ANNUAL REPORT 2014

SiCRED
Shoqëri Sigurimi Jete

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SiCRED
Shoqëri Sigurimi Jete
SiCRED
Shoqëri Sigurimi Jete
gurimi i jetës dhe
ndetit në udhëtim
të gjithë botën
SiCRED

1. Foreword by General Director

The Life Insurance Company SiCRED sh.a. holds an important place in the current insurance market. SiCRED sh.a. provides for 23.73% of the Life Insurance market, as referring to the December 2014 statistics issued by the Financial Supervisory Authority, and its activities are extended in almost every region of the country. During 2014, SiCRED sh.a. issued a total of 56,649 insurance contracts with a gross written premium of about 271 million ALL. Hence, the annual premium for 2014 was about 244 million ALL.

The Company has adopted a mid-term strategy for strengthening the infrastructure of its main premises in Tirana, as well as other branches and agencies all over Albania, for enhancing its Technology capacities and Human Resources, etc. In accordance with this strategy, during 2014 was finalized the overall reconstruction of the main premises and the Tirana Branch. Furthermore, two more branches initiated the reconstruction process, and from the end of 2014 the DRS construction was also launched.

Also, the year 2014 recorded positive developments for the other two companies of SiCRED group.

On 22 December 2014 it was signed the purchase agreement for the transfer of 76% of the total shares of the Pension Fund Management Company SiCRED sh.a., from SiCRED sh.a. to CREDINS Bank sh.a.. The agreement is considered of outmost and strategic importance for the future of PFMC SiCRED sh.a., that is thoroughly supported even from the structure and the extended network of sales of CREDINS Bank sh.a.. As such, Pension Fund Management Company SiCRED sh.a. will recover a maximum profit out of the agreement established among the two financial institutions.

SiCRED ASSISTANCE sh.p.k., the consulting company that provides services for health and safety at work, during 2014 led a normal activity and continued to expand its experience by offering consultancy services to 700 employers, and also by increasing the income level generated by this type of service.

When making a thorough assessment of the so-far experiences, the lines of communication with the clients, and the insurance market from year to year, we come to the conclusion that SiCRED sh.a. has tried to establish a unique model of its own, by dedicating the necessary importance to every single detail in the treatment of every claim in life insurance, including even individual life events, health, temporary or partial invalidity. A main priority for SiCRED sh.a., remains the quality service and the adequate follow-up of the requests of insured clients, in order to accomplish insurance contracts that meet the dynamics of the market request and the profile of insured individuals, while preserving the principles of life insurance at all costs.

Please accept my highest consideration and I invite you to read the SiCRED sh.a. Annual Report 2014.

Sincerely Yours,
Genc KOXHAJ
General Director

243,498 thousand ALL
Total Written Premium

56,649
Number of clients

40,687 thousand ALL
Total Paid Claims

446
Number of Paid Claims

477,000 thousand ALL
Paid-Up Capital

56
Number of Employees

11
Number of Branches and Agencies

2. Ownership and Management Structure of Sicred sh.a.

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

A. Shareholders' Assembly
B. Supervisory Council
C. General Directorate

A. The Shareholders' Assembly of SiCRED sh.a., ranked as per the shares' quota, is as follows:

		Shareholder Quota
1.	Mr. Aleksandër PILO	46.30 %
2.	Mr. Renis TËRSHANA	30.10 %
3.	Mr. Maltin KORKUTI	4.74 %
4.	Mrs. Monika MILO	4.74 %
5.	Mr. Kristino KROMIDHA	4.13 %
6.	Mr. Arben TAIPI	2.10 %
7.	Mr. Petraq SHOMO	2.10 %
8.	Mrs. Arjana SANTO	1.58 %
9.	Mrs. Emi SANTO	1.58 %
10.	Mr. Egi SANTO	1.58 %
11.	Mr. Artan XHORI	1.05 %

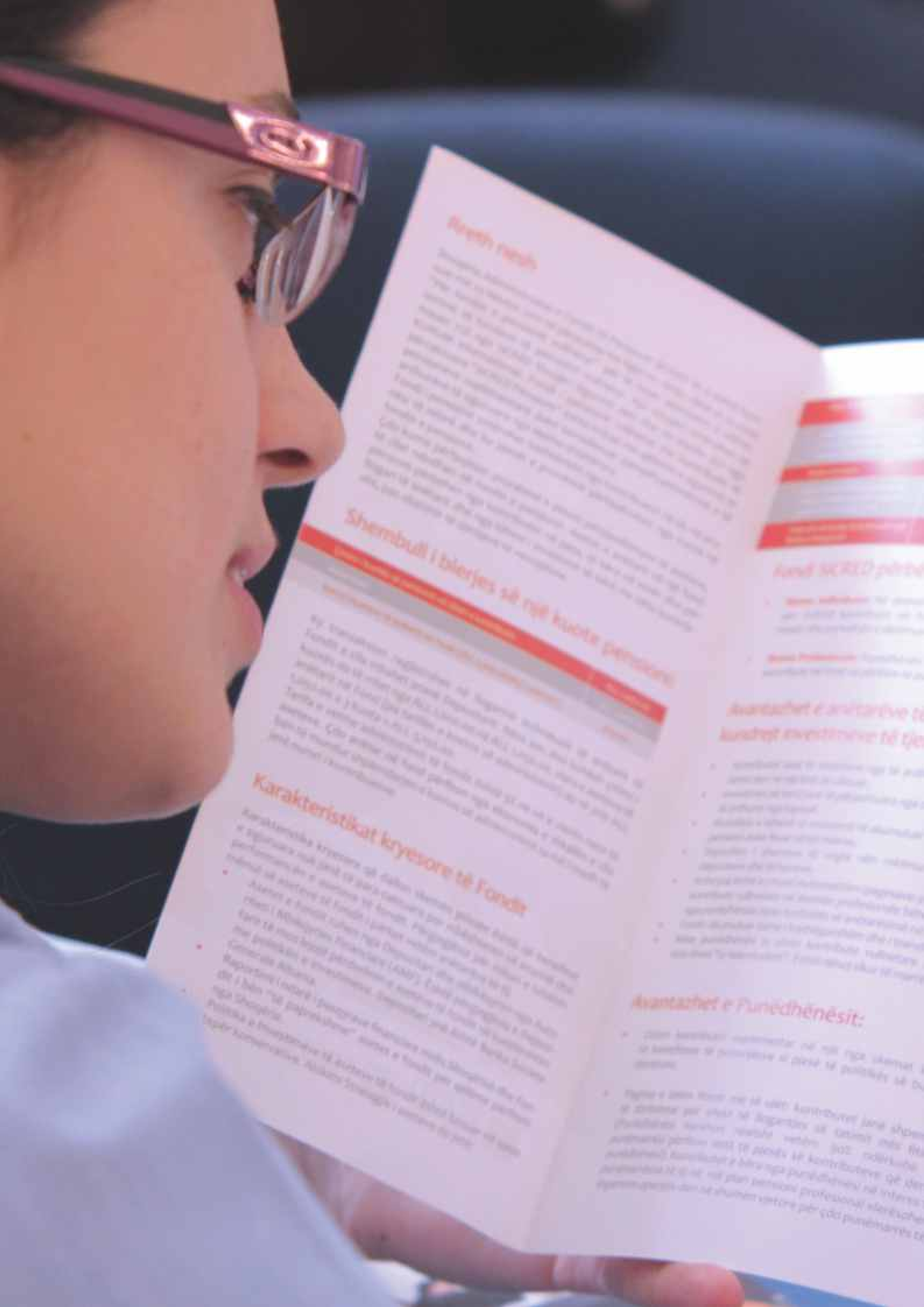
B. Members of the Supervisory Council of SiCRED sh.a.:

1.	Mrs. Arjana SANTO	Chaiperson
2.	Mr. Artan XHORI	Member
3.	Mr. Selman LAMAJ	Member

C. General Directorate:

1.	Mr. Genc KOXHAJ	General Director

[1]Data available as of 31 December 2014


Shembull i blerjes së një kuote pensioni
Karakteristikat kryesore të Fondit

3. Main Developments for 2014

3.1. Main financial indicators 2010-2014
3.2. Insurance Products Portfolio 2014
3.3. CREDINS Bank Project
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3.5. Reconstruction of Branches' Network
3.6. Expansion of Health Network
3.7. Corporate Social Responsibility

SiCRED sh.a. (Life Insurance Company) provides a rich package of financial services to carefully address and manage financial risks, directly or through other group companies (SiCRED Pensions and SiCRED ASSISTANCE). The Life Insurance products are based on establishing a balance among the interests and requests of the insured and the society needs. With the passing of years, SiCRED aimed to venture a unique profile and identity in the local market, by aspiring the highest standards of ethics, best practices, and work ethics as well best principles of financial reporting.

Every single activity of the company business, both in form and content, is built upon company's code of ethics that promote the following fundamental values:

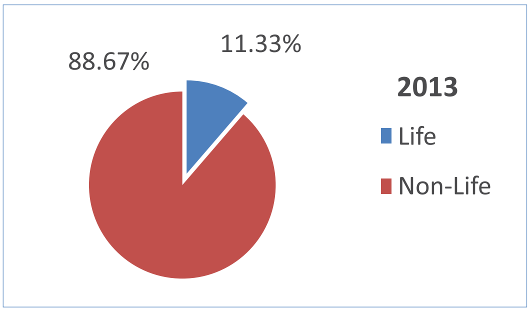
I. Honest and ethical behaviour, including the ethical treatment of current conflicts of interest between personal and professional associations;
II. Suitable system of internal control, synchronised with an immediate reporting mechanism;
III. Accurate, complete, timely, simple and comprehensive information;
IV. Full compliance with relevant legal framework.

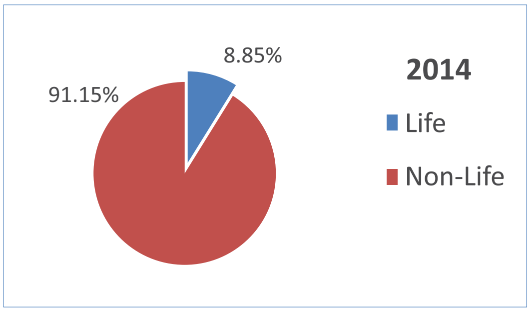
General market overview and potential

During 2014, the insurance market continued to grow with a relatively sustainable expansion, as a consequence of increasing the volume of gross written premium, mainly the non-life insurance products. The written total premium (for life and non-life) for 2014 was about 83 million Euro, with an increase of 36.9% compared to 2013.

Whereas the structure, the market continues to be oriented to the non-life insurance products that resulted in the 91.15% of the overall volume of the written premiums, versus the life insurance market that resulted in 8.85% of the premiums volume.

Insurance Market Structure in Albania, 2013-2014





The Insurance market in Albania is still considered as a new market. Since 1999, that dates back to the liberalization of the insurance market in Albania, this particular market was developed significantly with the gross premium income; however, Albania represents a high potential for growth in comparison with neighbouring countries. In 2013, the written premium in Europe was approximately 1,883 Euro per inhabitant, including neighbour countries such as Greece, where the written premium per inhabitant was 342 Euro, Croatia with 279 Euro per inhabitant, Slovenia with 941 Euro per inhabitant, and Turkey with 108 Euro per inhabitant.

On the average, 60% of the written premium in Europe is taken by the life insurance premium. During 2013, based on the fact that the written premium was 1,883 Euro per inhabitant in Europe, the life insurance premium per individual was calculated to approximately 1,247 Euro.

During 2013 in Albania, 20.9 Euro per individual were approximately spent on insurance, out of which 2.4 Euro per person for life insurance and 18.5 Euro for non-life insurance. Whereas in 2014,the insurance premium per person was 28.6 Euro, out of which 26.1 Euro for non-life insurance and 2.5 Euro for life insurance.

Density: Insurance premium per inhabitant, 2013

	Total premium per inhabitant (in Euro)	Non-life pemium per inhabitant (in Euro)	Life premium per inhabitant (in Euro)
European Union	1,883.0	842.0	1,247.0
Slovenia	941.0	681.1	259.9
Greece	342.0	190.5	151.1
Croatia	279.0	200.9	78.1
Turkey	108.0	92.9	15.1
Albania	20.9	18.5	2.4

*Source: Data available from “Insurance Europe 2013” and Financial Supervisory Authority Statistics Bulletin, December 2013

Furthermore, Albania presents the lowest penetration of premium insurance (measured in % of the Annual Written Premium against the Gross Domestic Product) in the region.

Penetration: Total Insurance Premium and Life Insurance Premium versus GDP, 2013

	Total Premium versus GDP (in %)	Life Insurance versus GDP (in %)
European Union	7.7	4.6
Slovenia	5.5	1.52
Greece	2.1	0.93
Croatia	2.8	0.78
Turkey	1.3	0.18
Albania	0.6	0.07

Regulatory activity

The Law No. 52/2014, dated 22.05.2014, “On the insurance and re-insurance activity” was approved in 2014, is the law that regulates the establishment of the activity and the audit process of the insurance, re-insurance and mediation companies, and which aims to operate in a safe, sustainable and transparent environment, to safeguard the rights and the interests of the consumer. The law serves the improvement of the legal framework in order to adapt to current developments of insurance and re-insurance market. In comparison with the previous legal framework, Law No. 52/2014 brings forward a new concept for the management positions and the criteria that individuals should meet in order to provide for appropriate leadership and management of the insurance company, taking into account criteria such as professionalism and integrity, as fundamental preconditions for performing such functions. As such, the law aims at increasing the responsibility and accountability of individuals that are entitled to manage the insurance company.

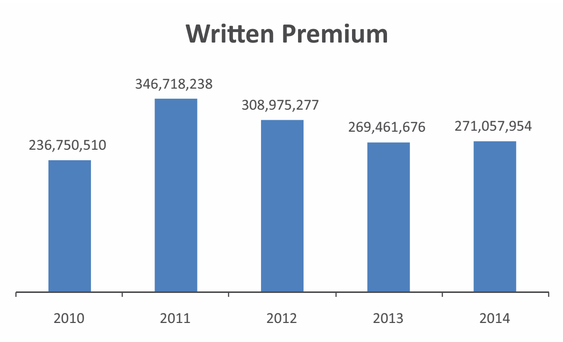
Financial Analyses

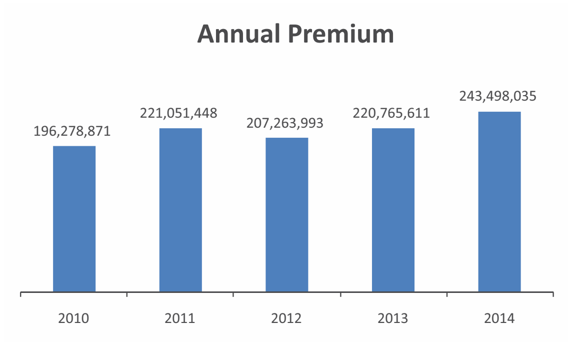
The Company has followed a mid-term strategy for strengthening its financial stability aiming to preserve the solvency and the guarantee fund as according to the regulatory request of the Supervisory Authority. In accordance with its mid-term strategy, during 2014 the Company focussed on improving and strengthening its capacities through human resources development, premises upgrade, infrastructure improvement of the information technology, etc.

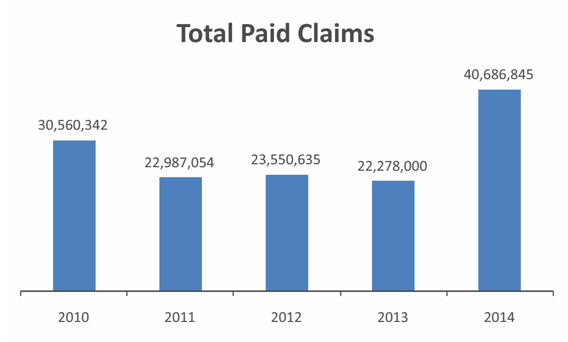
Re-insurance

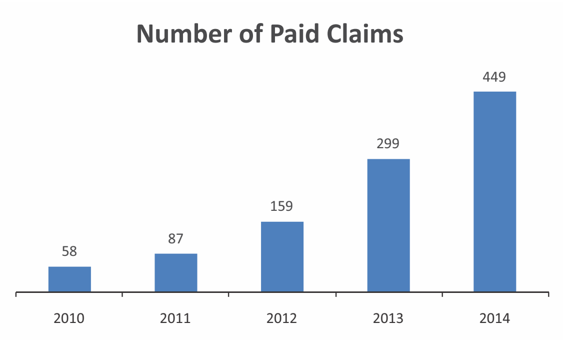
Currently, one of the main partners of SiCRED is the re-insurance Company SCOR Global Life. This re-insurance company, located in Paris, has an annual turnover of 6 billion Euro and an S&P assessment of “AA - stable outlook”. SCOR Global Life is a SiCRED partner since 2007, and provides the re-insurance coverage for the Credit Life Insurance portfolio.

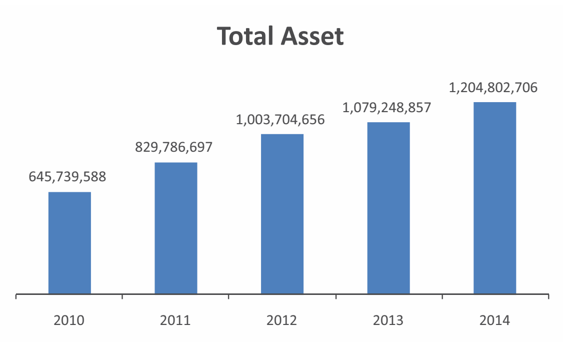
3.1 Main Financial Indicators, 2010-2014

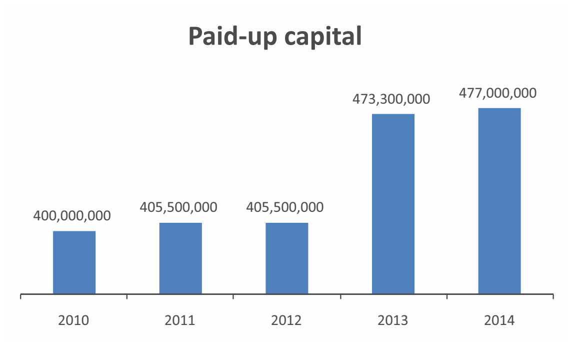


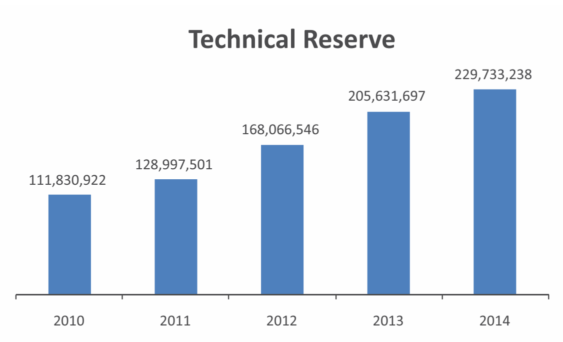


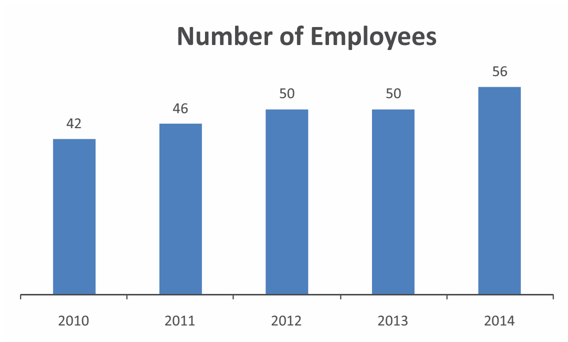












3.2 Insurance Products Portfolio for 2014

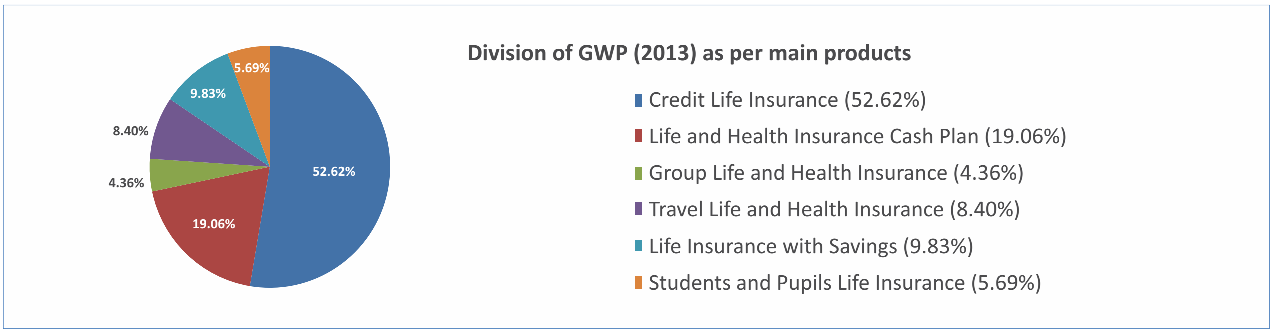
2014 was a year of progress for SiCRED sh.a.. During 2014, the gross written premium of SiCRED was approximately 271 million ALL, about 0.6% compared to 2013 and with almost 10 thousand new clients that were added to our portfolio, by increasing the number to almost 57 thousand clients. With regard to the premium that represent the income generated by the previous years, in addition to the premium generated for the newly established contracts, during 2014 they amounted to 243,498,035 ALL with an increase of 10.3% compared to 2013. The paid claims increased with about 82.89% compared to the previous year, demonstrating the maximum engagement of SiCRED sh.a. for the accomplishment of contractual engagements, by reflecting the primary element of our products, for being a real financial support to the insured.

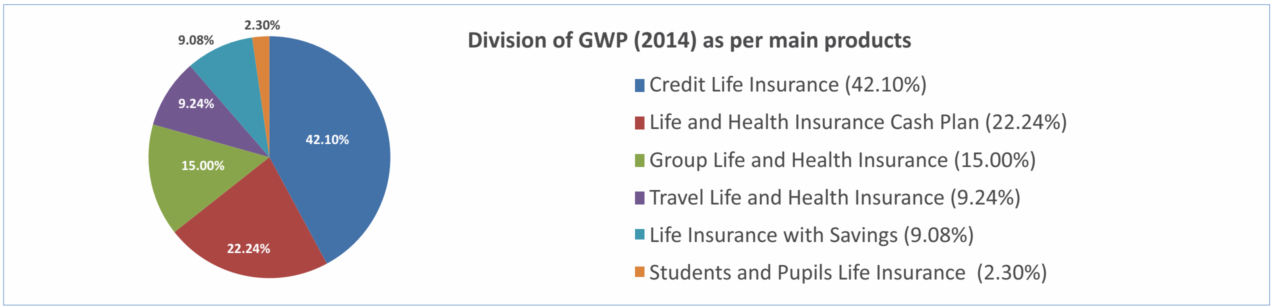
Currently, SiCRED sh.a. issues 11 products in the Albanian market that are licensed by AFSA (Albanian Financial Supervisory Authority).

Our products are as follows:

1. Credit Life Insurance
2. Life and Health Insurance (CASH PLAN)
3. Group Life and Accidents Insurance
4. Pupils and Students Life Insurance
5. Travel Life and Health Insurance
6. Students Life and Health Insurance
7. Life Insurance with Savings
8. Combined Life Insurance
9. Depositor Life Insurance
10. Visitors Life and Health Insurance
11. Sportsperson Life and Health Insurance

The achieved performance of the main produts of the company is reflected as follows:





3.3 CREDINS Bank Project– “We care, like you!”

For the third consecutive year, SiCRED in cooperation with CREDINS Bank offered insurance products to different groups of bank's clients. This cooperation, under the slogan "We care, like you!" was supported by almost 15 000 clients that during 2014 took advantage of the following insurance packages:

- Extra Profits for Depositors:

  1. Life Insurance
  2. Up to 50% discount in clinics and hospitals of SiCRED health network

- Extra Profits for VISA Card Holders (no overdraft):

  1. Life Insurance
  2. Up to 50% discount in clinics and hospitals of SiCRED health network

- Extra Profits for VISA Card Holders (with overdraft):

  1. Life Insurance for the overdraft amount
  2. Up to 50% discount in clinics and hospitals of SiCRED health network

Apart from the above-mentioned groups, the project also benefited Elite Member and VIP clients of CREDINS Bank that were provided with the following products:

1. Travel Life and Health Insurance for a one-year period
2. Up to 50% discount in clinics and hospitals of SiCRED health network

- Extra Profits for VIP clients:

  1. Life and Health Insurance CASH PLAN for a one-year period
  2. Up to 50% discount in clinics and hospitals of SiCRED health network

3.4 Cooperation with SiCRED Pensions

Based on the cooperation with Pensions Fund Management Company SiCRED sh.a., for the second consecutive year, we increased the value of “SiCRED Pensions” Voluntary Pensions Fund, by providing the fund members with a free-of-charge “Extra Profits” package that includes the following products:

1. Life Insurance for a one-year period
2. SiCRED Insurance Card
3. Up to 50% discount in clinics and hospitals of SiCRED health network

Over 250 members of SiCRED Pension Fund benefited from this offer.

3.5 Reconstruction of Main Premises

In accordance with the mid-term strategy of SiCRED group, with regard to improving the infrastructure of the main premises, in March 2014 was completed the reconstruction of the new main premises of SiCRED sh.a.. Situated in the most accessible area of Tirana and next to office headquarters of financial, bank and administrative institutions, SiCRED main premises, with an overall space of 800 m^2, provides services of highest quality, by being easily accessible by its clients, ensures preservation and safe information standards, as well as a comfortable working space to our employees.

3.6 Expansion of Health Network

Up to 50% discount on health services - over 50 hospitals and clinics of SiCRED network - in 5 countries

During 2014 we were focused on expanding further the hospital and clinic network that cooperates with SiCRED sh.a. by duplicating their number. Our company dedicates a great deal of importance to the expansion of the health network, aiming to partner with hospitals and clinics, that not only meet the required conditions and technical and legal capacities, but also have a good reputation in the market, and also provide qualitative health services and modern settings. A great number of hospitals and clinics abroad are internationally accredited by many world organizations for the quality of provided services. Currently, SiCRED health network includes more than 50 hospitals and clinics, in 5 different European countries, where all the insured individuals are entitled to have up to 50% discount on related health services.

3.7 Corporate Social Responsibility

1. We or this Era – Pop & Rock concert of Albanian music

On 21 December 2014, the songwriter Etmond Mancaku held the live Pop&Rock concert “We or this Era”. The concert that was financially supported by SiCRED Group featured many Albanian popular songs and also served as a launching event for the new album of songwriter Mancaku. Also, some of the most prominent Pop/ Rock Albanian artists of the 90ies were invited and participated in the event, including Redon Makashi, Aleksandër Gjoka, Altin Goci, Gjergj Jorgaqi and many more.

4. Human Resources Management

The advancement of human resources at SiCRED sh.a. is oriented towards strengthening the professional capacities of our employees. Our long experience in the insurance market, the adequate education background that matches the given profiles and company policies for continuous training, are some of the advantages that we proudly are in possess. In accordance with company's strategy, the training of key and management staff was carried out within a mid-term period in European specialized centres with the assistance of our partner – the re-insurance company SCOR Global Life–during its training sessions in Europe. As a result, SiCRED staff members working on the entire range of our products are rated among the most trained and specialized individuals in the Life and Non-Life Insurance market in Albania.

During 2014, a great number of company employees participated in seminars, meetings and conferences, in Albania and abroad, in order to exchange best professional practices and also to update the knowledge on different practices of insurance and financial market.

Main training subjects for 2014:

1. AIDA –Access to Finance, Tirana, February 2014
2. European Life and Health Underwriters' Association (ELHUA), Prague, April 2014

Main human resources indicators, December 2014:

- Staff Number 56
- Average Staff Age: 36.25 years old
- Female Employees 70%
- Male Employees 30%

5. Main Objectives for 2015

1. Insurance Products for Individuals–The primary objective for 2015 is to focus on Private Health and Long-term Insurance. The three-year experience of “Life and Health Insurance Cash Plan” has shown that this product is highly qualitative and attractive to the client. On the other hand, the improvement of the technical conditions of “Life Insurance with Savings”, transforms this product into an effective savings alternative to ensure long-term saving schemes for individuals in combination with life insurance elements.

2. Preservation of an annual average increase norm of 10% - The Company aims to preserve a growth norm for the annual insurance premium with an average of 10% per year, mainly supported by the increase of the contract number for “Life and Health Insurance Cash Plan” and “Life Insurance with Savings” products.

3. Integrated System–The Integrated System implementation will pave the way to the online sales registration, and will provide more support to SiCRED sh.a. staff members, resulting in an upgraded and faster client service, based on the automatization of the greatest part of business processes.

4. Reconstruction of Branches' Network - During 2015 two more branches are about to be upgraded. These investments, apart from increasing the technical capacity of the company and provide a more qualitative support to our clients, a safer and more comfortable work environment for our staff members, also aim to improve the sales network by planning a gradual increase of the staff numbers in the regions, in order to cope with the relevant work flow of every single unit.

6. SiCRED Pensions Main Developments 2015

Pension Fund Management Company SiCRED sh.a. was licensed on 23.11.2011 by the Albanian Financial Supervisory Authority ("AFSA") to exercise the activity of collecting and investing the voluntary pension fund, as well as performing pension payments. The Law no. 10197, dated 10.12.2009 "On voluntary pension funds", approved by the Parliament of the Republic of Albania as well as the supporting guidelines issued by the Albanian Financial Supervisory Authority, provide the legal basis for the activities and operations of the Company.

The Company is one of the three companies that manage voluntary pension funds in Albania and is currently managing the voluntary pension funds, addressed as "SiCRED Pensions".

Why is this Fund available?

Private Insurance as an efficient form entangled with Social Insurance was established to finance income at the pension age. The aim of the private pension funds is to ensure supplementary pension funds to enable a higher living standard to the individual, once he/she reaches the pension age. The level of oncome for the individual when he/she retires will sum up the income that he/she is entitled for being included in the obligatory Insurance Scheme, and the contribution and profits recovered for being part of Private Pension Funds.

The voluntary pension fund is a well-known branch of the international pension systems. This kind of pension was created based on the fact that the usual state pension schemes do not provide for enough income to support individuals once they reach the retirement age.

SiCRED Pensions performs a full asset management according on the investments made through a lifetime cycle. This is closely related to the mission of the company that aims to preserve the life standards even during the pension phase.

The Management Company is dedicated to establish longtime relations with its clients as per the following 3 main pillars:

1) Trust
2) Security
3) Transparency

The Company aims to:

- Encourage the Fund membership
- Increase the awareness of the society on the need of supplementary pensions
- Ensure the necessary resources to meet the obligations
- Maximize the return of the investment within the settled risk parameters
- Enable the maximum care toward the client
- Improve the service in a continuous manner.

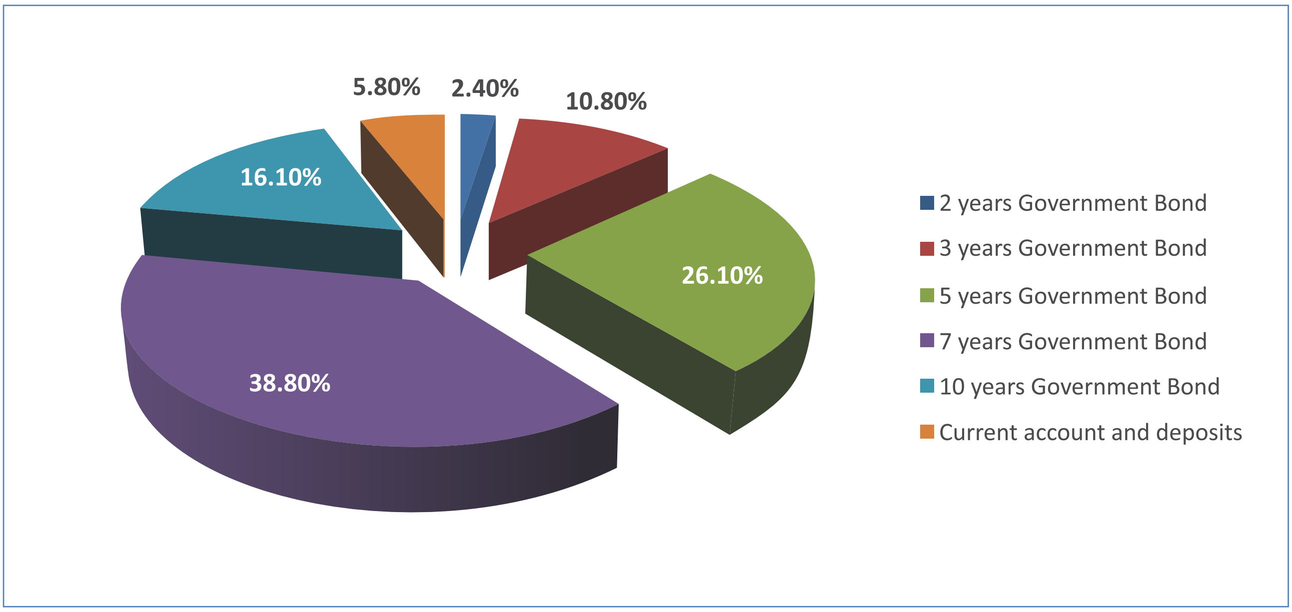
Progress made during 2014 and perspectives for 2015

The year 2014 was the second year of activity of the Company and the Fund, and as such the Company strategy was focused not only on increasing the number of clients, but also in establishing the necessary infrastructure and implementing the required electronic system to implement activities according to the law and best practices in the management of

voluntary pension funds.
On January 01st, 2014, “SiCRED Pensions” Voluntary Pension Fund had a number of 1,836 members, whereas on December 31st, 2014, the number reached 1924 members. The Net value of Fund Assets on 31.12.2013 was 58,137,870.33 ALL and on December 31st, 2014 it was 85,732,672 ALL.
The greatest part of the Fund portfolio is invested in bonds of the Albanian State.

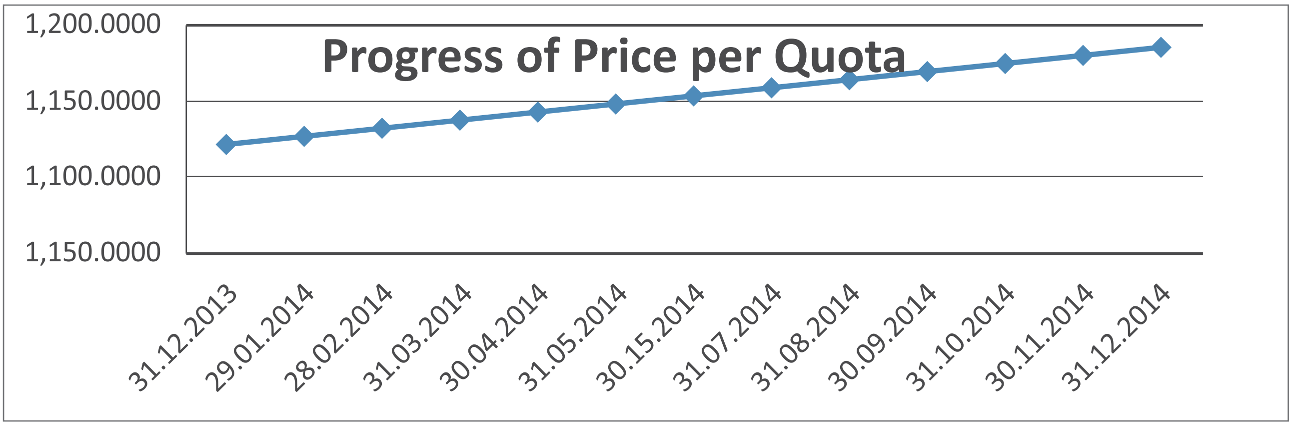
The allocation of Fund assets as of December 31st, 2014 is presented herewith-below:

Investment Portfolio



The value of assets per quota on December 31st, 2013 was 1,121.5751 ALL per quota and on December 31st, 2014 reached 1,185.6243 per quota. The average norm of the return Fund portfolio during the year 2014 was 5.7%.

The progress of price per quota until December 31, 2014 is presented herewith-below:



During 2015 the Company will continue its work to raise the awareness of the Albanian public on the necessity of investment in the voluntary pension funds aiming to increase the number of the members of “SiCRED Pensions” Fund and especially on increasing the professional schemes. Also, the Company will focus on diversifying the products in order to meet the clients' expectations.

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7. Independent Auditor's Report and Consolidated Financial Reports

SiCRED
Shoqëri Sigurimi Jete

Consolidated Financial Statements for the year ended 31 December 2014

(With the Independent Auditor's report thereon)

EY

Building a better working world

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INDEPENDENT AUDITOR'S OPINION

To the Shareholder of SiCRED sh.a.

We have audited the accompanying consolidated financial statements of SiCRED sh.a. (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the separate Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2014, and of its consolidated financial performance, consolidated statement of changes in equity and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Other matters

The consolidated financial statements of the Group for the year ended December 31, 2013 were audited by another auditor, who issued an unmodified opinion on June 20, 2014.

Ernst & Young Certified Auditors Ltd,
Skopje-Tirana Branch

Ernst + Young Certified Auditors Shpk

June 18, 2015
Tiranë, Albania

Mario Vangjel
Certified Auditor

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of 31 December 2014

	Notes	31 December 2014 in LEK	31 December 2013 in LEK
ASSETS			
Cash on hand and at banks	9	20,763,002	8,461,235
Term deposits	10	627,060,147	583,335,464
Goodwill		8,727,180	8,727,180
Reinsurance assets	11	9,650,999	11,411,280
Tangible assets, net	12	58,713,380	40,473,223
Intangible assets, net	13	4,632,738	-
Insurance and reinsurance receivable	14	417,450,988	378,834,777
Deferred policy acquisition cost		14,476,997	7,944,104
Income tax receivable		197,000	5,005,116
Due from related parties	15	2,188,467	5,492,402
Other assets	16	9,857,368	14,848,343
Receivables form Fund		212,770	144,094
TOTAL ASSETS		**1,173,931,036**	**1,064,677,218**
LIABILITIES			
Liabilities for losses and loss adjustment expense	17	12,545,543	11,175,873
Unearned premium reserve	18	118,860,012	112,177,772
Other reserves	19	98,327,718	82,278,052
Insurance and reinsurance payable	14	1,648,779	693,106
Deferred income for future periods	14	345,047,822	317,439,691
Income tax payable		40,986	-
Overdraft and leases	20	3,048,746	13,908,502
Other liabilities	21	98,797,475	22,990,574
TOTAL LIABILITIES		**678,317,081**	**560,663,570**
EQUITY			
Paid-up capital	22	477,000,000	473,300,000
Subscribed, not registered capital	22	4,000,000	3,700,000
Legal reserves	22	1,916,149	1,916,149
Security reserves	22	32,546,443	32,171,203
Retained losses (Op Bal)		(18,666,877)	(7,382,188)
Current year loss		(3,825,987)	(3,836,970)
Equity attributable to owners of the Company		**492,969,728**	**499,868,194**
Non-controlling interest	8	2,644,227	4,145,454
TOTAL EQUITY		**495,613,955**	**504,013,648**
TOTAL LIABILITIES AND EQUITY		**1,173,931,036**	**1,064,677,218**

These consolidated financial statements have been approved by the management of SiCRED sh.a. on 18 June 2015 and signed on its behalf by:

Genc Koxhaj
General Director

SHOQËRIA E SIGURIMIT TË JETËS SiCRED DREJTORIA E PËRGJITHSHME TIRANË

Teuta Locaj
Head of Finance and accounting department

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2014

	Notes	Year ended 31 December 2014 in LEK	Year ended 31 December 2013 in LEK
Gross written premiums	23	243,498,035	220,765,611
Reinsurer's share of gross written premiums	24	(12,102,506)	(14,857,305)
Net written premiums		**231,395,529**	**205,908,306**
Net change in reserve for unearned premiums	18	(6,682,240)	(14,969,876)
Net change in other reserves	19	(16,049,666)	(16,900,936)
Net change in reserve for reinsures	12	(1,760,281)	(2,913,763)
Net change in deferred income		6,532,892	4,411,178
Net insurance premium income		**213,436,234**	**175,534,909**
Finance income	25	19,317,881	30,883,176
Finance expense	25	(455,624)	(1,621,582)
Foreign exchange (loss)/gain	25	5,408,452	(1,180,568)
Revenues from management fee		2,149,962	1,364,420
Other operating income		10,798,642	11,569,924
Total income		**250,655,547**	**216,550,279**
Losses and loss adjustment expense	17	(42,056,515)	(27,974,118)
Acquisition costs	26	(72,590,382)	(60,375,988)
Administrative expenses	27	(128,241,968)	(124,298,340)
Depreciation	12,13	(11,010,450)	(8,298,525)
Total expenses		**(253,899,315)**	**(220,946,971)**
Loss before tax		**(3,243,768)**	**(4,396,692)**
Income tax expense	28	(1,851,993)	(945,820)
Loss for the year		**(5,095,761)**	**(5,342,512)**
Other comprehensive income		-	-
Total comprehensive losses for the year		**(5,095,761)**	**(5,342,512)**
Loss for the year attributed to:			
Owners of the Company		(3,825,987)	(3,836,970)
Non-controlling interests		(1,269,774)	(1,505,542)
Total losses for the year		**(5,095,761)**	**(5,342,512)**
Total comprehensive losses attributed to:			
Owners of the Company		(3,825,987)	(3,836,970)
Non-controlling interests		(1,269,774)	(1,505,542)
Total comprehensive losses for the year		**(5,095,761)**	**(5,342,512)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	Share capital in LEK	Subscribed, not registered capital in LEK	Legal reserve in LEK	Other capital reserves in LEK	Retained earnings in LEK	Total in LEK	Non controlling interest in LEK	Total Equity in LEK
Balance at 31 December 2012	**405,500,000**	**67,800,000**	**1,916,149**	**31,363,539**	**(3,980,673)**	**502,599,015**	**6,408,644**	**509,007,659**
Current year loss	-	-	-	-	(3,836,970)	(3,836,970)	(1,505,542)	(5,342,512)
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-
Total comprehensive losses for the period	**-**	**-**	**-**	**-**	**(3,836,970)**	**(3,836,970)**	**(1,505,542)**	**(5,342,512)**
Transactions with owners of the Group, recognized directly in equity								
Registration of capital	67,800,000	(67,800,000)	-	-	-	-	-	-
Appropriation of retained earnings	-	3,700,000	-	807,664	(4,507,664)	-	-	-
Change in ownership interest								
Acquisition of non-controlling interest without a change in control	-	-	-	-	1,106,149	1,106,149	(757,648)	348,501
Total transactions with owners of the Group	**67,800,000**	**(64,100,000)**	**-**	**807,664**	**(3,401,515)**	**1,106,149**	**(757,648)**	**348,501**
Balance at 31 December 2013	**473,300,000**	**3,700,000**	**1,916,149**	**32,171,203**	**(11,219,158)**	**499,868,194**	**4,145,454**	**504,013,648**
Current year loss	-	-	-	-	(3,825,987)	(3,825,987)	(1,269,774)	(5,095,761)
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-
Total comprehensive losses for the period	**-**	**-**	**-**	**-**	**(3,825,987)**	**(3,825,987)**	**(1,269,774)**	**(5,095,761)**
Transactions with owners of the Group, recognized directly in equity								
Registration of capital	3,700,000	(3,700,000)	-	-	-	-	-	-
Appropriation of retained earnings	-	4,000,000	-	375,240	(4,375,240)	-	-	-
Change in ownership interest								
Acquisition of non-controlling interest without a change in control	-	-	-	-	(3,072,479)	(3,072,479)	(231,453)	(3,303,932)
Total transactions with owners of the Group	**3,700,000**	**300,000**	**-**	**375,240**	**(7,447,719)**	**(3,072,479)**	**(231,453)**	**(3,303,932)**
Balance at 31 December 2014	**477,000,000**	**4,000,000**	**1,916,149**	**32,546,443**	**(22,492,864)**	**492,969,728**	**2,644,227**	**495,613,955**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	Notes	Year ended 31 December 2014 in LEK	Year ended 31 December 2013 in LEK
Cash flows from operating activities			
Profit before income tax expense		(3,243,767)	(4,396,693)
Adjustments for non-monetary items:			
Depreciation	12,13	11,010,450	8,298,525
Loss on disposal of tangible assets	12,13	339,054	452,388
Change in reserve for unearned premiums	18	6,682,240	14,969,876
Change in reserve for reinsures	11	1,760,281	2,913,763
Change in other reserves	19	16,049,666	16,900,936
Change in losses and loss adjustment expense	17	1,369,670	5,694,339
Interest Expense	25	455,624	1,621,582
Investment income	25	(19,317,881)	(30,883,176)
Changes in operating assets and liabilities:			
Increase in deferred acquisition costs		(6,532,893)	(4,411,178)
Deferred income for future periods	14	27,608,131	49,350,847
Increase in insurance and reinsurance receivable	14	(38,616,211)	(26,855,454)
Change in other assets	16	4,990,975	(8,397,088)
Change in receivable from Fund		(68,676)	(64,580)
Change in restricted cash	9	(1,274,400)	394,109
Change in insurance and reinsurance payable	14	955,673	(4,586,332)
Change in other liabilities	21	75,847,888	187,567
Change in income tax receivable		3,149,567	6,312,497
Change in due from related parties		3,303,935	(348,501)
Interest received		27,349,110	31,515,981
Interest Paid		(455,624)	(1,621,582)
Income tax paid		(193,444)	(71,000)
Cash flow generated from operating activities		**111,169,368**	**56,976,826**
Cash flows from investing activities			
Purchases of tangible assets	12	(28,663,113)	(13,937,216)
Purchases of intangible assets	13	(5,559,286)	-
(Increase) in term deposits	10	(51,755,913)	(49,942,193)
Change in securities		-	14,977,906
Cash flows used in investing activities		**(85,978,312)**	**(48,901,503)**
Cash flows from financing activities			
Payment of Overdraft	20	(10,859,756)	(12,506,983)
Proceeds from non-controlling interest on post-acquisition capital increase		(3,303,933)	348,501
Cash flows used in financing activities		**(14,163,689)**	**(12,158,482)**
Net increase (decrease) in cash and cash equivalents		**11,027,367**	**(4,083,159)**
Cash and cash equivalents at beginning of the year		**8,461,235**	**12,544,394**
Cash and cash equivalents at end of the year		**19,488,602**	**8,461,235**

The accompanying notes on pages 25 to 49 are an integral part of these consolidated financial statements.

1. GENERAL

SiCRED sh.a. (the “Company”) was established on 7 October 2003 as a life insurance company based in Albania. The company is licensed by the Insurance Supervisory Authority and started the insurance underwriting operation on 1 October 2004. The Company has branches in Tirana, Durrës, Shkodër, Fier, Vlora, Gjirokastër, Elbasan, and Korçë. The insurance market in Albania was regulated by the Law “On the Activity of Insurance, Reinsurance and Intermediary in Insurance and Reinsurance” no. 9267 dated 29 July 2004 in the Republic of Albania (hereinafter the “Insurance Law”) and its regulatory entity is the Financial Supervisory Authority (hereinafter the “Authority”). On 22 May 2014 the new Law no. 52/2014 “On insurance and reinsurance activities” was ratified.

As at 1 February 2011, the Company acquired 75% of the shares of Sigma IPP (registered with the National Registration Center on May 24, 2011), which was subsequently changed to “Shoqëria Administruese e Fondit të Pensionit SiCRED sh.a.” (“SiCRED Pension”). The Subsidiary acts as a Management Company for a Defined Contribution Fund for voluntary pension funds and collects and invests voluntary pension funds and processes pension payments. “Fondi i Pensionit Vullnetar SiCRED Pensions” (“the Pension Fund”) which while not having a legal form received its license on 21 December 2011. During 2013 a new structure of share capital was approved for “Shoqëria Administruese e Fondit të Pensionit SiCRED sh.a. “, in which share capital of SiCRED sh.a. was increased from 75% to 87.25% on 31 December 2013. During 2014 a new structure of share capital was approved for “Shoqëria Administruese e Fondit të Pensionit SiCRED sh.a.”, in which share capital of SiCRED sh.a. was increased from 87.25% to 91.63% on 31 December 2014. Based on Decision no. 21, dated 19.09.2014 the Shareholder's Assembly decided to sell 76% of its the shares owned at “Shoqëria Administruese e Fondit të Pensionit SiCRED sh.a.” to “Banka Credins sh.a.,” which was later on approved with decision no. 26, dated April 28, 2015, of the Board of the Financial Supervisory Authority.

On 29 June 2012 in the General Meeting of Shareholders Assembly, SiCRED Assistance sh.p.k. was established which is fully owned by the Company. The objective of SiCRED Assistance is to provide assistance and consultancy to companies and employees in accordance with the requirements of relevant legislation and technical regulations.

The consolidated financial statement comprises the Company and its Subsidiaries (together referred to as the “Group”). At 31 December 2014, the Group employed a total of 65 staff and senior management (2013: 61).

2. BASIS OF PREPARATION

a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

b) Basis of measurement

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

c) Functional and presentation currency

These consolidated financial statements are presented in Lek, which is the Group's functional currency. Except as indicated, financial information is presented in Lek.

d) Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 17, 18 and 19

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Consolidation

(I) Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(II) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(III) Transaction eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

c) Classification of insurance and investment contracts

Contracts under which the Group accepts significant insurance risk from another party (the policy holder) by agreeing to compensate the policy holder against a specified uncertain future event (the insured event) which adversely affects the policyholder are classified as insurance contracts. Insurance risk is the risk other than the financial risk. Financial risk is the risk of a possible future change in one or more of 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 non-financial variable that the variable is not specific to party to the contract. Insurance contracts may also transfer some financial risk.

d) Recognition and measurement of contracts

Premiums

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 based on premiums. The earned portion of premiums received is recognized as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognized as an expense in accordance with the pattern of reinsurance service received. If an insurance policy is cancelled the premium remaining to be paid is reversed in premium income.

The movement of insurance liabilities is recognized as income net of reinsurers' share, if any. Investment income is presented gross. The interest on time deposits and investment securities is accrued based on effective interest method.

Unearned premium reserve

Unearned premiums are calculated in respect of the renewable single premium payment business. They represent that portion of the gross written premiums which relates to insurance coverage under policies issued by the Group, which extend to future periods beyond the reporting date.

Deferred acquisition costs

Deferred acquisition costs are the amount of acquisition costs that are deducted in calculating unearned premium reserve. They are defined as part of the acquisition costs set as a percentage in the insurance technical plan and relating to periods between the end of the reporting period and the expiry date of the insurance contract. Current acquisition costs are recognized in full as an expense in current period.

Claims

Claimed incurred on life insurance

Claims incurred comprise all payments made throughout the financial year, together with the change in the provision for outstanding claims during the year. Gross claims paid include all the expenses made for settling those claims which are calculated by using triangles method.

Provisions for outstanding claims

Provisions for outstanding claims are the sum of all the claims incurred during the current and previous financial periods, which are not paid as of the end of the fiscal year. The provision includes incurred but not reported claims, calculated as a percentage over reported but not settled claims based on market and group prior period claim history.

Long term business (Other reserve)

Long term business reserve relates to Life with Savings product and is measured as the full amount of the fund accumulated as at the reporting date.

Reinsurance

The Group ceded reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders. Premiums ceded and benefits reimbursed are presented in the statement of comprehensive income and statement of financial position on a gross basis. Contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim. Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy.

Amounts recoverable under reinsurance contracts are assessed for impairment at each date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Liability Adequacy Test

At each reporting date the Group performs tests to ensure the adequacy of claim reserves. The primary tests performed are Claim Ratio Analysis and Run-off analysis of claim reserves. The claim ratio analysis is performed annually on the major lines of business individually. The calculation is performed on claims alone as well as claims including acquisition costs and any other external claim handling costs. In performing this analysis the Group takes into account current estimates of cash outflows. The Group does not discount these estimated cash flows because most claims are expected to be settled within one year.

In addition, the Group performs annually a run-off analysis of claim reserves to assess its reserving methodology. The run-off analysis is performed on RBNS and IBNR separately as well as on combined basis. In case the analysis shows major discrepancies, 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.

e) Investment Income

Investment income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.
The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. Investment income presented in profit or loss includes interest on financial assets invested from the Group.

f) Financial Instruments

(I) Recognition

The Group initially recognises loans and advances and deposits on the date that they originate. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(II) Classification

See accounting policies 3(g) and (h).

(III) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(IV) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to 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 Group's trading activity.

(V) Amortized cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(VI) Fair Value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

(VII) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably. The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

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

g) Cash and cash equivalent

Cash and cash equivalents comprise cash balances on hand, cash deposited with banks and short-term highly liquid investments with maturities of three months or less when purchased.

h) Term Deposits

Term deposits are stated in the statement of financial position at the amount of principal outstanding and are classified as those with maturities more than three months. Interest is calculated using effective interest method and interest receivable is included in term deposits with banks.

I) Investment securities

Investment securities are debt investments that the Group has the intent and ability to hold to maturity and are classified as held-to-maturity assets. Investments, which have fixed or determinable payments and which are intended to be held-to-maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Premiums and discounts on investments designated as held-to-maturity are amortized on a systematic basis to maturity using the effective interest method and recorded in interest income.

j) Equipment

(I) Recognition and measurement

Items of equipment (or “tangible assets”) 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 property or 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 Group and its cost can be measured reliably. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

(III) Depreciation

Depreciation is recognised in profit or loss on a declining balance method over the estimated useful life of the assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Fine art is not depreciated. The estimated depreciation rates are as follows:

Property (Kiosk)	5%
Office equipment	20%
Computers	25%
Fixture and fittings	20%
Vehicles	20%
Computer installation	25%
Leasehold improvements	As per lease contract terms

k) Impairment of non-financial assets

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

l) Receivables

Insurance receivable are initially recognised at fair value and subsequently measured at their amortised cost less impairment losses. Insurance receivables are assessed for impairment on each reporting date.

m) Share capital

Share capital is stated at par value.

n) Revenue

The accounting policy for recognizing revenue of insurance operations is presented in note 3.d.

o) Expenses

Operating lease payments

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

p) Policy acquisition costs

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

q) Employee benefits

(I) Compulsory social security

The Group makes compulsory social security contributions that provide pension benefits for employees upon retirement. The respective social insurance authorities are responsible for providing the legally set minimum threshold for pension under a defined contribution pension plan. The Group's contribution to the benefit pension plan is charged to profit and loss as incurred.

(II) Paid annual leave

The Group recognizes as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

r) Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.
Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
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 profit and loss on a straight-line basis over the period of the lease.

s) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years in accordance with the Albanian tax legislation. Taxable income is calculated by adjusting the statutory profit before taxes for certain income and expenditure items as required under Albanian law.

Deferred tax is recognised 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 is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

t) New standards and interpretation not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning after 1 January 2014, and have not been early applied earlier in preparing these consolidated financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2018 financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

The published standards and interpretations effective for periods starting after January 1, 2014 are described below, and for which the Group decided not to adopt them early. Those standards and interpretations that are not applicable to the Group have not been presented.

- IFRS 9 Financial Instruments – Classification and measurement

The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management is assessing the effect of this standard in its financial statements and whether it will be early adopted.

- IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management is assessing the effect of this standard in its financial statements, although it is not expected to have any effect.

- IAS 27 Separate Financial Statements (amended)

The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. The Company does not have investments in other entities, therefore this amendment is not expected to have any effect in the financial statements.

4. INSURANCE RISK MANAGEMENT

a) Risk management objectives and policies for mitigating insurance risk

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

Reinsurance is purchased to mitigate the effect of potential loss to the Group from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are 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 Group is exposed. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and 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.

b) Underwriting strategy

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

c) Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contract are set out below.

Nature of risk covered

Substantially, all products underwritten by the Group cover mortality risk as well as additional risk such as temporary and/or permanent disability, medical expenses cover, repatriating and hospitalization expenses. Products other than Credit life and Life with Savings have similar characteristics of short tail products and are renewable every year with an option to change the premium by the Group.

Life with savings policies incorporate both saving and risk element. The benefit in case of death is equal to the sum of the savings part of the reserve and the sum assured which is in the range of EUR 5,000 - 10,000. The benefit in case of maturity is equal to the savings part of the reserve. Premium is split into two parts, the risk part set at the beginning of the contract, and the savings part.

Health and other insurance policies represent term policies with no savings element and no surrender value. The benefit under permanent health insurance policies is payable upon death of the insured, or upon permanent or temporary disability within a specified period.

d) Reinsurance and concentration risk

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The Group has ceded insurance risk to limit exposure to underwriting losses and to minimize the effect of losses from credit life insurance, by way of major reinsurance treaty. The following table reports the year-end aggregated insured benefits for the credit life insurance contracts by age category as at 31 December 2014 and 31 December 2013. The analysis of such contractual exposures is considered the best indicator of the insurance risk concentration.

Age for Credit Life Insurance	31 December 2014		31 December 2013	
	in LEK	in %	in LEK	in %
Up to 29	2,870,723,774	13%	3,273,795,709	13%
30 – 39	4,899,446,141	22%	5,971,896,798	23%
40 – 49	8,967,296,961	40%	10,342,166,511	40%
50 – 59	5,318,477,578	24%	5,844,947,722	23%
Mbi 60	367,472,184	2%	393,651,364	2%
Total	**22,423,416,638**	**100%**	**25,826,458,104**	**100%**

e) Exposure relating to catastrophic events

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

5. FINANCIAL RISK MANAGEMENT

Transactions with financial instruments result in the Group assuming financial risks. These include market risk, credit risk (including reinsurance credit risk) and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the Group manages these risks.

a) Market risk

Market risk includes three types of risk:

Currency risk - the risk that the value of a financial instrument will fluctuate because of change in foreign exchange rates.

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

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

The foreign exchange rates used as of 31 December 2014 and 31 December 2013 are the official rates of Bank of Albania (LEK to the foreign currency unit) as set out below:

	31 December 2014	31 December 2013
USD	115.23	101.86
EUR	140.14	140.20

Asset/liability matching

The Group actively manages its assets using an approach that balances quality, diversification, asset/liability matching, liquidity and investment return. The goal of the investment process is to optimize the after-tax, risk-adjusted investment income and risk-adjusted total return, whilst ensuring that the assets and liabilities are managed on a cash-flow and duration basis.

The nature of the insurance risk underwritten, their maturity and the structure of the denomination of the insurance liabilities currencies are required to settle impacts on the Group's investment Strategy. Also the Group should meet the limits established from the regulator requiring that the financial assets invested with non-financial institutions should not exceed a limit of 10% of the share capital.

The Group establishes target asset portfolios for each major insurance product, which represents the investment strategies used to profitably fund its liabilities within acceptable levels of risk. These strategies include objectives for effective duration, yield curve, sensitivity, liquidity, asset sector concentration and credit quality. The estimates used in determining the approximate amounts and timing of payments to or on behalf of policyholders for insurance liabilities are regularly re-evaluated.

Many of these estimates are inherently subjective and could affect the Group's ability to achieve its asset/liability management goals and objectives. The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Group has minimal exposure to currency risk as the Group's financial assets are primarily matched to the same currencies as its insurance and investment contract liabilities. As a result, foreign exchange risk arises from other recognized assets and liabilities denominated in other currencies.

b) Foreign currency risk management

Assets and liabilities in foreign currencies as of 31 December 2014 (amounts translated to Lek) are composed of the following:

31 December 2014	in LEK	in EUR	in USD	Total
Assets				
Cash on hand and at banks	14,139,489	6,540,283	83,230	20,763,002
Term deposits and related interest	409,766,978	168,481,513	48,811,656	627,060,147
Reinsurance assets	2,296,605	7,266,819	87,575	9,650,999
Insurance and reinsurance receivable	213,738,812	202,372,333	1,339,843	417,450,988
Deferred acquisition cost	14,476,997	-	-	14,476,997
Due from related parties	2,188,467	-	-	2,188,467
Other assets	6,834,493	3,022,689	186	9,857,368
Receivables from Fund	212,770	-	-	212,770
Total Assets	**663,654,611**	**387,683,637**	**50,322,490**	**1,101,660,738**
Liabilities and Equity				
Liabilities for losses and loss adjustment expense	7,589,492	4,956,051	-	12,545,543
Unearned premium	67,913,608	50,505,188	441,216	118,860,012
Other reserves	-	98,327,718	-	98,327,718
Deferred income for future periods	156,887,636	186,924,297	1,235,889	345,047,822
Insurance and reinsurance payable	45,637	1,601,183	1,959	1,648,779
Due to financial institutions	-	3,048,746	-	3,048,746
Other liabilities	79,114,836	19,538,458	461	98,653,755
Total Liabilities	**311,551,209**	**364,901,641**	**1,679,525**	**678,132,375**
Net Position	**351,959,682**	**22,781,996**	**48,642,965**	**423,384,643**

Assets and liabilities in foreign currencies as of 31 December 2013 (amounts translated to Lek) are composed of the following:

31 December 2013	in LEK	in EUR	in USD	Total
Assets				
Cash on hand and at banks	5,531,091	2,887,121	43,023	8,461,235
Term deposits and related interest	386,469,936	153,427,904	43,437,624	583,335,464
Reinsurance assets	2,488,167	8,717,356	205,757	11,411,280
Insurance and reinsurance receivable	171,869,376	205,759,337	1,206,064	378,834,777
Deferred acquisition cost	7,944,104	-	-	7,944,104
Due from related parties	5,492,402	-	-	5,492,402
Other assets	13,242,906	1,605,437	-	14,848,343
Receivables from Fund	144,094	-	-	144,094
Total Assets	**593,182,076**	**372,397,155**	**44,892,468**	**1,010,471,699**
Liabilities and Equity				
Liabilities for losses and loss adjustment expense	8,054,920	3,120,953	-	11,175,873
Unearned premium	52,035,001	59,488,116	654,655	112,177,772
Other reserves	-	82,278,052	-	82,278,052
Deferred income for future periods	126,582,593	189,673,230	1,183,868	317,439,691
Insurance and reinsurance payable	44,880	646,494	1,732	693,106
Due to financial institutions	-	13,908,502	-	13,908,502
Other liabilities	12,381,313	10,608,038	1,223	22,990,574
Total Liabilities	**199,098,707**	**359,723,385**	**1,841,478**	**560,663,570**
Net Position	**394,083,369**	**12,673,770**	**43,050,990**	**449,808,129**

c) Interest rate repricing analysis

The following tables present the Group's financial assets and liabilities analyzed according to reprising periods determined as the earlier of remaining contractual maturity and contractual reprising. The tables are management's estimate of the interest rate risk for the Group as at 31 December 2014 and 31 December 2013 and are not necessarily indicative of the positions at other times but also provide some indication of the sensitivities of the Group's earnings to movements in interest rates. Earnings will also be affected by the currency of the assets and liabilities and equity. The Group has a significant proportion of interest-earning assets in foreign currency.

31 December 2014	Effective interest rate	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Amounts subject to fixed rates	Non-interest bearing	Total
Financial assets									
Cash and cash equivalents		-	-	-	-	-	-	20,763,002	20,763,002
Term deposits	3.09%	338,936,128	288,124,019	-	-	-	-	-	627,060,147
Total financial assets		**338,936,128**	**288,124,019**	**-**	**-**	**-**	**-**	**20,763,002**	**647,823,149**
Financial liabilities									
Due to financial institutions	6.80%	1,919,921	1,128,825	-	-	-	-	-	3,048,746
Total financial liabilities		**1,919,921**	**1,128,825**	**-**	**-**	**-**	**-**	**-**	**3,048,746**

31 December 2014	Effective interest rate	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Amounts subject to fixed rates	Non-interest bearing	Total
Financial assets									
Cash and cash equivalents		-	-	-	-	-	-	8,461,235	8,461,235
Term deposits	3.13%	334,675,686	248,659,778	-	-	-	-	-	583,335,464
Total financial assets		**334,675,686**	**248,659,778**	**-**	**-**	**-**	**-**	**8,461,235**	**591,796,699**
Financial liabilities									
Due to financial institutions	6.80%	7,282,428	6,626,074	-	-	-	-	-	13,908,502
Total financial liabilities		**7,282,428**	**6,626,074**	**-**	**-**	**-**	**-**	**-**	**13,908,502**

d) Credit risk

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

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

Insurance and reinsurance receivable as of 31 December 2014 and 31 December 2013 by maturity are as follows:

	31 December 2014		31 December 2013	
	in LEK	in %	in LEK	in %
less than 1 month	34,211,556	8%	18,351,580	5%
1 to 3 months	10,690,534	3%	5,884,942	2%
3 months to 1 year	58,040,421	14%	57,902,420	15%
more than 1 year	314,508,477	75%	296,695,835	78%
Total	**417,450,988**	**100%**	**378,834,777**	**100%**

e) Liquidity risk

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

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

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

Exposure to liquidity risk as of 31 December 2014 (amounts discounted) is presented as follows:

31 December 2014	Less than 1 month	1-3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Monetary assets						
Cash on hand and at banks	20,763,002	-	-	-	-	20,763,002
Term deposits	180,572,511	16,006,017	430,481,619	-	-	627,060,147
Insurance and reinsurance receivable	34,211,555	10,690,534	58,040,421	123,288,942	191,219,536	417,450,988
Reinsurance assets	9,650,999	-	-	-	-	9,650,999
Due from related parties	-	2,188,467	-	-	-	2,188,467
Other assets	5,112,396	4,724,972	-	-	20,000	9,857,368
Receivables from Fund	212,770	-	-	-	-	212,770
Total assets	**250,523,233**	**33,609,990**	**488,522,040**	**123,288,942**	**191,239,536**	**1,087,183,741**
Monetary liabilities						
Liabilities for losses and loss adjustment expense	-	886,776	11,658,767	-	-	12,545,543
Unearned premium reserve	316,083	3,134,453	74,619,579	15,709,327	25,080,570	118,860,012
Other reserves	-	-	799,498	97,528,220	-	98,327,718
Deferred income for future periods	2,802,022	5,604,039	25,218,175	123,288,942	188,134,644	345,047,822
Insurance and reinsurance payable	1,648,779	-	-	-	-	1,648,779
Due to financial institutions	326,806	653,613	2,068,327	-	-	3,048,746
Other liabilities	98,149,251	504,504	-	-	-	98,653,755
Total liabilities	**103,242,941**	**10,783,385**	**114,364,346**	**236,526,489**	**213,215,214**	**678,132,375**
Net Maturity GAP	**147,136,572**	**22,826,605**	**374,157,694**	**(113,237,547)**	**(21,975,678)**	**408,907,646**
Accumulated effect	**147,136,572**	**169,963,177**	**544,120,871**	**430,883,324**	**408,907,646**	**-**

Exposure to liquidity risk as of 31 December 2013 (amounts discounted) is presented as follows:

31 December 2013	Less than 1 month	1-3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Monetary assets						
Cash on hand and at banks	8,461,235	-	-	-	-	8,461,235
Term deposits	199,276,485	15,000,000	369,058,979	-	-	583,335,464
Insurance and reinsurance receivable	18,351,580	5,884,942	57,902,420	109,928,332	186,767,503	378,834,777
Reinsurance assets	11,411, 280	-	-	-	-	11,411,280
Due from related parties	5,492,402	-	-	-	-	5,492,402
Other assets	11,210,287	1,356,365	2,281,691	-	-	14,848,343
Receivables from Fund	144,094	-	-	-	-	144,094
Total assets	**254,347,363**	**22,241,307**	**429,243,090**	**109,928,332**	**186,767,503**	**1,002,527,595**
Monetary liabilities						
Liabilities for losses and loss adjustment expense	-	892,653	10,283,220	-	-	11,175,873
Unearned premium reserve	416,523	383,672	14,089,643	52,403,630	44,884,304	112,177,772
Other reserves	-	-	-	82,278,052	-	82,278,052
Deferred income for future periods	2,460,883	4,921,766	22,147,947	109,928,332	177,980,763	317,439,691
Insurance and reinsurance payable	693,106	-	-	-	-	693,106
Due to financial institutions	-	-	7,282,428	6,626,074	-	13,908,502
Other liabilities	22,485,854	504,720	-	-	-	22,990,574
Total liabilities	**26,056,366**	**6,702,811**	**53,803,238**	**251,236,088**	**222,865,067**	**560,663,570**
Net Maturity GAP	**228,290,997**	**15,538,496**	**375,439,852**	**(141,307,756)**	**(36,097,564)**	**441,864,025**
Accumulated effect	**228,290,997**	**243,829,493**	**619,269,345**	**477,961,589**	**441,864,025**	**-**

f) Technical interest

The technical interest rate for 2014 by currency was ALL 2.32%, EUR 0.45%, and USD 0.74% depending on the average bank deposit rates. The technical interest rate is the minimum guaranteed return for every life insurance contract. There is a risk that income from investments will not cover the minimum guaranteed return. In 2014 the generated net income on investments (including mathematical reserves) covers the minimum guaranteed income, granting additional profit above the technical interest.

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

g) Reserves and actuarial assumptions adequacy test

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

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

“Mortality” is the risk covered by all insurance products, underwritten by the Group. “Mortality” risk occurrence data for the years 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Number of people susceptible to the risk of death	56.649 people	47.289 people
Range of age of people susceptible to the risk of death	18-70 years	18-70 years
Number of payments following deaths of insured annually	42 cases	33 cases
Estimated range of number of deaths in 1,000 people	0.31 up to 33.06	0.35 up to 33.06
Number of deaths in 1,000 people	0.74	0.69

Therefore, the actual “Mortality” risk occurrence shown on this table is within the expectation.

h) Reinsurance risk

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

When selecting a reinsurer the Group considers their relative security. The security of the reinsurer is assessed from public rating information and from internal investigations. The current reinsurer has a Standard and Poor's rating of A+/Positive.

I Sensitivity Analysis

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

	Profit/(Loss)	Net Equity	Required Guarantee Fund
31 December 2014			
Current	(5,095,760)	495,613,956	375,698,728
Increase in claims incurred	(3,732,581)	491,881,375	370,000,000
Increase in expenses (+10%)	(11,571,498)	480,309,877	370,000,000
31 December 2013			
Current	(5,342,513)	504,013,647	370,778,787
Increase in claims incurred	(2,983,072)	501,030,575	370,000,000
Increase in expenses (+10%)	(12,429,834)	488,600,741	370,000,000

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

j) Capital management

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

- paid share capital;
- insurance reserve, which does not belong directly to the effective insurance contracts or those which have been effective;
- statutory reserves;
- retained earnings/(deficit);

The basic capital does not include the following:

- unpaid share capital;
- intangible assets;

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

The additional capital includes the following:

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

The Group can invest its share capital in property and financial assets. The Group's exposure with a single bank should not exceed 25% of the regulatory capital and 10% for non-banking entities. The Group has been complying with these limits as of 31 December 2014 and 31 December 2013.

6. USE OF ESTIMATES AND JUDGMENTS

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

(I) Calculation of Insurance Liabilities
See note 3.d.

(II) Determining fair values

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

(III) Calculation of corporate income tax

Starting from 1 January 2008 the Group has applied as its statutory accounting framework the International Financial Reporting Standards. Accordingly, the application of International Financial Reporting Standards provides the basis for the underlying records when an entity is subject to corporate tax. However, at the date of release of these financial statements there are limited amendments to the existing income tax law and respective guidelines on the tax on profit calculation which might offer guidance following the introduction of the International Financial Reporting Standard as a statutory framework. Management believes that the tax on profit provision calculation is appropriate given the uncertainty of the Albanian tax environment and existing legislation in force and any future tax audit will not have a significant effect on the Group's financial position, results of operations, or cash flows.

7. FAIR VALUE DISCLOSURES

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

Due from Banks accounts - Due from Banks accounts, which comprise cash at bank and 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.

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

	Held to maturity	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
31 December 2014					
Cash and cash equivalents	-	20,763,002	-	**20,763,002**	**20,763,002**
Time deposits	-	627,060,147	-	**627,060,147**	**627,060,147**
31 December 2013					
Cash and cash equivalents	-	8,461,235	-	**8,461,235**	**8,461,235**
Time deposits	-	583,335,464	-	**583,335,464**	**583,335,464**

8. ACQUISITIONS OF NON CONTROLLING INTEREST

During the year 2014, the Shareholder Assembly of the Subsidiary SiCRED Pensions approved the new structure of share capital. Proportional part of SiCRED sh.a. is 91.63% (2013: 87.25%) of share capital, equal to Lek 42,778,170 (2013: Lek 26,726,670) and 104,337 shares (2013: 65,187 shares) while Kurum International sh.a. has 8.37% (2013: 12.75%) of share capital, equal to Lek 3,906,890 (2013: Lek 3,906,890) and 9,529 shares (2013: 9,529 shares). The Group recognised increased retained losses of Lek 3,072,479 (2013: Lek 1,106,149), as a result of the change in % of ownership without changing control. This transaction has been approved by the Supervisory Financial Authority and has been registered in the NRC. B Based on Decision no. 21, dated 19.09.2014 the Shareholder's Assembly decided to sell 76% of its the shares owned at “Shoqëria Administruese e Fondit të Pensionit SiCRED sh.a.” to “Banka Credins sh.a.,” which was later on approved with decision no. 26, dated April 28, 2015, of the Board of the Financial Supervisory Authority.

9. CASH ON HAND AND AT BANKS

Cash and cash equivalents consist of the following:

	31 December 2014	31 December 2013
Cash on hand	166,941	66,520
Cash at banks		
in foreign currency	*6,503,709*	*2,915,215*
in Lek	*12,817,952*	*5,479,500*
Subtotal of cash at banks	19,321,661	8,394,715
Cash and cash equivalents	**19,488,602**	**8,461,235**
Restricted balances	1,274,400	-
Total	**20,763,002**	**8,461,235**

On 31 December 2014, restricted balance of the amount ALL 1,274,400 relates to a guarantee fund that the Company has placed for the life insurance policy for employees of the Bank of Albania, in cooperation with the insurance company INSIG sh.a.. The insured period matures on August 7, 2015 and the restricted balance will be released at the end of the insurance contract..

Cash and cash equivalent at banks in foreign currency as of 31 December 2014 and 31 December 2013 consisted of the following:

	31 December 2014	31 December 2013
in EUR	6,420,479	2,872,192
in USD	83,230	43,023
	6,503,709	**2,915,215**

10. TERM DEPOSITS

Term deposits are composed as follows:

	31 December 2014	31 December 2013
Term deposits	144,774,517	114,103,001
Guarantee deposits	375,698,728	370,778,787
Saving accounts	97,528,220	81,363,765
Accrued interest	9,058,682	17,089,911
Total	**627,060,147**	**583,335,464**

Guarantee deposits represent one year maturity term deposits denominated in Lek, Euro and USD placed in local banks which are restricted and held as guarantee to conform to the requirements set by the Financial Supervisory Authority.

On December 31, 2013, the Company had blocked as cash collateral for its overdraft exposure with Banka Credins sh.a., the amount of LEK 13,200,000, out of the deposit it had placed with this Bank. On December 31, 2014, the Company did not have other blocked balances from the time deposits it has placed with second-level Banks in Albania.

11. REINSURANCE ASSETS

The Group cedes insurance premiums and risks in the normal course of business for debtor life insurance to limit the potential for losses arising from longer and more severe claim exposures. Such reinsurance includes treaty basis, excess of loss and quota share. The Group cedes insurance to other companies and these reinsurance contracts do not relieve the Group from its obligations to policyholders.

Thus a credit exposure exists with respect to reinsurance ceded to the extent that any reinsurer is unable to meet the obligations due under the reinsurance agreements. The Group does not hold collateral under its reinsurance agreements. At 31 December 2014 the amount of Lek 9,650,999 (2013: Lek 11,411,280) represents the reinsurance share on unearned premium insurance liabilities. Movement of reinsurance assets for years ending 31 December 2014 and 31 December 2013 are as follows:

	31/12/2014	Change for the period	31/12/2013	Change for the period	31/12/2012
At 1 January	11,411,280	(2,913,763)	14,325,043	1,146,642	13,178,401
Net change in reserve for reinsures	(1,760,281)	1,153,482	(2,913,763)	(4,060,405)	1,146,642
At 31 December	**9,650,999**	**(1,760,281)**	**11,411,280**	**(2,913,763)**	**14,325,043**

12. PROPERTY AND EQUIPMENT

	Property (Kiosk)	Office equipment	Fixture and Fittings	Vehicles	Vehicles under finance lease	Leasehold improvements	Installations	Computer installation	Fine art	Construction in progress	Total
Cost											
At 31/12/2012	**595,000**	**15,765,372**	**13,020,950**	**3,428,000**	**11,735,586**	**16,154,122**	**628,680**	**512,441**	**33,333**	**-**	**61,873,484**
Additions	-	1,020,547	1,528,364	-	-	2,405,271	138,000	1,207,964	-	7,637,070	13,937,216
Disposals	-	(21,500)	(1,873,092)	-	-	-	-	-	-	-	(1,894,592)
At 31/12/2013	**595,000**	**16,764,419**	**12,676,222**	**3,428,000**	**11,735,586**	**18,559,393**	**766,680**	**1,720,405**	**33,333**	**7,637,070**	**73,916,108**
Additions	158,496	2,264,849	7,656,470	-	-	18,242,038	159,400	181,860	-	-	28,663,113
Disposals	-	(51,492)	(750,751)	-	-	-	-	-	-	-	(802,243)
Reclassifications	-	-	-	-	-	7,637,070	-	-	-	(7,637,070)	-
At 31/12/2014	**753,496**	**18,977,776**	**19,581,941**	**3,428,000**	**11,735,586**	**44,438,501**	**926,080**	**1,902,265**	**33,333**	**-**	**101,776,978**
Accumulated depreciation											
At 31/12/2012	**110,744**	**8,050,941**	**7,503,548**	**1,997,720**	**464,523**	**7,826,740**	**360,443**	**271,905**	**-**	**-**	**26,586,564**
Charge for the period	24,213	2,040,199	1,279,757	286,057	2,254,212	2,090,991	55,947	267,149	-	-	8,298,525
Disposals	-	(5,375)	(1,436,829)	-	-	-	-	-	-	-	(1,442,204)
At 31/12/2013	**134,957**	**10,085,765**	**7,346,476**	**2,283,777**	**2,718,735**	**9,917,731**	**416,390**	**539,054**	**-**	**-**	**33,442,885**
Charge for the period	28,286	1,920,855	1,788,539	228,843	1,803,368	3,912,672	93,968	307,371	-	-	10,083,902
Disposals	-	(37,172)	(426,017)	-	-	-	-	-	-	-	(463,189)
At 31/12/ 2014	**163,243**	**11,969,448**	**8,708,998**	**2,512,620**	**4,522,103**	**13,830,403**	**510,358**	**846,425**	**-**	**-**	**43,063,598**
Carrying amount											
At 31/12/2012	**484,256**	**7,714,431**	**5,517,402**	**1,430,280**	**11,271,063**	**8,327,382**	**268,237**	**240,536**	**33,333**	**-**	**35,286,920**
At 31/12/2013	**460,043**	**6,678,654**	**5,329,746**	**1,144,223**	**9,016,851**	**8,641,662**	**350,290**	**1,181,351**	**33,333**	**7,637,070**	**40,473,223**
At 31/12/2014	**590,253**	**7,008,328**	**10,872,943**	**915,380**	**7,213,483**	**30,608,098**	**415,722**	**1,055,840**	**33,333**	**-**	**58,713,380**

13. INTANGIBLE ASSETS

	Software	Total
Cost		
At 31/12/2013	**-**	**-**
Additions	5,559,286	5,559,286
Disposals	-	-
Reclassifications	-	-
At 31/12/2014	**5,559,286**	**5,559,286**
Accumulated depreciation		
At 31/12/2013	**-**	**-**
Charge for the period	926,548	926,548
Disposals	-	-
Reclassifications	-	-
At 31/12/2014	**926,548**	**926,548**
Carrying amount		
At 31/12/2013	**-**	**-**
At 31/12/2014	**4,632,738**	**4,632,738**

14. INSURANCE AND REINSURANCE RECEIVABLES

14.1 Insurance and reinsurance receivable, net

	31 December 2014	31 December 2013
Insurance receivable	417,450,988	378,394,411
- Life in Credit	*360,495,388*	*334,709,645*
- Others	*56,955,600*	*43,684,766*
Reinsurance receivable	-	440,366
Impairment of Insurance receivable	-	-
Total	**417,450,988**	**378,834,777**

Insurance receivable is mainly composed of premiums related to insurance policy “Life in Credit” issued to borrowers of Banka Societe Generale Albania and Banka Credins as per their respective loan agreements. As at 31 December 2014 and 2013 the Company has recognized as a receivable the contractual written premium, with deferred income amounting to Lek 345,047,822 (2013: Lek 317,439,691) for that portion of the written premium due in subsequent financial reporting periods.

14.2 Insurance and reinsurance payable

	31 December 2014	31 December 2013
Insurance payable	1,648,779	693,106
Reinsurance payable	-	-
	1,648,779	**693,106**

15. DUE FROM RELATED PARTIES

	31 December 2014	31 December 2013
KURUM International	2,188,467	5,492,402
Total	**2,188,467**	**5,492,402**

Due from shareholders as at 31 December 2014 represent the balance of unpaid share capital as per Decision No. 10, dated 12 May 2014 of General Meeting of Assembly of Shareholders. Based on this decision the Company share capital increased by Lek 16,051,500, following pre-agreed shareholder structure of 87.25/12.75, or Lek 14,004,934 from SiCRED sh.a. and Lek 2,046,566 from Kurum International sh.a. As at 31 December 2014, an amount of Lek 8,550,000 was paid only from SiCRED Shoqëri Sigurimi Jete.

The remaining Lek 141,902 represents the amount due from Kurum International sh.a. based on the Decision no. 13 dated 8 December 2009 of the Shareholders Assembly to offset the Company accumulated deficit.

16. OTHER ASSETS

	31 December 2014	31 December 2013
Prepaid expenses	1,019,382	951,397
Inventory of policies	2,114,846	2,148,071
Inventory of other materials	1,497,120	1,512,320
Advances to employees	1,262,899	1,020,278
Prepayments for Software	-	4,447,714
Other	3,963,121	4,768,563
Total	**9,857,368**	**14,848,343**

17. LIABILITIES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

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

	31 December 2014	31 December 2013
Gross insurance liabilities for losses and loss adjustment expenses	11,175,873	5,481,534
Reinsurance recoverable	-	-
Net insurance liabilities for losses and loss adjustment expenses	**11,175,873**	**5,481,534**
Losses and loss adjustment expenses incurred	(40,686,845)	27,974,118
Losses and loss adjustment expenses paid	42,056,515	(22,279,779)
Net insurance liabilities for losses and loss adjustment expenses as at 31 December	**12,545,543**	**11,175,873**
Reinsurance recoverable	-	-
Gross insurance liabilities for losses and loss adjustment expenses	**12,545,543**	**11,175,873**

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding insurance liabilities, the ultimate costs of which cannot be assessed with certainty as of the reporting date. The insurance liabilities for losses and loss adjustment expenses are determined on the basis of information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments. As of 31 December 2014 the Group has 113 unsettled claims (2013: 67) most of which relate to “Life and Health Cash Plan Insurance” and “Travel Life and Health Insurance” in which need more time for investigation.

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

	31 December 2014	31 December 2013
Claims reserve for Credit Life Insurance	5,339,460	7,006,239
Claims reserve for Travel Life Insurance	886,807	892,654
Claims reserve for Accident & Life Insurance	644,440	345,105
Claims reserve for Cash Plan	5,674,836	2,931,875
	12,545,543	**11,175,873**
Reported but not settled (RBNS)	6,720,105	8,157,765
Incurred but not reported (IBNR)	5,825,438	3,018,108
	12,545,543	**11,175,873**

Losses and loss adjustment expenses for the year ending on 31 December 2014 and 2013 are as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Claims expenses	36,530,296	18,994,972
Expenses for exiting the Life in Savings scheme	4,156,549	3,284,807
Expenses for claims reserve	3,042,296	7,331,056
Reversal of claims reserve	(1,672,626)	(1,636,717)
	42,056,515	**27,974,118**

18. UNEARNED PREMIUM RESERVE

	31 December 2014	Change of the period	31 December 2013	Change of the period	31 December 2012
Credit Life	62,622,326	(12,144,146)	74,766,472	219,745	74,546,727
Group Life & Accidents	8,680,886	6,148,660	2,532,226	1,635,857	896,369
Travel Life & Health Insurance	3,396,573	1,347,690	2,048,883	1,062,959	985,924
Pupil & Student Life Insurance	3,551,672	190,494	3,361,178	749,483	2,611,695
Life & Health Insurance - Students Abroad	24,383	1,392	22,991	(9,533)	32,524
Sportsmen Life & Accident	-	(73)	73	73	-
Cash Plan Life & Health	40,551,660	11,119,731	29,431,929	11,297,272	18,134,657
Visitor	32,512	18,492	14,020	14,020	-
Total	**118,860,012**	**6,682,240**	**112,177,772**	**14,969,876**	**97,207,896**

19. OTHER RESERVES

Other reserves as at 31 December 2014 amounting to Lek 98,327,718 (2013: Lek 82,278,052) represents life assurance reserve created for the Life with Savings product for which the Company accounts in full the amount of the fund accumulated as at the reporting date (also see note 3.d).

	31 December 2014	31 December 2013
Life Insurance with Savings (Premium)	799,498	914,384
Life Insurance with Savings (Fund)	97,528,220	81,363,668
	98,327,718	**82,278,052**

20. DUE TO FINANCIAL INSTITUTIONS

	31 December 2014	31 December 2013
Overdraft (refer to (a) below)	-	7,282,428
Leases (refer to (b) below)	3,048,746	6,626,074
	3,048,746	**13,908,502**

(a) On 14 November 2013, SiCRED sh.a. signed a credit agreement with Credins Bank and obtained an overdraft of Eur 75,000. The loan was used for working capital needs. This loan bears annual interest of Libor 6 months + 6.24%. The amount outstanding as at 31 December 2013 was fully repaid and closed on 07 May 2014, and as at 31 December 2014 the outstanding balance is nil (2013: LEK 7,282,428). The Company had blocked as cash collateral for coverage of the overdraft exposure outstanding as at 31 December 2013, the amount of LEK 13,200,000 out of the deposit it held with Banka Credins (note 9). During 2014, the overdraft has been closed and the respective cash collateral has been released. As at 31 December 2014 the Company holds no overdraft exposures and there are no amounts blocked as cash collaterals out of its deposits with banks.

(b) During 2012, the Company also signed two Financial Lease Agreements with “SOGEALEASE ALBANIA”. This loan bears annual interest of 6.5% for the first year and Libor Euro 12 months + 4.5% (minimum 7%) starting from the second year. The amount outstanding as at 31 December 2014 is Lek 3,048,746 (2013: Lek 6,626,074).

21. OTHER LIABILITIES

	31 December 2014	31 December 2013
Suppliers	18,515,562	11,660,593
Tax and social insurance	2,818,830	1,874,874
Taxes payable other than income tax	37,130	1,237,645
Other creditors	76,897,812	7,678,110
- Bank Credins for SiCRED Pensions	*60,205,560*	-
- SCOR Global Life	*10,075,553*	-
- Other creditors	*6,616,699*	*7,678,110*
Consulting services	504,504	504,720
Other accrued expenses	5,880	22,604
Accrued expenses depository bank	14,185	9,606
Due to AFSA	3,572	2,422
	98,797,475	**22,990,574**

The Group offsets the closing balance it has with the reinsurance company (SCOR Global Life), as per the agreement signed by both parties, as amended, dated on 6 August 2014. The amount payable towards the reinsurance company as at 31 December 2014, mainly relates to an amount of LEK 10,510,500, that is to be paid back. This amount was prepaid from the insurance company with regards to a claim, that after the Group's investigation resulted to be excluded from the reinsurance coverage. Hence, this will be paid back to the reinsurance company during 2015.

22. SHARE CAPITAL

22.1 Paid-up capital

On 7 June 2013, the registered capital was increased through the accumulated profit of prior years that was transferred to the subscribed not-registered capital amounting to Lek 3,700,000, following registration at the NCR during 2014. The share capital was increased to Lek 477,000,000 (2013: Lek 473,300,000).

The shareholding structure of the Group is as follows:

	31 December 2014	31 December 2013
Aleksandër Pilo	46.30%	46.30%
Renis Tërshana	30.10%	30.10%
Kristino Kromidha	4.13%	4.13%
Artan Santo	0.00%	4.74%
Monika Milo	4.74%	4.74%
Maltin Korkuti	4.74%	4.74%
Petraq Shomo	2.10%	2.10%
Arben Taipi	2.10%	2.10%
Arjana Santo	1.58%	0.00%
Egi Santo	1.58%	0.00%
Emi Santo	1.58%	0.00%
Artan Xhori	1.05%	1.05%
Total	**100%**	**100%**

The guarantee fund as of 31 December 2014 and 31 December 2013 is invested as follows:

	31 December 2014	31 December 2013
Term Deposits (note 10)	375,698,728	370,778,787
	375,698,728	**370,778,787**

22.2 Subscribed, not registered capital

On 30 June 2014, the Shareholder's Assembly with decision no.9 increased the registered capital through the transfer of accumulated separate profit as at 31 December 2013 to the subscribed not-registered capital amounting to Lek 4,000,000, so that the share capital was increased to Lek 481,000,000 (2013: Lek 477,000,000). The share capital increase of Lek 4,000,000 has been reflected in the separate financial statements of this year (year 2014), and it is not registered in the National Registration Center as at 31 December 2014, pursuant to law requirements, which require that it is accompanied by the certified financial statements of 2014 on the basis of which the share capital is increased. Decision no. 9 of 30 June 2014, after this certification from the independent auditor, is subject to registration with the NRC as pursuant to the applicable laws in Albania. The balance of subscribed-not registered capital as at 31 December 2014 is Lek 4,000,000 (2013: Lek 3,700,000).

22.3 Legal reserve

The legal reserve was created to comply with the Albanian “Law On Commercial Companies” which required companies to create reserves of 5% of net profit made in the previous year. Following the introduction of the Insurance Law such a reserve is no longer required. At the date of release of these Financial Statements no specific decision has been taken by the General Shareholder Assembly on the future use of this reserve.

22.4 Insurance risk reserve

Insurance risk reserve is created based on article 93 of the Law no.9267, dated 29 July 2004 “On Insurance and reinsurance activities, and intermediating insurance and reinsurance activities” (changed and substituted with Law no. 52/2014 “On Insurance activities”), 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 by an amount greater than 30% of the average premiums collected in the last two years. This reserve is created to guarantee the solvency and guarantee fund.

22.5 Dividend paid

Dividend distributions are at the discretion of the shareholders and distributed in compliance with Law on Commercial Companies nr 9901, dated “14 April 2008” (amended). On 30 June 2014 based on decision no. 8 and no. 9 of the Shareholder's Assembly, a profit distribution was approved for the fiscal year 2013 as follows:

	Amounts in Lek
Retained earnings for 2013	4,375,240
Transfers to insurance risk reserves	375,240
Increase of share capital	4,000,000
Dividend paid in 2014	-

23. GROSS WRITTEN PREMIUMS

	Year ended 31 December 2014	Year ended 31 December 2013
Credit Life	102,509,773	116,135,910
Travel Life and Health Insurance	22,507,473	18,537,121
Life Insurance & Students Abroad	57,670	87,416
Group Life and Accidents	36,525,613	9,623,471
Life Insurance & Sportsmen	-	5,500
Pupil and Student Life Insurance	5,588,500	12,559,200
Life & Health Insurance (Cash Plan)	54,142,167	42,071,798
Visitors Insurance	67,950	44,687
Life Insurance with Savings (Premium)	2,248,657	2,424,052
Life Insurance with Savings (Savings Account)	19,850,232	19,276,456
	243,498,035	**220,765,611**

24. PREMIUM CEDED TO REINSURER

Premiums ceded to reinsurers amounting to Lek 12,102,506 (2013: Lek 14,857,305) relate to Credit life insurance product with reinsurer counter party Scor Global Life.

25. FINANCE INCOME, NET

	Year ended 31 December 2014	Year ended 31 December 2013
Finance income and expenses		
Interest income from treasury bills	-	729,991
Interest income from time deposits	19,296,458	29,171,551
Interest income from current accounts	21,423	981,634
Total	**19,317,881**	**30,883,176**
Finance expense		
Interest expense	(455,624)	(1,621,582)
Total	**(455,624)**	**(1,621,582)**
Foreign exchange(loss)/gain		
Foreign exchange gain	6,713,273	6,789,217
Foreign exchange loss	(1,304,821)	(7,969,785)
Total	**5,408,452**	**(1,180,568)**
Finance income, net	**24,270,709**	**28,081,026**

26. ACQUISITION COSTS

	Year ended 31 December 2014	Year ended 31 December 2013
Commision	23,340,189	24,499,434
Advertising costs	38,002,602	27,803,931
Medical expenses	9,736,686	6,957,600
Purchase of policies	1,510,905	1,115,023
	72,590,382	**60,375,988**

In acquisition costs, under "commissions" heading, the Company has included personnel bonuses paid for direct sales of insurance contracts realised for the amount of LEK 2,117,054 (2013: LEK 9,973,062).

Acquisition costs per type of product for the year ended on 31 December 2014 and 31 December 2013 are detailed as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Credit Life	30,233,528	29,073,040
Travel Life and Health Insurance	12,525,617	10,446,708
Group Life and Accidents	9,136,123	5,743,182
Life Insurance & Students Abroad	9,535	25,856
Pupil and Student Life Insurance	1,073,048	2,761,763
Life Insurance with Savings	3,455,511	2,740,402
Life & Health Insurance (Cash Plan)	16,146,320	9,578,321
Life Insurance & Sportsmen	-	849
Other Life Insurances	10,700	5,867
	72,590,382	**60,375,988**

27. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2014	Year ended 31 December 2013
Personnel expenses	71,221,475	63,298,233
Rental expenses	20,330,822	26,111,637
External services	6,487,466	6,383,704
Fees, taxes and penalties	4,674,280	4,771,557
Utilities and communication	4,613,618	4,630,363
Other administrative expenses	20,914,307	19,102,846
	128,241,968	**124,298,340**

28. INCOME TAX EXPENSE

The annual tax calculation is as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Loss before tax	(3,243,768)	(4,396,692)
Prima facie tax calculated at 15 % (2013: 10%)	(486,565)	(439,669)
Tax effect of non-deductible expenses	599,594	414,379
Unrecognized temporary tax differences	1,738,964	971,110
Income Tax expense	**1,851,993**	**945,820**

In accordance with Albanian tax regulations, the applicable income tax rate for 2014 is 15% (2013: 10%). Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. Albanian tax laws and regulations are subject to interpretation by the tax authorities. Disallowable expenses for tax purposes represent expenses not supported with adequate documentation or expenditures not considered eligible for fiscal purposes.

Based on the local accounting law, starting from 1 January 2008 Insurance Companies had to report in accordance with IFRS. In addition, Law No. 10364, dated 16.12.2010 provides for certain amendments (effective as of 24 January 2011). Based on these amendments, the insurance liabilities charged by insurance companies in accordance with IFRS shall be considered as tax deductible expenses.

The Group does not recognize deferred tax assets as at 31 December 2014 and 31 December 2013 as the management believes that future taxable profits will not be available against which such loss can be used.

29. COMMITMENT AND CONTINGENCIES

Legal

In the normal course of business the Group receives legal claims which are not related to insurance; the Group's management is of the opinion that no material losses will be incurred in relation to any such legal claims outstanding at 31 December 2014 and 31 December 2013.

Contingent liabilities

Contingent liabilities as at 31 December 2014, are composed of a possible future liability of the Company related to a life insurance case occurred in 2014, and for which the Company will properly create a reserve only when the legal terms specified in the insurance contract are fulfilled. Should the legal terms be met, the amount payable to the heirs of the insured person will be LEK 7,007,000. These legal terms are expected to be met during the year 2015.

Operating lease commitments

Minimum future payments under key agreements are as follows:

	31 December 2014	31 December 2013
Less than 1 year	22,168,446	20,320,332
1 - 5 years	74,118,614	69,874,338
More than 5 years	86,663,085	61,457,493
Total	**182,950,145**	**151,652,163**

30. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party on making financial or operational decisions, or the parties are under common control with the Group.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates. The volume of these transactions and outstanding balances at the end of respective periods are as follows:

	31 December 2014	31 December 2013
Assets		
KURUM International	2,188,467	5,492,402
Liabilities		
Claims paid	2,939,176	104,807
Revenue		
GWP	73,209	40,467
Expenses		
Management remuneration	12,035,128	10,560,959

31. SUBSEQUENT EVENT

The management of the Group is not aware of any other events after the reporting date that would require either adjustments or additional disclosures in the consolidated financial statements, other than the approval received from the Financial Supervisory Authority on the sale of 76% of shares owned at the “Shoqëria Administruese e Fondit të Pensionit SiCRED sh.a.” (see note 8).

SiCRED Network of Branches

Head Offices:

Address: Administrative Unit No. 5,."Brigada VIII" Str., Building No.3/1, Tirana, Albania
Pho: +355 4 22 37 549
Mob: + 355 69 20 84 026
Fax: +355 4 22 37 530
e-mail: contact@sicred.com.al
website: www.sicred.com.al

Tirana Branch:
Address: "Jul Variboba" Str., Tirana, Albania
Pho./Fax: +355 4 22 37 496
Mob: +355 69 20 52 723
email: rbihuci@sicred.com.al

Durrës Branch:
Address: Section Nr.3, "Tregtare" Str. ("Epidam" Blv.,) Durrës, Albania
Pho./Fax: +355 52 90 66 35
Mob: +355 69 20 84 017
email: sicreddurres@gmail.com

Elbasan Branch:
Address: "Skampa" Hotel, 2nd Floor, Elbasan, Albania
Mob: +355 69 20 60 220
email: sicredelbasan@gmail.com

Shkodra Branch and Lezha Area:
Address: "Parrucë", "Zogu I" Blv., Shkodër, Albania
Pho./Fax: +355 22 252181
Mob: +355 69 20 84 020
email: sicredshkoder@gmail.com

Lezha Area:
Mob: +355 69 60 65 917
email: sicredlezha@gmail.com

Korça Branch and Pogradec Area:
Address: “Konferenca e Pezës” Str., Korça, Albania
Pho./Fax: +355 82 500 100
Mob: +355 66 219 9 311
email: sicredkorce@gmail.com

Pogradec Area:
Mob: +355 69 60 02 420
email: sicredpogradec@gmail.com

Fier Branch:
Address: Section “Konferenca e Pezës”,”JakovXoxa” Str., Fier, Albania
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Mob: +355 69 20 84 023
email: sicredfier@gmail.com

Vlora Branch:
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Pho/Fax: +355 33 60 10 60
Mob: +355 69 20 84 022
email: sicredvlora@gmail.com

Gjirokastra Branch:
Address: Section “18 Shtatori”, (nearby Regional Tax Directorate), Gjirokastra, Albania
Pho.: +355 84 2 690 19
Mob: +355 69 20 46 460
email: sicredgjirokaster@gmail.com

SiCRED
Shoqëri Sigurimi Jete

SiCRED Pensions
Shoqëri Administruese e Fondit të Pensionit

SiCRED
ASSISTANCE