insurance reserves shows that the assumptions are appropriate.

6.6 Reserves and actuarial assumptions adequacy test

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

The Company calculates and charges the technical provisions to provide for future payments under long term insurance policies. Many factors affect the calculation of these reserves including, mortality, cancellations and technical interest. Technical provision is calculated based on current assumptions for the basic parameters. The liability adequacy test is limited to analysis of the main parameters that have the most significant impact on the reserve calculation.

Mortality is the risk covered by all insurance products, underwritten by the Company. "Mortality" risk occurrence data for 2017 and 2016 including estimations used are as follows:

	2017	2016
Number of people currently insured susceptible to the risk of death	7,871	9,570
Average age of people susceptible to the risk of death	43	42
Number of payments following deaths of insured	1	6

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A

Notes to the financial statements as at and for the year ended 31 December 2017

(All amounts in EUR, unless otherwise stated)

6. Insurance risk management (continued)

6.6 Reserves and actuarial assumptions adequacy test (continued)

Assumptions and sensitivities

The main factors affecting the profit of the company are the level of claims ratio and expenses. The table below presents a simulation, taking into account changes to claims incurred or increases in expenses, and its effect on the net equity of the Company and the available solvency margin. For the purpose of the simulation, the model uses a claims increase equal to the corresponding largest claim incurred in the last two years, and administrative expense increase by 10%.

Situation as at 31 December 2017	Profit/(Loss)	Net Equity	Required Guarantee Fund
Current	137,411	4,392,976	3,200,000
Increase in claims incurred	(20,000)	4,372,976	3,200,000
Increase in expenses (+10%)	(14,531)	4,358,445	3,200,000

The risks associated with the life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses statistical and actuarial techniques including indicators such as the expected loss ratio. The Company considers that the liability for life insurance claims reserve recognized in the 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 2017 and 2016 is provided below:

	2017	2016
Claim ratio	19.81%	16.96%
Expense ratio	58.89%	58.99%
Combined ratio	78.70%	75.96%

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	2017	2016
Claim ratio			
5% increase in claim ratio	Loss	(6,306)	(6,461)
5% decrease in claim ratio	Gain	6,306	6,461
Expense ratio			
5% increase in expense ratio	Loss	(18,697)	(22,430)
5% decrease in expense ratio	Gain	18,697	22,430
Combined ratio			
5% increase in combined ratio	Loss	(25,003)	(28,891)
5% decrease in combined ratio	Gain	25,003	28,891

6.7 Reinsurance risk

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

The concentration of technical and claims provisions by type is summarized on the table below:

Type of provision	2017			2016		
	Gross Reinsurance	Net		Gross Reinsurance	Net	
RBNS	56,175	-	56,175	-	-	-
IBNR	5,618	-	5,618	6,462	-	6,462
Mathematical provision	345,319	-	345,319	295,313	-	295,313
Total	407,112	-	407,112	301,775	-	301,775

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A
Notes to the financial statements as at and for the year ended 31 December 2017
(All amounts in EUR, unless otherwise stated)
6. Insurance risk management (continued)
6.7 Reinsurance risk (continued)

The concentration of unearned premium by type of contract is summarized on the table below:

	2017		2016			
	Gross Reinsurance	Net	Gross Reinsurance	Net		
Business line						
Term insurance	73,565	(208)	73,357	35,246	(1,390)	33,856
Personal Insurance	12,246	(174)	12,072	19,218	-	19,218
Endowment	911	-	911	961	-	961
Total	86,722	(382)	86,340	55,425	(1,390)	54,035

7. Financial risk management

The Company monitors and manages the financial risks relating to the operations of the Company through internal risk analysis which describes exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk), credit risk and liquidity risk. The Company does not make use of derivative financial instruments to hedge these risks exposures.

(i) Market risk

Market risk can be described as the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices or foreign currency exchange rates. There is minimal market risk at 31 December 2017. The Company does not invest in equities and has financial instruments almost exclusively denominated in Euro. Interest rate risk is mainly with held to maturity investment which is held at fixed rates.

(ii) Currency risk

The Company undertakes transactions mainly in Euro to satisfy regulatory and self-imposed capital requirements. Currency risk in the investment portfolio is managed using assets/liabilities matching principles. The Company has no exposure to monetary assets and liabilities denominated in foreign currencies as at 31 December 2017 and 2016.

(iii) Interest rate risk

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

The Company has no significant exposure to interest rate risk with the exception of its held to maturity investments, deposits held with banks and its mathematical provision, which earn interest at fixed commercial rates and are scheduled to mature upon fixed dates.

	31 December 2017			
	Non-interest bearing	Fixed interest up to 1 year	Fixed interest over 1 year	Total
Cash on hand and at banks	289,170	-	-	289,170
Term deposits	-	1,592,270	2,465,000	4,057,270
Investment securities	-	4,246	350,000	354,246
Reinsurance assets	382	-	-	382
Insurance receivables	205,943	-	-	205,943
Financial assets	495,495	1,596,516	2,815,000	4,907,011
Insurance contract liabilities	-	61,793	345,319	407,112
Unearned premium reserve	86,722	-	-	86,722
Other liabilities	39,714	-	-	39,714
Financial liabilities	126,436	61,793	345,319	533,548
IR Sensitivity Gap	369,059	1,534,723	2,469,681	4,373,463

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A
Notes to the financial statements as at and for the year ended 31 December 2017
(All amounts in EUR, unless otherwise stated)
7. Financial risk management (continued)
(iii) Interest rate risk (continued)

	31 December 2016			Total
	Non-interest bearing	Fixed interest up to 1 year	Fixed interest over 1 year	
Cash on hand and at banks	228,317	-	-	228,317
Term deposits	-	2,713,082	919,764	3,632,846
Investment securities	-	302,158	354,279	656,437
Reinsurance assets	1,390	-	-	1,390
Insurance receivables	128,522	-	-	128,522
Financial assets	358,229	3,015,240	1,274,043	4,647,512
Insurance contract liabilities	-	6,462	295,313	301,775
Unearned premium reserve	55,425	-	-	55,425
Other liabilities	53,336	-	-	53,336
Financial liabilities	108,761	6,462	295,313	410,536
IR sensitivity gap	249,468	3,008,778	978,730	4,236,976

Interest rates are fixed, and there are no financial assets or liabilities carried at fair value. However, any increase/decrease by 1% in interest rate would result in a net impact of EUR 40 thousand (2016: EUR 40 thousand).

(iv) Credit risk

In the normal course of its business, as premiums are received, they are invested to pay for future policy holder obligations. The Company is exposed to credit risk on its cash at banks, term deposits, financial assets held to maturity, insurance receivables and reinsurance counterparties. The Company manages its exposure to credit risk on a regular basis by closely monitoring its exposure to term deposit counterparties and insurance receivables. The Company's credit risk is primarily with the cash invested with the Central Bank and commercial banks operating in Kosovo. Maximum exposure to credit risk is as follows:

	31 December 2017	31 December 2016
Cash and cash equivalents	289,170	228,317
Term deposits	4,057,270	3,632,846
Investment securities	354,246	656,437
Reinsurance assets	382	1,390
Insurance receivables	205,943	128,522
Total	4,907,011	4,647,512

Credit quality of financial assets is disclosed in their respective notes.

(v) Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due. Liquidity risk is moderately inherent to the Company's business as certain assets purchased and liabilities sold could have liquidity characteristics that are specific. If the Company would require significant amounts on short notice in excess of normal cash requirements it may face difficulties to obtain attractive prices. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A**Notes to the financial statements as at and for the year ended 31 December 2017***(All amounts in EUR, unless otherwise stated)***7. Financial risk management (continued)****(v) Liquidity risk (continued)**

Financial assets and liabilities as of 31 December 2017 detailed by expected (for insurance liabilities only) and contractual maturity are disclosed below:

Liquidity risk	Up to 6 months	6 months to 1 year	More than 1 year	Total
Cash and cash equivalents	289,170	-	-	289,170
Term deposits	1,442,270	150,000	2,465,000	4,057,270
Investment securities	4,246	-	350,000	354,246
Re-insurance assets	382	-	-	382
Insurance receivables	205,943	-	-	205,943
Total assets	1,942,011	150,000	2,815,000	4,907,011
Insurance contract liabilities	61,793	-	345,319	407,112
Unearned premium reserve	86,722	-	-	86,722
Other financial liabilities	39,714	-	-	39,714
Total liabilities	188,229	-	345,319	533,548
Net liquidity position as at 31 December 2017	1,753,782	150,000	2,469,681	4,373,463

The Company's financial assets and liabilities as of 31 December 2016 have the following maturities:

Liquidity risk	Up to 6 months	6 months to 1 year	More than 1 year	Total
Cash and cash equivalents	228,317	-	-	228,317
Term deposits	2,353,015	360,067	919,764	3,632,846
Investment securities	302,158	-	354,279	656,437
Re-insurance assets	1,390	-	-	1,390
Insurance receivables	128,522	-	-	128,522
Total assets	3,013,402	360,067	1,274,043	4,647,512
Claims reserves	6,462	-	295,313	301,775
Unearned premium reserve	55,425	-	-	55,425
Other financial liabilities	53,336	-	-	53,336
Total liabilities	115,223	-	295,313	410,536
Net liquidity position as at 31 December 2016	2,898,179	360,067	978,730	4,236,976

(vi) Regulatory capital

According to the Central Bank regulation "On licensing of insurers and branches of foreign insurers" Article 4, all insurance Companies in order to provide life insurance are required to ensure a minimum total equity of EUR 3,200 thousand and shareholders paid in capital minimum 3,200 thousand.

(vii) Solvency margin

In accordance with rule 31 of CBK, required solvency margin is calculated separately for life insurance and supplementary insurance. Solvency margin for life insurance is calculated as a sum of first and second result, where first results is calculated as a fraction of 4% of the mathematical provisions relating to direct business and second results is calculated as a 0.3% fraction of capital at risk multiplied by reinsurance ratio for the last financial year. For supplementary insurance solvency margin is calculated by obtaining the higher of the two results, premium basis results or claim basis results. As at 31 December 2017 and as at the date of approval of these financial statements, the Company has a solvent position based on solvency margin calculations.

(All amounts in EUR, unless otherwise stated)

7. Financial risk management (continued)

(viii) Other risks

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

8. Fair value of financial instruments

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

Cash and cash equivalent and Term deposits with banks - which comprise cash at bank and term deposits, include inter-bank placements and items in the course of collection. As deposits are short term and at fixed rates their fair value is considered to approximate their carrying amount.

Investment securities - comprises of government bonds and treasury bills issued by the Government of the Republic of Kosovo, those assets have fixed interest rates and are held to maturity and the company has no intention to sell such assets.

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

	31 December 2017		31 December 2016	
	Fair value Level 2	Carrying amount	Fair value Level 2	Carrying amount
Financial assets				
Cash and cash equivalents	289,170	289,170	228,317	228,317
Term deposits with banks	4,057,270	4,057,270	3,632,846	3,632,846
Investment securities	353,908	354,246	654,946	656,437

The fair value of the financial instruments presented above is similar to their carrying amount.

9. Cash and cash equivalents

	31 December 2017	31 December 2016
Raiffeisen Bank	194,593	176,101
NLB Prishtina	33,260	5,907
ProCredit Bank	25,463	24,159
Banka Private e Biznesit	15,653	4,126
Banka Kombetare Tregtare - BKT	7,913	8,563
Türk Ekonomi Bankası - Teb	7,879	7,319
IS Bank	2,343	186
Central Bank of Kosovo - CBK	1,932	1,956
Ziraat Bank	134	-
Total cash at banks	289,170	228,317

Cash and cash equivalents consist of current accounts with banks that are subsidiary of foreign banks with appropriate credit rating. Credit quality of the banks is disclosed in note 10.

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A**Notes to the financial statements as at and for the year ended 31 December 2017***(All amounts in EUR, unless otherwise stated)***10. Term deposits**

	31 December 2017	31 December 2016
Term deposits – commercial banks	3,728,000	3,305,000
Deposit in Central Bank of Kosova - CBK	300,000	300,000
Accrued interest	29,270	27,846
Total term deposits	4,057,270	3,632,846

The banks in which the Company has deposits are listed below, most of which are domestic subsidiaries of foreign banks. None of these domestic banks have their own credit ratings.

	31 December 2017	31 December 2016
Banka Kombetare Tregtare - BKT	650,000	870,000
NLB Prishtina	1,115,000	1,235,000
Banka Private per Biznes – BPB	553,000	1,050,000
IS Bank	370,000	150,000
Ziraat Bank	240,000	-
TEB Bank	800,000	-
Total	3,728,000	3,305,000

The interest rate on term deposits during the year 2017 was between 1.00% and 3.00% p.a. (2016: 1.50% and 3.00% p.a). All these banks are part of international banking groups except BpB which is a local bank with local and international individual shareholders. The credit risk ratings of their respective banking groups is presented below:

Bank	Group	Rating agency	Long-term credit rating (Group)	Outlook
Raiffeisen Bank Kosovo	Raiffeisen bank International AG	Moody's	A3	Stable
Procredit Bank Kosovo	Procredit Holding	Fitch	BBB	Stable
TEB Bank Kosovo	BNP Paribas	Moody's	Ba3	Stable
NLB Prishtina	NLB	Fitch	BB	Stable
IS Bank	Turkie IS Bankasi	Fitch	BB+	Stable
BKT	Banka Kombetare Tregtare	JCR Eurasia	AAA	Stable
BpB	N/a Local Bank	N/a	N/a not rated	N/a not rated

11. Investment securities

Investment securities relate to investments in Government Bonds of the Republic of Kosovo. These bonds have interest rates that vary from 2.8% to 3.5% (2016: 2.8% to 3.5%).

	31 December 2017	31 December 2016
At 1 January	656,437	1,390,000
Additions	-	652,441
Matured investments	(300,000)	(1,390,000)
Accretion of Premiums	(6,437)	(2,441)
Accrued interest	4,246	6,437
At 31 December	354,246	656,437

Investment securities consist of Kosovo Government bonds and the maturity of balances as 31 December 2017 is on 26 February 2021. Credit risk is considered low and such investments are in line with the recommendations of the regulator for low credit risk investments of the guarantee fund (net equity) of insurance companies.

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A**Notes to the financial statements as at and for the year ended 31 December 2017***(All amounts in EUR, unless otherwise stated)***12. Insurance receivables**

Insurance receivables comprise the following:

	31 December 2017	31 December 2016
Receivables from Endowment	53,660	57,725
Receivables from Term Life Insurance	38,876	25,664
Receivables from Credit Life Insurance	115,615	51,395
Gross insurance receivables	208,151	134,784
Less: Allowance for impairment loss	(2,208)	(6,262)
Insurance receivables, net	205,943	128,522

Movement in allowance for impairment losses are as follows:

	2017	2016
Opening balance	6,262	1,208
Impairment charge for the year:	2,208	6,262
Insurance receivable written off	(6,262)	(1,208)
Total	2,208	6,262

Insurance receivables exposures to individual policyholders and groups of policyholders are monitored for delays. Being individually insignificant, the Company does not have an individual monitoring in place unless days past due are identified. Insurance receivable by ageing are as follows:

	31 December 2017	%	31 December 2016	%
Less than 3 months	194,511	94%	110,655	64%
3 to 6 months	4,811	2%	8,763	18%
6 months to 1 year	5,646	2%	7,339	8%
More than 1 year	975	1%	1,765	10%
Total	205,943	100%	128,522	100%

The Company manages its exposure to credit risk on a regular basis by closely monitoring its insurance receivables. Insurance and other receivables as of 31 December based on their past due status are presented in the following tables:

	31 December 2017	31 December 2016
Neither past due nor impaired	188,033	102,850
Past due but not impaired	4,457	22,606
Impaired	15,661	9,328
Gross insurance receivables	208,151	134,784
Less: Allowance for impairment loss	(2,208)	(6,262)
Insurance receivables, net	205,943	128,522

13. Deferred acquisition costs

Deferred acquisition costs at year-end comprise:

	31 December 2017	31 December 2016
Balance at 1 January	31,035	29,045
Increase in deferred acquisition costs	(4,864)	1,990
Balance at 31 December	26,171	31,035

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A
Notes to the financial statements as at and for the year ended 31 December 2017
(All amounts in EUR, unless otherwise stated)
14. Equipment

	Computers and related equipment	Furniture and fixtures	Total
Cost:			
As at 1 January 2016	2,536	1,710	4,246
Additions during the year	215	-	215
As at 31 December 2016	2,751	1,710	4,461
Additions during the year	1,987	766	2,753
As at 31 December 2017	4,738	2,476	7,214
Accumulated depreciation:			
As at 1 January 2016	(1,564)	(539)	(2,103)
Charge for the year	(439)	(342)	(781)
As at 31 December 2016	(2,003)	(881)	(2,884)
Charge for the year	(463)	(415)	(878)
As at 31 December 2017	(2,466)	(1,296)	(3,762)
Carrying amount:			
As at 1 January 2016	972	1,171	2,143
As at 31 December 2016	748	829	1,577
As at 31 December 2017	2,272	1,180	3,452

15. Insurance contract liabilities

	31 December 2017	31 December 2016
Insurance contract provisions		
Provisions for reported but not settled claim	56,175	-
	56,175	-
Provisions for IBNR claims	5,618	6,462
Mathematical reserve – endowment	345,319	295,313
Insurance contract liabilities, gross	350,937	301,775
Recoverable from reinsurance	-	-
Net insurance contract liabilities	407,112	301,775

	2017	2016
Net policyholder claims and benefits incurred		
Claims paid		
Gross amount	20,787	69,408
Change in notified reported but not settled claim reserve (a)		
Gross amount	56,175	(12,600)
Change in incurred but not reported claims reserve and mathematical reserves (b)		
Gross amount	49,162	72,403
Net claims and benefits incurred	126,124	129,211

(a) Analysis of movements in reported but not settled claim:

	2017	2016
Provision for liabilities for losses and loss adjustment expenses		
At 1 January		
Provision for reported but not settled claims	-	12,600
Changes in the provisions of insurance contracts liabilities	76,962	56,808
Losses and loss adjustment expenses paid	(20,787)	(69,408)
- Endowment	-	-
- Term life	(787)	(845)
- Personal insurance	(20,000)	(68,563)
Net insurance liabilities for losses and loss adjustment expenses at 31 December	56,175	-

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A**Notes to the financial statements as at and for the year ended 31 December 2017***(All amounts in EUR, unless otherwise stated)***15. Insurance contract liabilities(continued)**

(b) Analysis of movement in incurred but not reported claims and mathematical reserves:

	31 December 2017	31 December 2016
Balance as at 1 January	301,775	229,372
Additions recognized during the year	49,162	72,403
Transfer to reported but not settled claim provision	56,175	-
Balance at 31 December	407,112	301,775

16. Unearned premium insurance liabilities

Unearned premium reserve by product is comprised as follows:

	31 December 2017	31 December 2016
Unearned premium reserve - life term insurance	73,565	35,246
Unearned premium reserve - life personal insurance	12,245	19,218
Unearned premium reserve – endowment	912	961
Total	86,722	55,425

Movement of unearned premium reserve is presented below:

	2017	2016
Balance as at 1 January	55,425	51,533
Premiums written during the year (note 19)	636,650	761,751
Less: premiums earned during the year	(605,353)	(757,859)
Balance at 31 December	86,722	55,425

17. Other liabilities

	31 December 2017	31 December 2016
<i>Financial liabilities</i>		
Commission Payable	3,350	36,955
Payable to suppliers	13,416	13,027
Reinsurance Payable	3,397	3,242
Accrued expenses	17,086	-
Prepaid from costumers	2,059	-
Other liabilities	406	112
Total financial liabilities	39,714	53,336
<i>Non-financial liabilities</i>		
Tax payable related premiums	6,751	8,008
VAT payables	890	2,294
Payable to the CBK	1,823	2,162
Pension contribution payable	956	866
Personal income tax	690	693
Total non-financial liabilities	11,110	14,023
Total	50,824	67,359

18. Share capital

The Company's share capital as at 31 December 2017 is EUR 3,500 thousand (2016: 3,500 thousand). The share capital is composed of 35,000 common shares with par value of EUR 100 per share authorized and fully paid as at 31 December 2017. Shares of the company as at 31 December 2017 are 100% owned by SIGAL UNIQA Group Austria sh.a in Albania (2016: 100% owned by SIGAL UNIQA Group Austria sh.a).

The Company did not declared or paid any dividends during and as at the year ended 31 December 2017 and 2016.

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A**Notes to the financial statements as at and for the year ended 31 December 2017***(All amounts in EUR, unless otherwise stated)***19. Gross written premiums**

Gross written premiums by product for the year are comprised as follows:

	2017	2016
Credit life insurance	445,305	553,006
Term life	115,457	117,493
Endowment	75,888	91,252
Total gross premiums written	636,650	761,751

Analysis by type of premiums

	2017	2016
Regular premiums	673,046	766,577
Single premiums	-	-
Premiums cancelled	(36,396)	(4,826)
Total gross premiums written	636,650	761,751

20. Acquisition costs

Policy acquisition costs for the year are comprised as follows:

	2017	2016
Commissions	222,532	322,152
Change in deferred acquisition cost (note 13)	4,864	(1,990)
Total	227,396	320,162

21. Administrative expenses

Administrative expenses for the year are comprised as follows:

	2017	2016
Staff costs	68,166	70,505
Operating lease expenses	28,740	3,000
Consultancy expenses	11,792	12,743
Supervision charges	8,595	10,284
Professional services	6,549	12,980
Medical services	1,800	1,500
IAK Contribution	1,440	1,440
Travel expenses	1,398	2,233
Representation	1,182	1,055
Office expenses	972	1,211
Other expenses	13,698	5,225
Total	144,332	122,176

22. Related party transactions

At the reporting date, the following transactions and balances are made with and are due from Sigal UNIQA Group Austria sh.a (Albania), parent of Sigal UNIQA Group Austria sh.a (Kosovo), and other related parties:

Transactions with related parties	2017	2016
Key Management Personnel Remuneration (gross amounts)	35,851	27,750
Income from coinsurance with Sigal UNIQA Group Austria sh.a (Kosovo)	19,862	13,162
Expenses from office rent with Sigal UNIQA Group Austria sh.a (Kosovo)	15,472	3,000
Expenses from vehicle rent with Sigal UNIQA Group Austria sh.a (Albania)	11,000	-
Expenses for management consultancy fees with UNIQA Insurance Group AG	11,792	12,743
Expenses from Premium ceded to Reinsurer with Sigal UNIQA Group Austria sh.a (Albania)	4,766	3,242
Balances with related parties		
Due from coinsurance with Sigal UNIQA Group Austria sh.a (Kosovo)	14,394	1,790
Due to UNIQA Insurance Group AG	11,792	12,743
Due to Sigal UNIQA Group Austria sh.a (Albania)	4,766	3,242
Due to Sigal UNIQA Group Austria sh.a (Kosovo)	1,386	-

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A**Notes to the financial statements as at and for the year ended 31 December 2017**

(All amounts in EUR, unless otherwise stated)

23. Commitment and contingencies**i. Legal**

In the ordinary course of business, the Company is involved in various claims and legal actions however there are no outstanding lawsuits against the Company as at 31 December 2017.

ii. Commitments for operating leases

The Company has entered into lease agreements for its headquarter and office vehicle. Generally, the Company may cancel these leases upon giving one month prior notice. Therefore, the maximum non-cancellable commitment payable not later than one year is as follows:

	2017	2016
Not later than 1 year	2,590	250
Total	2,590	250

24. Events after the end of the reporting period

No material events subsequent to the date of the statement of financial position have occurred which require disclosure in the financial statements.

SUPPLEMENTARY SCHEDULES

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A
Supplementary Schedules

(All amounts in EUR, unless otherwise stated)

i. Solvency Margin

The solvency margin based on CBK rule no. 31 as at 31 December 2017 is composed as follows:

Required solvency margin supplementary insurance
Personal Accident

Premium basis (€)	31 December 2017	
Written premium net of written off insurance receivables	1	636,650
unearned premium reserve at the beginning of the year	2	55,425
unearned premium reserve at the end of the year	3	86,722
Premium earned ([1] + [2] - [3])	4	605,353
Premium received from reinsurance	5	-
Total premium ([4] + [5])	6	605,353
sum up to 10 million x 18/100	7	108,964
sum above 10 million x 16/100	8	-
Total premium basis ([7] + [8])	8	108,964
Reinsurance ratio	9	100%
Required margin on premium basis([8]*[9])	10	108,964
Claims basis (€)		31 December 2017
Claims paid	11	20,787
Claims reserves at the beginning of the year	12	-
Claims reserves at the end of the year	13	-
Total claims ([11] - [12] + [13])	14	20,787
claims up to 7 million EUR x 26/100	15	5,405
claims above 7 million EUR x 23/100	16	-
Total ([15] + [16])	17	5,405
Reinsurance ratio	18	100%
Required margin on claims basis ([17]*[18])	19	5,405
Required solvency margin (€)		31 December 2017
Max ([10],[19])	20	108,964

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A
Supplementary Schedules

(All amounts in EUR, unless otherwise stated)

i. Solvency Margin (continued)

Table 2		31 December 2017	
Required solvency margin Life (including Personal accidents)			
		12.2.	
		a, b	
factor (12.2.d)		1	4%
	without profit sharing bonus	2	-
Gross mathematical provisions	profit sharing bonus	3	345,319
	total	4	345,319
	without profit sharing bonus	5	-
	profit sharing bonus	6	345,319
net mathematical provisions	total	7	345,319
ratio (not less than 0.85)		8	100%
First result (12.2.d) (7)* (1)		9	13,813
	death with term up to three years	11	64,023,144
	death with term three to five years	12	94,468
	other life insurances	13	1,030,245
Capital at risk	total ($[11]*0.1\%+[12]*0.15\%+[13]*0.3\%$)	14	67,256
Capital at risk net of reinsurance		15	64,803,888
ratio (not less than 0,5)		16	100%
Second result (12.2.e)		17	67,256
Sum first and second result (9) + (17)		18	81,069
			This year
Required solvency margin life (12.2) (18)		19	81,069
Required solvency margin supplementary insurance (12.3) (See table 1)		20	108,964
Required solvency margin capital redemption (12.4)		21	-
Required solvency margin tontine (12.5)		22	-
Required solvency margin unit linked (12.6)		23	-
Required solvency margin (19)+(20)		24	190,033
Guarantee fund (13.1) ($[24] / 3$)		25	63,344
Guarantee fund (13.2)		26	3,200,000
Guarantee fund (max($[25]$, $[26]$))		27	3,200,000
Required available solvency margin (max($[24]$, $[27]$))		28	3,200,000

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A
Supplementary Schedules

(All amounts in EUR, unless otherwise stated)

i. Solvency Margin (continued)

Table 3

Available solvency margin

Section 11.2		31 December 2017
Paid-up share capital (a)	1	3,500,000
reserves (b)	2	-
profit brought forward (c)	3	892,976
losses brought forward (c)	4	-
profit reserves (d)	5	-
own shares (d)	6	-
Total (1+2+3-4+5-6)	7	4,392,976
Guarantee fund	8	3,200,000
Adequacy (Section 13)	9	1,192,976
Other available solvency margin (12.3., 12.4.)	10	-
Total available solvency margin (7+ 10)	11	4,392,976
Required solvency margin (See table 2(24))	12	190,033
Adequacy of solvency margin (11-12)	13	4,202,943

SIGAL LIFE UNIQA GROUP AUSTRIA SH.A
Supplementary Schedules

(All amounts in EUR, unless otherwise stated)

ii. Assets deemed to back insurance liabilities

In accordance with CBK Regulation on investments of assets covering technical and mathematical provision, insurance companies operating in Kosovo may invest in the following categories of assets covering technical reserves:

Assets covering technical reserves	31 December 2017	
	Maximum % of gross technical provisions that can be invested as per regulation	Assets covering technical reserves
a) Deposits in euro currency in Kosovo licensed banks;	-	3,728,000
b) Treasury bonds, securities and other capital market financial instruments, issued by the Government of the Republic of Kosovo with a maturity	-	350,000
c) Treasury bonds, securities and other capital market financial instruments, issued by and guaranteed by the central banks of governments of EU member states, with a credit rank not lower than BBB	20% in total 5% Individual	-
d) Real estate (land, buildings), as well as other fixed assets evaluated according to depreciation norms;	30% in total 10% Individual	-
e) Cash at hand, cash in bank and term deposits with a maturity not less than 3 months in banks licensed by the CBK in the Republic of Kosovo;	3%	289,170
f) Reinsurance receivables arising from insurance activities, which are not older than 90 days from when the liability occurred.	Unlimited for => BBB 25% for < BBB	-
g) Reinsurance portion of technical provisions;	Unlimited for => BBB 25% for < BBB	382
h) Accrued interest arising from investments in bank deposits and other securities;	5%	33,516
i) Receivables up to 90 days, arising from insurers, agents and brokers, but not more than twenty percent (20%) of the gross unearned premium reserve;	20% of UPR	17,344
j) other fixed assets	5%	3,452
Total assets covering technical and mathematical provisions		4,421,864
Technical and mathematical provisions		493,834
Coverage in percentage		895%