BYROJA KOSOVARE E SIGURIMIT - BKS
KOSOVSKI ... OSIGURANJA - KUO
KOSOVO INSURANCE BUREAU - KIB

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Grant Thornton L.L.C.
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Dt. 12.05.2023
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KOSOVO INSURANCE BUREAU

FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Contents

Independent Auditor's Report

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To the Administrative Council of Kosovo Insurance Bureau

Opinion

We have audited the accompanying financial statements of Kosovo Insurance Bureau ("the Bureau ") which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Bureau as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bureau in accordance with the ethical requirements that are relevant to our audit of the financial statements in Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

As disclosed in Note 21 to the accompanying financial statements, at 31 December 2022 the claims from lawsuits filed against the Bureau by insurance companies (Sigkos, Insig and Dukagjini) amount 1,739 thousand EUR and claims from lawsuits filed by the employees and former employees amount to 746 thousand EUR or in total 2,485 thousand EUR. The management of the Bureau regularly analyzes and assess the risks of losses from these lawsuits, based on which it estimates that they will not result in materially significant outflows of funds. Therefore, no provision has been recognized in these financial statements for the potential losses from these litigations and claims as of and for the year ended 31 December 2022.

In addition, as disclosed in Note 12 to the accompanying financial statements, receivables from Ministry of Finance at 31 December 2022 amounts 720 thousand EUR. No provision for impairment has been recognized as of and for the year ended 31 December 2022 since based on the management and its legal counsel' estimates, there is no significant risk of non-recoverability of this receivable as of the reporting date. The management of the Bureau currently undertakes all necessary steps with respect of collection of this receivable.

Our opinion is not modified in respect of the above matters.

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

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

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bureau's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bureau to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of Kosovo Insurance Bureau regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLC
GRANT THORNTON L.L.C. KOSOVO
Grant Thornton LLC
Prishtina,
12 May 2023

Marjan Andonov
Statutory Auditor

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	Notes	For the year ended 31 December 2022 (in 000 EUR)	For the year ended 31 December 2021 (in 000 EUR)
Income			
Insurance premium revenue	6	9,959	8,578
Premiums ceded to reinsurers/ reinsurance premium	7	(201)	(53)
Net written premiums		**9,758**	**8,525**
Changes in unearned premium reserves	19	(43)	(161)
Net earned premiums		**9,715**	**8,364**
Other Income	8	12,560	13,056
Net (Loss) / Income from changes in receivables from insurance companies for technical reserves	17,18	2,070	(3,814)
Total Income		**24,345**	**17,606**
Losses and adjustment expenses	18	(11,291)	(6,606)
Insurance Acquisition costs	9	(11,562)	(9,978)
Administrative expenses	10	(1,491)	(1,022)
Total loss and expenses		**(24,345)**	**(17,606)**
(Surplus)/Deficit for the year		**-**	**-**
Other comprehensive income		-	-
Total comprehensive Income		**-**	**-**

The accompanying notes from 1 to 23 form an integral part of these financial statements.

	Notes	As at 31 December 2022 (in 000 EUR)	As at 31 December 2021 (in 000 EUR)
Assets			
Cash and cash equivalents	11	3,451	3,116
Receivables	12	2,967	3,234
Property, plant and other equipment	13	263	81
Right of use asset	14	33	65
Intangible assets	15	27	27
Deferred acquisition cost	16	-	-
Receivables from insurance companies for technical reserves	17	16,295	14,225
Receivables from reinsurer		700	-
Receivables from insurance companies for INSIG		117	123
Total Assets		**23,852**	**20,871**
Liabilities			
Insurance liabilities for losses and loss adjustment expenses	18	16,295	14,225
Reserve for INSIG claims liabilities		117	123
Unearned premium reserves	19	617	574
Lease liabilities	14	33	65
Other liabilities	20	6,790	5,884
Total Liabilities		**23,852**	**22,690**

These financial statements have been approved by the Bureau Administrative Council on 27 April 2023 and signed on its behalf by:

Sami Mazreku
General Director

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Valon Berisha
Finance Director

The accompanying notes from 1 to 23 are an integral part of these financial statements.

	Notes	For the year ended 31 December 2022 (in EUR)	For the year ended 31 December 2021 (in EUR)
Cash flows from operating activities			
Surplus/(Deficit) for the year		-	-
Adjustments:			
Depreciation and amortization	**13,14,15**	82	84
Interest expense on leased assets	**14**	3	3
Gain from sale of assets	**13**	(55)	-
Changes in operating assets and liabilities			
Change in receivables from insurance companies for technical reserves	**17**	(2,070)	3,814
Change in deferred acquisition costs	**16**	-	60
Change in receivables	**12**	269	(785)
Change in receivables from reinsurer		(700)	-
Change in Unearned premium reserve	**19**	43	161
Change in insurance liabilities for losses and expenses and adjustment of losses	**18**	2,070	(3,814)
Changes in escrow account	**11**	-	(1,300)
Changes in lease and other liabilities	**14,20**	906	1,882
Net cash from/(used in) operating activies		**548**	**105**
Cash flows from investing activies			
Purchase of equipment, ROA and intangible assets	**13,15**	(240)	(116)
Proceeds from sale of assets	**13**	62	-
Net cash used in investing activities		**(178)**	**(116)**
Cash flows from financing activities			
Lease payments	**14**	(35)	(54)
Net cash inflows from financing activities		**(35)**	**(54)**
Net increase in cash and cash equivalents		**335**	**(65)**
Cash and cash equivalents at January 1		266	331
Cash and cash equivalents at end of the year	**11**	**601**	**266**

The accompanying notes from 1 to 23 are an integral part of these financial statements.

1 General information

In accordance with Law no. 04/L-018 on Compulsory Motor Liability Insurance, Central Bank of the Republic of Kosovo and all insurance companies of Republic of Kosovo have signed the agreement for establishing the Kosovo Insurance Bureau (the "KIB" or the "Bureau"). As per the Law, KIB shall take over all the operations of former Insurance Association of Kosova and Guarantee Fund of Kosova from 1 January 2012, together with all their assets and liabilities.

The Bureau was founded with the purpose of ensuring compliance with all liabilities deriving from the International Insurance card system.

In its activity the Bureau:

- Represent members in relations with international organisation in the field of compulsory motor liability insurance activities
- Collect and analyse statistical data in connection with motor liability insurance activities
- Provide members with International Insurance certificate (Green Card) by format specified by the council of Bureau
- Ensure the performance of duties in connection with its accession to the Council of Bureau
- Ratify agreements with counterpart bureau
- Bureau performs treatment, payment and service in accordance with the provisions of the Internal Regulations of the Council of Bureau and supplementary agreements
- Cooperate with state bodies on matter relating compulsory motor liability insurance activities
- Administer guarantee fund of green card, compensation fund and boarder insurance policy
- Manage the compensation fund with the purpose of payment for the damages in the territory of the Republic of Kosovo for;

a) Compensation from operating an uninsured motor vehicle
b) Compensation from the uninsured motor vehicle with foreign license plates
c) Compensation from operating unidentified vehicles
d) Compensation in case of liquidation of bankruptcy of the insurer
e) Compensation based on border insurance

- Insurers exercising compulsory insurance activities in the territory of the Republic of Kosovo shall be obliged to provide financial contributions to the Compensation Fund on quarterly basis, commensurate with their underwritten premiums in this type of insurance during the previous quarter.

Insurance policies are sold at each border point in Kosovo. All collected gross premiums are distributed to all licensed insurance companies that operate in Kosovo after covering the operational expenses and claims payments of the Bureau. VAT and premium tax on gross written premium is distributed by Bureau to insurance companies who are ultimately responsible for paying VAT calculated at 18%.

2 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out bellow.

2.1 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards and regulations of the Central Bank of Kosovo applicable to insurance companies ("the CBK Rules").

The financial statements are prepared as of and for the years ended 31 December 2022 and 2021. Current and comparative data in these financial statements are expressed in thousand of Euros, unless otherwise stated. Where necessary, comparative figures have been reclassified to conform with changes in presentation for the current year.

2.2 Adoption of new or revised international financial reporting standards

2.2.1 Effective Standards and Interpretations in the current period

Following accounting pronouncements became effective from 1 January 2022 and have therefore been adopted by the Bureau:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- COVID-19 – Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements (2018-2020 Cycle):
- Subsidiary as a First-time Adopter (Amendments to IFRS 1)
- Fees in the '10 per cent' Test for Derecognition of Liabilities (Amendments to IFRS 9)
- Lease Incentives (Amendments to IFRS 16)
- Taxation in Fair Value Measurements (Amendments to IAS 41)

The adoption of the above amendments do not have any impact on the Bureaus financial results or position.

2.2.1 Standards and interpretations issued by the IASB but not yet effective and not previously applied by the Bureau

Certain accounting standards and interpretations have been issued that are not mandatory for the reporting periods as of 31 December 2022 and have not been approved early by the Bureau. Standards and changes that are not yet effective and have not been approved early by the Company include:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1), effective from 1 January 2023.
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts, effective from 1 January 2023.
- Definition of Accounting Estimate (Amendments to IAS 8), effective from 1 January 2023.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective from 1 January 2023.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12), effective from 1 January 2023.- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

Bureau is in the initial stage of assessing the impact of IFRS 17 Insurance Contracts on its financial statements, however its implementation is not expected to have a material impact on the Company's financial statements. During the March 2023, Bureau organized training regarding the requirements of the IFRS 17 standard. Also, during this training IFRS 17 module has been presented regarding fulfillment of the requirements derived from this standard. In the continuation of year 2023, Bureau will organize workshop with local companies regarding the beginning of the analysis for the implementation of the IFRS 17 module.

With the exception of IFRS 17 and if not disclosed above, new standards, changes and interpretations are not expected to have a material effect on the Company's financial statements.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bureau operates ("the functional currency"). These financial statements are presented in Euros, which is the Bureau's functional and presentation currency.

2 ACCOUNTING POLICIES (continued)

2.4 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

2.5 Use of evaluations and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses (refer to Note 3).
The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates.

The 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, if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.6 Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation. Historical cost includes all expenses directly attributable to acquisition of the items.
Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bureau and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.
Depreciation of property and equipment is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Equipment	20%
Furniture	20%
Vehicles	20%
Leashold improvments	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

2.7 Leased assets

The Bureau as a lessee
For any new contracts entered into on or after 1 January 2020, the Bureau considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.
At lease commencement date, the Bureau recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bureau, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).
The Bureau depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bureau also assesses the right-of-use asset for impairment when such indicators exist.
At the commencement date, the Bureau measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bureau's incremental borrowing rate.
Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.
Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.
When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

2 ACCOUNTING POLICIES (continued)

The Bureau has elected to account for short-term leases and leases of low-value assets using the practical expedients. If any. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

2.8 Intangible assets

Computer software

Costs directly related to identifiable and unique Bureau-controlled software products that are likely to generate economic benefits and exceed costs beyond one year are recognized as intangible assets. Software development costs are recognized as assets and are amortized using the straight-line method over a period of five years. Costs associated with maintaining software are known as expenses when incurred.

2.9 Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Bureau becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Bureau does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Bureau's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI)

The Bureau accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

2 ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment losses

Impairment of financial assets
IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.
Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.
Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bureau about the following events:

a) Significant financial difficulty of the issuer or debtor;
b) A breach of contract, such as a default or delinquency in payments;
c) It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
d) The disappearance of an active market for that financial asset because of financial difficulties; or
e) Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bureau, including:

- Adverse changes in the payment status of issuers or debtors in the group; or
- National or local economic conditions that correlate with defaults on the assets in the group.

The Bureau first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Bureau determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Bureau may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (on the basis of the Bureau's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

2 ACCOUNTING POLICIES (CONTINUED)

2.11 Losses from damages

Financial assets carried at fair value
The Bureau assesses at each statement of financial position date whether there is objective evidence that an available- for-sale financial asset is impaired, including in the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not subsequently reversed. The impairment loss is reversed through the profit or loss, if in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Impairment of intangible assets
Intangible assets that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment. Intangible assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.12 Income recognition
General insurance contracts
Insurance liabilities are calculated separately for all insurance products and are composed of premium contingency (unearned), risk contingency (unexpired) and loss contingency (not paid as at the closing date of the financial year). Insurance liabilities (provisions) represent estimates of future payments for reported and unreported claims. The Bureau does not discount its insurance liabilities. Any changes in estimates are reflected in results of operations in the period in which estimates are changed. Insurance liabilities estimation is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments.

Revenue
Gross written premiums on insurance contracts are recorded on receipt of payment of the premium and are transferred to earnings on a pro-rata basis over the term of the related policy coverage. Gross written premiums reflect business written during the year. Premiums are earned from the date of the risk connection, during the indemnity period, based on the risk model issued.

Unearned premiums
The provision for unearned premium comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.
The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

2.13 Product classification
Insurance contracts are those contracts where the Bureau (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Bureau determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.
Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

2.14 Insurance contracts liabilities and deferred acquisition costs
Claims (loss adjustments)
Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising from events occurring during the financial year together with adjustments to prior year claims provisions. Outstanding claims comprise provision for the Bureau's estimate of the ultimate cost of settling all claims incurred but unpaid at the Statement of financial position date whether reported or not, and related internal and external claims handling expenses and an appropriate prudential margin. Outstanding claims are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as the changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends.

2 ACCOUNTING POLICIES (CONTINUED)

2.14 Insurance contracts liabilities and deferred acquisition costs (continued)

Provisions for outstanding claims are not discounted. Adjustments to claims provisions established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material.

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

Contingency for claims under legal process
A portion of claims are under legal process, and for which the Bureau has recorded appropriate insurance liabilities.

Reinsurance
The Bureau cedes insurance premiums and risk in the normal course of business in order to limit its potential losses. Reinsurance is recorded gross in the statement of financial position. Reinsurance assets include balances due from reinsurance companies on both paid and unpaid losses and loss adjustment expenses, but do not include ceded unearned premiums. The Bureau calculates ceded premiums based on gross premiums written and expenses the resulting premiums immediately. No reinsurance asset is recorded for ceded unearned premiums. Amounts recoverable from reinsures are estimated in a manner consistent with the claim liability associated with the reinsurance policy.

Deferred acquisition costs
Acquisition costs are defined as the costs arising on the acquisition of insurance contracts such as agents' commissions, printing expenses and premium tax.
Direct acquisitions costs are deferred over the term of policies in force by a method consistent with the computation of the unearned premiums provision. Deferred acquisition costs are presented as a separate asset in the Statement of financial position.

2.15 Cash and cash equivalents
For statement of cash flow purposes, cash and cash equivalents include interest-free current accounts with banks. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

2.16 Tax
The Bureau transfers to insurance companies gross written premiums and insurance companies pay a tax of 5% on gross premiums as well as VAT. Premiums returned and retrospective premium adjustments are deducted from gross premiums to arrive at the tax base.
The Bureau is subject to remit personal tax on income and social security contributions.

2.17 Employee benefits
Compulsory social security contributions
The Bureau makes no provision and has no obligation for employee pensions over and above the contributions paid into the state pension plan, Kosovo Pension Saving Trust (KPST).

2.18 Provisions
A provision is recognised when the Bureau has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

2.19 Recognition of expenses
Operating expenses are recognized in the statement of comprehensive income upon utilization of the service, when incurred.

2.20 Commitments and contingencies
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.
The amount of a contingent loss is recognized as a provision if it is probable that future events will confirm that, a liability incurred as at the statement of financial position date and a reasonable estimate of the amount of the resulting loss can be made.

2 ACCOUNTING POLICIES (CONTINUED)

2.21 Related party transactions

Related parties consist of directors of the Bureau, together with entities which they control, who can exert significant influence over the operations and management of the Bureau. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.22 Events after the reporting period

Events after the reporting period that provide additional information about Bureau's position at the Statement of financial position date (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

3 SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ASSESSMENTS

In the application of the Bureau's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Valuation of insurance contract liabilities
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the Statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported at the Statement of financial position date (IBNR). The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that Bureau's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Additional qualitative judgment is used to assess the extent to which past trends may not apply in- future, in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Impairment losses on receivables
The Bureau reviews its insurance and non insurance receivables to assess impairment on at least an annual basis. In determining whether an impairment loss should be recorded in the profit or loss, the Bureau makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from an individual debtor. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtor.

4 RISK MANAGEMENT

Governance framework
The primary objective of the Bureau's risk and financial management framework is to protect the Bureau from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having an efficient and effective risk management system.

The administrative council approves the Bureau's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Bureau's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Bureau's goals, and specify reporting requirements.

Regulatory framework
The operations of the Bureau are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

Insurance risk
The principal risk the Bureau faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Bureau is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The majority of insurance business ceded is placed on excess of loss treaty. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Bureau has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

4 RISK MANAGEMENT (CONTINUED)

Analysis of maturity

The tables below organize the financial assets and liabilities of the Bureau as at 31 December 2022 and 2021 into relevant maturity groupings based on the remaining from Statement of financial position date to the contractual maturity date as follows:

31 December 2022	**Up to 6 months**	**6-12 months**	**Over 1 year**	**Total**
Financial assets				
Cash and cash equivalents	3,451	-	-	3,451
Receivables	2,967	-	-	2,967
Receivables from insurance companies for technical reserves	16,295	-	-	16,295
Total Financial assets	**22,713**	-	-	**22,713**
Financial liabilities				
Insurance liabilities for losses and loss adjustments expenses	16,295	-	-	16,295
Lease liabilities	8	8	17	33
Other liabilities	5,041	-	-	5,041
Payables to insurance companies for accumulated surpluses	1,049	-	-	1,049
Payables to insurance companies for reinsurer part in RBNS	700			700
Total financial liabilities	**23,093**	**8**	**17**	**23,118**
Maturity gap	**(383)**	**(8)**	**(17)**	**(407)**

31 December 2021	**Up to 6 months**	**6-12 months**	**Over 1 year**	**Total**
Financial assets				
Cash and cash equivalents	3,116	-	-	3,116
Receivables	3,234	-	-	3,234
Receivables from insurance companies for technical reserves	14,519	-	-	14,519
Total Financial assets	**20,869**	-	-	**20,869**
Financial liabilities				
Insurance liabilities for losses and loss adjustments expenses	14,348	-	-	14,348
Lease liabilities	18	18	29	65
Other liabilities	4,671	-	-	4,671
Payables to insurance companies for accumulated surpluses	1,213	-	-	1,213
Total financial liabilities	**20,250**	**18**	**29**	**20,297**
Maturity gap	**619**	**(18)**	**(29)**	**572**

4 RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk of financial loss to the Bureau if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises principally from the Bureau's receivables from counterparty Bureau's of Albania and Macedonia and cash and cash equivalents.

The Bureau is exposed to credit risk for payments made to insured based on agreement with Bureau of Albania and Macedonia, after which the Bureau records as receivable from respective Bureau. The Bureau has policies that limit the amount of credit exposure to any counter party. The Bureau's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of financial position.

	2022	2021
Classification of financial assets - carrying amounts		
Cash and cash equivalents	3,451	3,116
Receivables	2,967	3,234
Total	**6,418**	**6,350**

The credit risk for cash and cash equivalents is considered low, since the counterparties are reputable banks.

Interest rate risk

Interest rate risk is comprised of the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturities of interest bearing assets differ from the maturities of the interest bearing liabilities used to fund those assets. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The Bureau's revenues and operating cash flows are substantially independent of changes in market interest rates.

As at 31 December 2022 and 2021 all financial assets and liabilities are non-interest bearing.

Foreign currency risk

The Bureau is not exposed to foreign currency risk since all of its transactions are performed in local currency.

5 ASSESSMENT OF FAIR VALUE

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values have been based on management assumptions according to the profile of the asset and liability base.

Financial instruments measured at fair value
The financial assets measured according to the fair value in the Statement of financial position are presented in accordance with the hierarchy of the fair value. This hierarchy groups the financial assets and liabilities into three levels that are based on the significance of the incoming data used during the measurement of the fair value of the financial assets:

Level 1: quoted prices (not adjusted) on the active markets for identical assets or liabilities;
Level 2: other incoming data, aside from the quoted prices, included in Level 1 which are available for asset or liability observing, directly (i.e. as prices), or indirectly (i.e. made of prices) and
Level 3: incoming data on the asset or liability that are not based on data available for market observing.

As of the reporting date, the Bureau does not have financial instruments measured at fair value.

Financial instruments that are not presented at fair value
The following table summarizes the carrying amounts and fair values to those financial assets and liabilities that are not presented on the Statement of financial position at their fair value (in thousand Euros).

	Notes	Carrying value	Fair value
31 December 2022			
Financial Assets			
Cash and cash equivalents	**11**	3,451	3,451
Receivables	**12**	2,967	2,967
Receivables from insurance companies for technical reserves	**17**	16,295	16,295
		22,713	**22,713**
Other financial Liabilities			
Insurance liabilities for losses and loss adjustment expenses	**18**	16,295	16,295
Lease liabilities		33	33
Other Liabilities	**20**	5,041	5,041
Payable to insurance companies for accumulated surpluses	**20**	1,049	1,049
Payable to insurance companies (Risigurim)		700	700
		23,118	**23,118**

	Notes	Carrying value	Fair value
31 December 2021			
Financial assets			
Cash and cash equivalents	**11**	3,116	3,116
Receivables	**12**	3,234	3,234
Receivables from insurance companies for technical reserves	**17**	14,348	14,348
		20,698	**20,698**
Other financial liabilities			
Insurance liabilities for losses and loss adjustment expenses	**18**	14,348	14,348
Lease liabilities		65	65
Other Liabilities	**20**	4,671	4,671
Payable to insurance companies for accumulated surpluses	**20**	1,213	1,213
		20,297	**20,297**

5 ASSESSMENT OF FAIR VALUE (CONTINUED)

Loans and receivables
Loans and receivables are carried at amortized cost, less provisions for impairment. Their fair value corresponds to their carrying value.

Other financial assets
The fair value of monetary assets that includes cash and cash equivalents is considered to approximate their respective carrying values by definition and due to their maturity of less than 3 months.

Other liabilities
Carrying value of other liabilities approximates their fair value due to their maturity of less than 3 months.

6 INCOME FROM INSURANCE PREMIUMS

Insurance premium revenue, which for the year ended 31 December 2022 amount to EUR 9,959 thousand (2021: EUR 8,578 thousand) relate to compulsory third party liability motor vehicle insurance at the border of the Territory of Kosovo to drivers of foreign registered vehicles not in possession of such insurance. The Bureau is authorized to collect such revenues on behalf of all insurance companies licensed by the Central Bank of the Republic of Kosovo ("CBK") for selling border policies insurance within the territory of Kosovo. Based on the Central Bank of Kosovo decision dated 18 July 2015, the border insurance premiums are decreased and the new tariffs are valid from 01 July 2015.

The agreement between the KIB, MoF, CBK and MIA predicted that before the payment of the premium for insurance policies issued under this agreement, to be verified in relation to the entry of motor vehicles at the borders of Kosovo, by the Border Police. Given that for some motor vehicles insurance policies have been issued as their renovation, as online purchases, purchases at the KIB headquarters in Pristina and at various border crossings (where exit from the territory of Kosovo is not required for insurance contracting), for these categories the verification of relevant policies by the Kosovo Police is still presented as an obstacle, for which KIB is in constant communication with the MIA and MoF to find the best solution for the collection of funds.
KIB has sent an official request to the State Treasury at the MoF, the request was addressed at the meeting of the Government of Kosovo and the relevant funds in the amount of 24 thousand EUR are reserved, and once the verification process is completed, will be created the conditions for their collection.

In accordance with law on compulsory motor liability insurance and Administrative Council decisions income from insurance premium is allocated as follows:
- Contribution for green card fund at the rate 20% during 2012
- Contribution in claim compensation fund and KIB
- Contribution for administrative expenses of KIB
- the remaining balance is distributed to insurance companies

7 PREMIUM CEDED TO REINSURERS

Premium ceded to reinsurers for the years ended 31 December 2022 and 2021, is in total amount of EUR 201 thousand and EUR 53 thousand, respectively.
At 30 December 2021 the Bureau has entered into a reinsurance agreement with SIA Mai Reinsurance Brokers for excess of loss reinsurance for domestic motor third party liability. This agreement covers compensation fund for uninsured drivers and border and transit third party motor liability policies.

8 OTHER INCOME

	For the year ended 31 December 2022 (në 000 EUR)	For the year ended 31 December 2021 (në 000 Euro)
Income from insurance companies for operating and administrative expenses	5,389	5,446
Income from insurance companies for additional contributions	4,575	5,649
Income from claims service organizations	1,525	1,226
Net effect of reconciliation of KIB with insurance companies	-	715
Income from trainings	152	18
Income for reinsurer part in RBNS	700	-
Deficit for the year	164	-
Gain from sale of assets (Note 13)	55	-
Total	**12,560**	**13,056**

Income from insurance companies for additional contributions
During 2016, the Bureau has started implementing the requests for financing the Compensation Fund according to article 32 paragraph 2 of law no. 04 / L-018 as well as Article 4 of the Regulation on the Compensation Fund of the Kosovo Insurance Bureau. Based on the law, it is required that each insurer at the beginning of the third quarter must deposit in the account of the Compensation Fund the amount determined by the regulation. The total known amount for the year ended 2022 is 4,575 thousand EUR (2021: 5,649 thousand EUR).

Income from claims service organizations
Incomes from claims service organizations represent revenues from the Bureau from other parties in Albania, Macedonia, Serbia and Montenegro.

Income insurance companies for operating and administrative expenses
Incomes from insurance comapnies for operating and administrative expenses represents incomes for covering operating and administrative expenses of KIB. Incomes for covering operating and administrative expenses as at 31 December 2022 amounts to EUR 5,389thousand (2021: EUR 5,446 thousand).

Income for reinsurer part in RBNS
Income from reinsurer part in RBNS represents the part of reinsurer in RBNS claims of the Bureau during 2022 which expects to be covered by the reinsurer SIA MAI according ot the agreed terms in the contract concluded in 30 December 2021.

Net effect of reconciliation of KIB with insurance companies
During 2021, KIB and insurance companies undertake actions to reconcile balances derived from border insurance and compensation fund incomes. This process derived effect on balances of KIB. Therefore, receivables from border insurance and compensation fund were higher than the amount recorded previous years. As at 31 December 2021 net effect from reconciliation amount to EUR 715 thousand in total.

9 ACQUISTION COSTS

	For the year ended 31 December 2022 (in 000 EUR)	For the year ended 31 December 2021 (in 000 EUR)
Premiums to insurance companies	9,972	8,559
Expenses with IC – Reinsurer part	700	-
Personnel expenses	827	553
Premiums refunded to insurance companies	18	20
Printing expenses	35	30
Rent expenses	10	13
Surplus of the year	-	743
Deferred Acquisition Cost – DAC	-	60
Total	**11,562**	**9,978**

10 ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2022 (in 000 EUR)	For the year ended 31 December 2021 (in 000 EUR)
Personnel expenses	599	522
Depreciation and amortization expenses (Notes 13,14,15)	83	84
Fuels and electricity	91	69
Maintenance	120	66
Office suppliers and services	100	55
Travel and transport	55	37
Bank guarantee expenses	43	36
Expenses IT	97	34
Bank charges	26	22
Telephone and Internet	26	21
Marketing expenses	31	18
Training Expensis	21	16
Representation expenses	20	15
Interest expenses	3	3
Project expenses	98	-
Expenses for the liquidated companies	30	-
Work shops and conferences	38	-
Other expenses	10	24
Total	**1,491**	**1,022**

11 CASH AND CASH EQUIVALENTS

	For the year ended 31 December 2022 (in 000 EUR)	For the year ended 31 December 2021 (in 000 EUR)
Cash at banks	352	235
Cash on hand	249	32
Cash and cash equivalents for the pirpose of cash flow statement	**601**	**266**
Restricted cash for guarantee	2,850	2,850
Total	**3,451**	**3,116**

Restricted cash represents the cash transferred in escrow account related to the memorandum signed between the Bureau and the Association of Serbian Insurers.
In addition, during 2021, KIB signed memorandum of understanding with National Bureau of Insurance of Republic of Montenegro for recognizing of TPL certificates. This actions required a deposit of cash guarantee which is in amount of EUR 1,350 thousand as at 31 December 2021.

12 RECEIVABLES

	For the year ended 31 December 2022 (In 000 EUR)	For the year ended 31 December 2021 (in 000 EUR)
Receivables from insurance companies	1,769	1,634
Receivables from CSO - Albania	393	1,825
Receivables from CSO - Macedonia	-	87
Receivables from CSO-Serbia	1	78
Receivables from CSO-MNE	1	2
Less: Provision from impairments of other receivables - Albania	-	(1,556)
	2,164	**2,070**
Other receivables	912	1,251
Prepayments	-	22
Less: Provision from impairment of other receivables	(109)	(109)
Net receivables	**2,967**	**3,234**

Receivables from insurance companies include amounts due from insurance companies for the compensation fund.
In the other recievables are included receivables due from Ministry of Finance. For these receivables there is the agreement between the KIB, MoF, CBK and MIA predicted that before the payment of the premium for insurance policies issued under this agreement, to be verified in relation to the entry of motor vehicles at the borders of Kosovo, by the Border Police. Given that for some motor vehicles insurance policies have been issued as their renovation, as online purchases, purchases at the KIB headquarters in Pristina and at various border crossings (where exit from the territory of Kosovo is not required for insurance contracting), for these categories the verification of relevant policies by the Kosovo Police is still presented as an obstacle, for which the Bureau is in permanent communication with the MIA and MoF to find the best solution for the collection of funds.

As at 31 December 2022, included in other receivables, EUR 720 (2021: EUR 1,111) relates to receivables due from Ministry of Finance. The Bureau currently undertakes all neccesary steps for collecting due amounts.

13 PROPERTY, PLANT AND OTHER EQUIPMENT

	Equipment (in 000 Euro)	Furniture (in 000 Euro)	Vehicles (in 000 Euro)	Leasehold improvements (in 000 Euro)	Total (in 000 Euro)
Cost Value					
1 January 2021	**251**	**34**	**277**	**107**	**669**
Additions during the year	16	27	-	-	43
31 December 2021	**267**	**61**	**277**	**107**	**712**
Additions during the year	51	-	146	36	233
Disposals	-	-	(235)	-	(235)
31 December 2022	**318**	**61**	**188**	**143**	**710**
Accumulated depreciation					
1 January 2021	**251**	**26**	**261**	**74**	**613**
Depreciation of the year	4	2	7	5	18
31 December 2021	**255**	**28**	**268**	**79**	**631**
Depreciation of the year	9	6	24	5	44
Disposals	-	-	(228)	-	(228)
31 December 2022	**264**	**34**	**64**	**84**	**447**
Net value					
31 December 2022	**53**	**28**	**124**	**59**	**263**
31 December 2021	**12**	**33**	**9**	**28**	**81**

Property, plant and equipment pledged
Bureau has no property pledged as at 31 December 2022 and 2021 and all assets are used for Bureau's operating activities.

Sale of property, plant and equipment
During 2022 and based on the decision from Administrative Council, the Bureau sold assets for EUR 62 thousand, the carrying value of which was EUR 7 thousand (cost value of EUR 235 thousand and accumulated depreciation of EUR 228 thousand). The Bureau recognized gain from sale of asset in amount of EUR 55 thousand and is recognized accordingly as other income. (Note 8).

14 LEASED ASSETS

Right of use assets and lease liabilities

The Bureau leases headquarters for rent and several different short-term leases. Lease contracts are usually made for fixed periods from 1 year to 5 years, but may have the possibility of extension as described below.

14.1 Right of use asset

	Amount **(in 000 EUR)**
Cost	
As at 1 January 2021	**192**
Additions during the year	73
Disposal	-
As at 31 December 2021	**265**
Additions during the year	-
As at 31 December 2022	**265**
Accumulated depreciation:	
As at 1 January 2021	**138**
Charge for the year	62
Disposal	-
As at 31 December 2021	**200**
Charge for the year	32
Disposal	-
As at 31 December 2022	**232**
Net book value:	
As at 31 December 2021	**65**
As at 31 December 2022	**33**

14.2 Lease liability

	31-Dec-22	**31-Dec-21**
	(in 000 EUR)	**(in 000 EUR)**
At 1 January	**65**	**43**
Add: New Contract liabilities	-	73
(Less) Lease payments	(35)	(54)
Add: Interest on Lease Liabilities	3	3
At 31 December	**33**	**65**

15 INTANGIBLE ASSETS

Cost	Software and License (in 000 EUR)	Total (në 000 EUR)
1 January 2021	167	167
Additions during the year	-	-
31 December 2021	**167**	**167**
Additions during the year	7	7
31 December 2022	**174**	**174**
Accumulated amortzation		
1 January 2021	136	136
Amortization of the year	4	4
31 December 2021	**140**	**140**
Amortization of the year	6	6
31 December 2021	**147**	**147**
Net Value		
31 December 2022	**27**	**27**
31 December 2021	**27**	**27**

16 DEFERRED ACQUISTION COST

As at 31 December 2022 deferred acquisition cost (DAC) amount to EUR zero (2021: EUR zero). From 2014 the calculation of DAC is done based on the administrative instruction of CBK with no 01/2014. According to the instruction, the allowed expenses for calculation are the staff expenses for selling premiums. As the CBK has no liability to the above two categories, the DAC calculated for 2020 represents only the amortized portion of staff costs for premium sales.

17 RECEIVABLES FROM INSURANCE COMPANIES FOR TECHNICAL RESERVES

	31 December 2022 (in 000 EUR)	31 December 2021 (in 000 EUR)
Compensation Fund	8,752	8,015
Border insurance	7,543	6,210
Total	**16,295**	**14,225**

Receivables from insurance companies include amounts due from insurance companies for future estimated claims (RBNS and IBNR). For these receivables no repayment schedule was agreed between the Bureau and insurance companies. Management is reasonably certain that such amounts will be fully recovered in the future. Therefore no impairment allowance for these receivables was recognized in the accompanying financial statements.

18 INSURANCE LIABILITIES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

	31 December 2022 (in 000 EUR)	31 December 2021 (in 000 EUR)
Gross insurance liabilities for losses and loss adjustment expenses 01 January	14,225	18,039
Losses and loss adjustment expenses incurred during the year	11,291	6,606
Losses and loss adjustment expenses paid during the year	(9,221)	(10,420)
Total	**16,295**	**14,225**

19 UNEARNED PREMIUM RESERVE

Change in unearned premium reserve is as follows:

	31 December 2022 (in 000 EUR)	31 December 2021 (in 000 EUR)
Unearned premiums as of 01 January	574	413
Unearned premiums border insurance as of 31 December	(617)	(574)
Net change	**(43)**	**(161)**

20 Other Liabilities

	31 December 2022 (in 000 EUR)	31 December 2021 (in 000 EUR)
Payable to insurance companies	3,825	2,976
Payables to insurance companies related to bank deposits – EMOU Serbia and MN	2,850	2,850
Liabilities toward Ministry of Finance	24	32
Security Services	-	26
Other payables to insurance companies	109	109
Less: Provision for other receivables (note 12)	(109)	(109)
Other liabilities	91	-
Total	**6,790**	**5,884**

Other payables to insurance companies , as at 31 December 2022 and 2021 in the amount of EUR 109 thousand , represents cash stolen from the Bureau's point of sale and head office during prior years.

Payable to insurance companies includes the amount of EUR 1,049 (2021: EUR 1,212) representing payables for the accumulated surplus for the year ended 31 December 2022.

21 CONTINGENCIES AND COMMITMENTS

Litigation
The Bureau is involved in various claims related to its insurance business. As at 31 December 2022, there are numerous cases in court litigation for which cases and based on management and legal counsel best estimate, the Bureau has recognised outstanding claims provision - Reported but not settled (RBNS). At 31 December 2022, legal proceedings raised against the Bureau from insurance companies, employees and former employees amount in total EUR 2,485 thousand. According to the management and their legal counsel, the ultimate outcome of the matter as of the reporting date cannot be determined with any sufficient reliability.

Tax liabilities
For the year ended 31 December 2022, 2021,2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013 and 2012 the Bureau of tax books and records have not been inspected by local tax authorities. The Bureau has followed all tax rules and regulations in calculating tax liabilities, however, tax interpretations as per tax authorities may differ from those used by the Bureau.

Capital commitments
There are no significant capital commitments as at 31 December 2022 and 2021 not already recognized (if any) in the financial statements.

22 RELATED PARTY TRANSATIONS

Balances and transactions with related parties
The Bureau has related party transactions with all Insurance companies in the normal course of business activities. All these transactions were carried out on commercial terms and conditions and at market prices. The table below provides for the volume and balances from the related party transactions as of and for the year ended 31 December 2022 and 2021:

31 December 2022

	Assets	Liabilities	Income	Expenses
Senior management	-	-	-	89
Expenses	-	-	-	34
Current account	42			-
Total	**42**	**-**	**-**	**123**

31 December 2021

	Assets	Liabilities	Income	Expenses
Senior management	-	-	-	61
Expenses	-	-	-	30
Current account	85			-
Total	**85**	**-**	**-**	**91**

23 EVENTS AFTER THE REPORTING DATE

Subsequent to the year-end there are no other adjustments reflected in the financial statements or other significant events that are material to be disclosed in these financial statements.

KOSOVO INSURANCE BUREAU

ACTUARISTIC AUDIT REPORT

For the calculation of technical reserves as of December 31, 2022

Summary

1. PURPOSE AND BASIS OF AUDIT

By audit firm Grant Thornton L.L.C. with headquarters in St.. Rexhep Mala Nr. 18, Prishtina, Republic of Kosovo, I have been engaged as a licensed external actuarial expert to audit the work of the Kosovo Insurance Bureau in the following areas:

- Independent audit of the calculation of technical reserves of the Bureau as of December 31, 2022, also that:
  - Reserve for earned premium (Unearned Premium Reserve - UPR)
  - Reserves for incurred and reported claims (RBNS – Reported but not Settled)
  - Reserve for claims that have occurred but not reported (IBNR – Incurred But Not yet Reported)
  - Other reserves allocated by the Company for the running of the work, in order to be able to cover the obligations arising from the conclusion of insurance contracts
- Control of methods used to calculate reserves
- Control of the reserves is done for:
  - Compensation Fund (RBNS and claims handling reserves)
  - Border Security (UPR, RBNS, IBNR and claims handling reserves)

For this purpose, relevant data were taken as a basis, which I requested and provided to me by the Bureau. In parallel, I was insured and reviewed the actuary reports on the compensation fund and border insurance.

The data requested and provided have been sufficient to be able to give relevant opinion regarding the above-mentioned purpose

2. AUDIT FINDINGS

2.1 Reserves for unearned premium

The audit of the reserves for the unearned premium and the unexpired risk was done on the basis of the data provided by the Bureau, which contain all the necessary elements to conduct a complete audit of these reserves. The data is provided for each active policy separately, in order to be able to check the calculation at the policy level.

The Bureau maintains unearned premium reserves (UPR) only for Border Insurance.

The Bureau calculates the reserve for unearned premium according to the Pro Rata Temporis method, i.e. in fair proportion to the remaining time of the policy and that for each policy separately. This method is in full compliance with world actuarial practice, as well as with the Regulation for evaluation and maintenance of technical and mathematical provisions for life and non-life insurers.

I checked the sales database for 2022 and the formulas used to calculate the unearned premium reserve. I can ascertain that the Bureau has calculated the reserves for unearned premium – UPR adequately.

The total level of UPR reserves is 616.657 Euros. In the actuary's report, is presented a lower value of EUR 6, which is probably a technical error. The distribution is made fairly among all non-life insurance companies.

2.2 CLAIMS RESERVE

The Bureau has calculated reserves for reported claims (RBNS), incurred but not reported (IBNR) and reserves for claims handling expenses. Reserves for reported claims and claims handling expenses are held for the Compensation Fund and for Border Insurance, while the IBNR reserve is only for Border Insurance. The Bureau also calculated and distributed reserves for the portfolio inherited from INSIG, which were treated together and equally with the Compensation Fund.

To conduct an audit, I was provided with relevant data containing all the necessary elements to conduct a full audit of these reserves.

Below is a table of all Bureau reserves, for all types:

	Border Insurance	Compensation Fund	INSIG	Total
UPR	616.651			616.651
RBNS	5.189.220	8.456.434	112.879	13.758.533
IBNR	2.098.548			2.098.548
Reserve for handling	255.072	295.975	3.669	554.716
Total	**8.159.491**	**8.752.409**	**116.548**	**17.028.448**

2.2.1 RESERVES FOR INCURRED AND REPORTED CLAIMS - RBNS

The audit of these reserves was made from the list of claims presented, but not yet liquidated by the company. The Bureau maintains reserves for each claim separately, based on prior experience and expert assessment on a case-by-case basis. This type of calculation is adequate and in accordance with accepted actuarial methods, while the responsibility for each reserve is held separately by the Bureau and its member companies. However, the actuary can compensate for eventual shortages during the calculation of IBNR, the IBNER part (Incurred But Not Enough Reserved). Our opinion is that these reserves should be accepted as they are, while the eventual shortfall can be calculated and recorded while calculating the IBNR.

The Bureau also maintains the RBNS reserve for the share of damages inherited from INSIG. The total value of these claims is 112.879 Euros.

Claims from the compensation fund, border insurance and those from INSIG are adequately distributed among the Non-Life Insurance Companies.

2.2.2 RESERVES FOR INCURRED BUT NOT YET REPORTED CLAIMS– IBNR

The Bureau calculates IBNR reserves only for Border Insurance. To test the adequacy of the reserves I have reviewed the actuary calculations, the analytical list of each claim presented showing the dates of the accident and the occurrence of the claim, the years of payment and the actual reserves for claims accumulated according to the year of the accident.

The Bureau has calculated IBNR reserves using the expected loss ratio method.

First, the damage coefficient is calculated for each year separately. The coefficient of paid damages, RBNS damages and IBNR damages was calculated. An additional margin is further added to the sum of these coefficients. For the years prior to 2019, a rounding has been done, in the years 2019 and 2020, a margin of 1% has been added, while in the years 2021 and 2022, they have been rounded to 29%, which is an additional 2.7% and 2.2%.

The calculation of the ratios of paid claims and RBNS is simple. Meanwhile, to obtain an initial estimate for IBNR claims, the method of triangles on the claims paid was used. The triangles have been applied starting from 2006. Claims are grouped according to the date of the accident, while the development is done on the date of claim reporting. Development factors have been calculated for each year and with their application, a projection has been made for the total number of expected damages for each year. By subtracting the reported claims from this total, the result remains the IBNR claims, namely the number of claims that have not yet been reported.

To obtain a value for IBNR the number of expected claims is multiplied by the average IBNR claim paid in the last year.

As we said above, the Ultimate value for each year is obtained by adding up the unpaid claims, RBNS, IBNR, as well as a margin of safety as described above. The claims paid and those in RBNS are deducted from the Ultimate value, while the remainder is recorded as IBNR.

Our opinon

The method used is essentially the method of triangles with the number of claims IBNR, plus the margin of safety applied, since the intermediate calculations of the ratios of claims paid and RBNS serve only to arrive at the margin of safety.

The only shortcoming of this method is that it calculates only the true IBNR, without including the eventual under-reserve of RBNS claims (i.e. the IBNER reserve).

However, the fact that this reserve also contains a margin of safety can serve to cover eventual shortages of RBNS.

However, we will recommend that in the future KIB calculate reserves with more standard methods, which include reserves for reported but insufficiently reserved claims, such as Any of the methods of triangles on claims incurred or paid.

2.2.3 RESERVES IN REINSURANCE

KIB has a claim that has exceeded the level of self-sustainability and has been submitted for reinsurance. The reinsurance reserve is worth EUR 700.000.

2.2.4 Reserves for claims handling costs

As part of the technical reserves for claims, the Bureau also maintains reserves for claims handling expenses. Based on prior experience, the Bureau calculates these reserves as 3.5% of the amount of RBNS for the Compensation Fund and 3.5% of the amount of RBNS and IBNR for Border Insurance, a level that is reasonable according to actuarial practice. So, we can conclude that these reserves are at the right level.

3. ACTUARICAL OPINION

From the independent actuarial audit of the methods and calculations of the technical reserves of the Kosovo Insurance Bureau with the balance on 31.12.2022, I find that the Bureau calculates the reserves in accordance with the accepted actuarial practice and standards and the Regulation for evaluation and maintenance of technical provisions and mathematics for life and non-life insurers.

The statement applies to all types of reserves calculated, simultaneously for the Compensation Fund and Border Insurance.

This ascertainment is based on the processing of data provided to me by the Bureau, which contained all the necessary elements to give a final opinion on the level of technical reserves.

09 May 2023

Tetovo

VV

Licensed actuary

Robert Nesimi