

# THINKING AHEAD OF CHANGE.







## The GRAWE Group – grown strength.

Insurances, financial services and real estate constitute the core competencies of GRAWE. Sixteen Central, Eastern and South-Eastern European insurance subsidiaries testify to our international orientation. Over its 190-year success story, the company has been rooted in tradition and characterised by financial stability. With customer-friendly, individual advice and customised products in line with requirements, GRAWE is a guarantor for international quality, coupled with domestic standards of security.

### GRAWE Group

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### ГРАВЕ Україна

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## The GRAWE insurance companies in 2019

1828  
Austria



**GRAZER WECHSELSEITIGE**  
Versicherung Aktiengesellschaft

1991  
Slovenia



**GRAWE**  
Zavarovalnica d.d.

1993  
Croatia



**GRAWE HRVATSKA**  
osiguravajuće d.d.

1997  
Hungary



**GRAWE**  
Életbiztosító Zrt.

1997  
Beograd



**GRAWE**  
osiguranje a.d.o.

1998  
Sarajevo



**GRAWE**  
osiguranje d.d.

1998  
Ukraine



**ГРАВЕ УКРАЇНА**  
Страхове АТ

1999  
Cyprus



**GRAWE**  
Reinsurance Ltd.

2000  
Bulgaria



**ГРАВЕ БЪЛГАРИЯ**  
Застрахователно ЕАД

2000  
Romania



**GRAWE ROMÂNIA**  
Asigurare SA

2001  
Banja Luka



**GRAWE**  
osiguranje a.d.

2004  
Moldova



**GRAWE CARAT**  
Asigurări SA

2004  
Podgorica



**GRAWE**  
osiguranje a.d.

2007  
Skopje



**ГРАВЕ**  
осигурување ад Скопје



"It is not a matter of predicting the future,  
but of being prepared for it."

Pericles, philosopher, 5<sup>th</sup> century B.C.

# THINKING AHEAD OF CHANGE.

2020. We are starting out in a new decade that will entail huge changes for people and our entire planet. The environmental and climate situation, political, societal and social upheavals, effects of the all-embracing digitalisation such as the increasing dependency on technology and virtualisation of our life in real time: This new decade means a host of challenges – also for GRAWE.

How does our internationally active group with around 4,700 employees prepare for it? In addition to the very successful figures of the past year 2019, this annual report contains clear positions in this regard. Because from the history of our company and our activities alone, we are used to continually thinking ahead. And in the interest of our customers, employees and partners to already taking measures today that will also make us successful in the times of change over the next few years.

Note regarding rounding and figures in this annual report: There may be mathematical differences due to computerised rounding when aggregating amounts and percentages.

Gender-specific wording: To make the text easier to read, we have dispensed with any gender-specific differentiation in this report. Corresponding terms apply to both genders in equal measure.



Members of the Board  
(from left to right):

**Mag. Gerald Gröstenberger, MBA**  
Board director

**Dr. Gernot Reiter**  
Deputy General Director,  
Vice Chairman of the  
Board of Directors

**Dr. Philipp Meran**  
Chairman of the Supervisory Board

**Mag. Klaus Scheitegel**  
General Director,  
Chairman of the Board of Directors

**MMag. Georg Schneider**  
Board director

## Foreword by the Chairmen of the Board

Dear Readers,

Megatrends are changing the world. Digitalisation, neo-ecology, demographic developments and e-mobility are not only bringing radical changes to the everyday life of every one of us, they are also having a huge influence on the global economy. Our companies are therefore called upon to adapt to these new trends and to adjust their processes and products accordingly. GRAWE operates in a future-oriented manner and sees every change as an opportunity for an even better and more modern performance. At the same time, it consciously stands for stability in times of change. Its foresighted business model means that GRAWE is not only able to develop itself further as a group in the long term but also guarantees that it can handle the interests and money of its customers in a responsible manner.

That this strategy works is shown by the history of GRAWE which has developed from a regional fire insurer into an international group with 16 subsidiaries in Central, Eastern and South-Eastern Europe. In addition, GRAWE is not only a reliable partner in insurance matters but also enjoys the trust of its customers and business partners as a provider in the areas of finance and real estate.

In the financial year 2019, the GRAWE Group recorded growth in premiums in the insurance business of 9.20% in non-life and accident insurance and 2.82% in life insurance. This results in an overall increase in premiums of 6.42%. The insurance payouts increased in total by 6.99%. In summary, the GRAWE Group was able to increase the result of the financial year 2018 and thus continues to be on a path to success.

The GRAWE employees made a fundamental contribution to this result. They are the driving force behind the consistently excellent development of our company – we thus owe them our special thanks for this. We would also like to thank our customers for their trust and loyalty. We are delighted that GRAWE was also presented again last year with the “Recommender Award” of the Finance Marketing Federation of Austria (FMVÖ) – for the 12th time in 13 years. In 2019, GRAWE won not only in the category “Insurances nationwide” but was also awarded the highest seal of quality “Excellent customer orientation”.

The interests of its customers and employees are very important for GRAWE – at our company, the focus is on people. That is why we want to offer security, flexibility and quick and good solutions. This also involves

monitoring and using the current megatrends, for instance, to meet new requirements and simplify processes. Irrespective of whether it involves, for example, the safeguarding of our customers against rising everyday risks or against increased pension gaps, or the development opportunities for our employees, we constantly strive to keep pace with the times and to develop our company further.

GRAWE is also aware of its social responsibility. It supports numerous initiatives, events and institutions in the areas of health, environmental protection, education, art, culture and sport. In 2019, the “GRAWE Award”, which is presented every year for special achievements, was bestowed on Styrian Mountain Rescue for its tireless dedication at all times. Also within the framework of numerous partnerships and sponsoring commitments, GRAWE aims to promote those who share its basic values and whose activities it is convinced of.

GRAWE will also continue to opt for a sustainable course on all levels – whether when safeguarding the interests of its customers, whether within the framework of its asset investment or in the selection of its business partners. GRAWE will also use trends such as new technologies and digitalisation for the further development of its products and workflows and position itself accordingly with regard to current topics such as e-mobility or pension provision. In doing so, it will not lose sight of its social and economic responsibility at any time.

In summary, GRAWE generated considerable results in the 2019 financial year and once again effectively implemented its strategy of constant growth. The acquisition of Atos osiguranje (Bijeljina, Bosnia and Herzegovina) in 2018 was followed by the acquisition of EUROSIG AD Skopje (Skopje, North Macedonia) in 2019. Both companies have already been successfully integrated into the GRAWE Group. As an automobile and property insurer, EUROSIG AD Skopje, under the name “GRAWE nezivot Skopje” will from now on supplement the range of services of GRAWE on the North Macedonian market.

GRAWE is thus proving itself to be a group that is constantly growing. To conclude, we would once again like to offer our sincere thanks to our employees, our executives, our long-standing partners as well as our customers. Without your trust and your outstanding achievements, we would not have been able to position ourselves so successfully on the Austrian and European markets.

Yours sincerely,  
Klaus Scheitegel

Yours sincerely,  
Othmar Ederer

# GRAWE Group Profit and Loss Account for Financial Year 2019 (summary)

Profit and Loss Account	2019	2018
	EUR	TEUR
<b>General Insurance</b>		
1. Earned premiums	463,211,014.31	425,160
2. Allocated investment return transferred from the technical account	152,472.65	146
3. Other technical income	2,088,730.70	1,550
4. Claims accrued	-308,864,854.54	-279,745
5. Increase in the technical provisions	-293,590.90	-298
6. Rebates	-675,226.26	-688
7. Operating expenses	-149,306,267.86	-132,795
8. Other technical charges	-4,199,633.48	-5,834
9. Change in the volatility reserve	3,587,967.00	-4,413
<b>10. Technical account balance</b>	<b>5,700,611.62</b>	<b>3,084</b>
11. Investment income and interest income	67,727,025.35	64,638
12. Investment charges and interest paid	-23,582,941.42	-26,522
13. Capital income transferred to the technical account	-152,472.65	-146
14. Other non-technical income	761,635.88	743
15. Other non-technical charges	-3,880,542.60	-4,267
<b>16. Earnings gross before taxes</b>	<b>46,573,316.18</b>	<b>37,530</b>
<b>Life Insurance</b>		
1. Earned premiums	393,820,549.99	383,308
2. Allocated investment return transferred from the technical account	142,133,639.18	122,837
3. Unrealised gains on investments pursuant to asset item C.	33,005,716.65	2
4. Other technical income	1,802,272.89	2,830
5. Claims accrued	-318,204,816.05	-305,122
6. Increase in the technical provisions	-107,931,832.55	-35,500
7. Decrease in the technical provisions	-1.00	0
8. Rebates	-720,551.11	-606
9. Bonuses and/or policyholders' participation in profits	-28,366,507.06	-22,455
10. Operating expenses	-81,570,423.38	-76,608
11. Other unrealised losses on investments pursuant to asset item C.	-293,004.14	-20,205
12. Other technical charges	-387,520.27	-899
<b>13. Technical account balance</b>	<b>33,287,524.15</b>	<b>47,584</b>
14. Investment income and interest income	164,743,812.72	146,270
15. Investment charges and interest paid	-22,119,794.97	-22,506
16. Capital income transferred to the technical account	-142,133,639.18	-122,837
17. Other non-technical income	11,740,395.05	10,282
18. Other non-technical charges	-4,499,883.75	-7,977
<b>19. Earnings gross before taxes</b>	<b>41,018,414.02</b>	<b>50,815</b>
<b>Total</b>		
<b>1. Earnings gross before taxes of insurance undertakings</b>		
General insurance business	46,573,316.18	37,530
Life insurance	41,018,414.02	50,815
	<b>87,591,730.20</b>	<b>88,345</b>
<b>2. Earnings gross before taxes of credit institutions</b>	<b>64,345,789.26</b>	<b>72,771</b>
<b>3. Earnings gross before taxes in total</b>	<b>151,937,519.46</b>	<b>161,116</b>
4. Taxes on income and earnings	-26,722,186.48	-18,553
<b>5. Profit / Loss for the financial year</b>	<b>125,215,332.98</b>	<b>142,563</b>



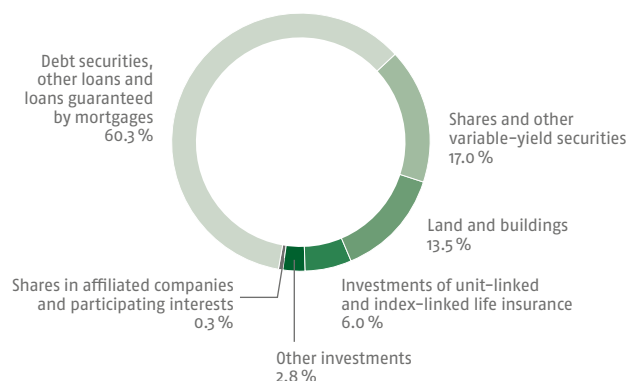
# GRAWE Group Balance Sheet on 31 December 2019 (summary)

Assets	31.12.2019	31.12.2018
	EUR	TEUR
<b>A. Intangible assets</b>	18,402,688	13,670
<b>B. Investments</b>		
I. Land and buildings	725,159,027	618,527
II. Investments in affiliated undertakings and participating interests	31,604,142	30,955
III. Other investments	4,196,057,391	4,037,935
IV. Deposits with ceding undertakings	60,639	73
<b>C. Investments of unit-linked and index-linked life insurance</b>	324,086,035	291,028
<b>D. Receivables</b>	69,239,771	66,475
<b>E. Accrued interest and rent</b>	57,573,329	57,860
<b>F. Other assets</b>	110,892,544	122,440
<b>G. Prepaid expenses</b>	4,268,149	3,229
<b>H. Deferred taxes on the assets side</b>	39,706,959	27,958
<b>I. Assets which derive from credit institutions</b>	5,560,352,501	5,390,712
	<b>11,137,403,176</b>	<b>10,660,860</b>

Liabilities	31.12.2019	31.12.2018
	EUR	TEUR
<b>A. Equity</b>	1,489,729,054	1,363,625
<b>B. Technical provisions, net of reinsurance</b>		
I. Provision for unearned premiums	179,840,990	165,971
II. Life insurance provision	2,806,995,393	2,716,100
III. Provision for claims outstanding	866,947,608	832,426
IV. Provision for rebates	4,442,311	3,765
V. Provision for bonuses and/or policyholders' participation in profits	132,331,455	113,469
VI. Volatility reserve	66,834,873	70,431
VII. Other technical provisions	19,205,184	10,951
<b>C. Technical provisions of unit-linked and index-linked life insurance</b>	320,012,750	298,049
<b>D. Non-technical provisions</b>	123,893,028	107,446
<b>E. Deposits received from reinsurers</b>	4,213,530	3,747
<b>F. Other liabilities</b>	152,746,642	137,404
<b>G. Deferred income</b>	64,024,742	65,248
<b>H. Provisions, liabilities and deferred income, which derive from credit institutions</b>	4,906,185,616	4,772,228
	<b>11,137,403,176</b>	<b>10,660,860</b>

# GRAWE Group Investments – a Reliable Basis

At 31 December 2019 the Group's total investments amounted to EUR 5,276 million (2018: EUR 4,978 million), corresponding to a 6.0% rise with respect to the previous year.



## Auditor's Opinion

We have audited the consolidated financial statements of

**GRAWE – Vermögensverwaltung,  
Graz, Austria,**

and its subsidiaries (the Group), which comprise the Consolidated Balance Sheet as at 31 December 2019, and the Consolidated Income Statement, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with, Austrian Generally Accepted Accounting Principles as well as legal or regulatory requirements.

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements.

Vienna, 20 March 2020

**KPMG Austria GmbH**  
Wirtschaftsprüfungs- und  
Steuerberatungsgesellschaft  
Mag. Thomas Smrekar

**PKF CENTURION**  
Wirtschaftsprüfungsgesellschaft mbH  
Dr. Andreas Staribacher

This report is a shortened translation of the original report in German, which is solely valid.





# Report 2019



Голова Правління  
Наталія Базилевська



Член Правління  
Етмір Краснічі

## Шановні пані та панове!

Діяльність ПрАТ «ГРАВЕ УКРАЇНА Страхування життя» в 2019 році була такою ж успішною як і в попередні роки. Ми досягли всіх поставлених завдань і тим самим підтвердили звання найстабільнішої та найнадійнішої компанії фінансового сектора України, якій десятки тисяч людей довіряють свої заощадження.

«ГРАВЕ УКРАЇНА Страхування життя» увійшла до трійки лідерів ринку страхування життя в Україні за розміром страхових резервів та розміром страхових виплат. Ми своєчасно та в повному обсязі виконуємо свої зобов'язання як за гривневими, та і за валютними договорами відповідно до ринкового курсу.

Наші досягнення та висока надійність отримали професійне визнання. Так, у минулому році «ГРАВЕ УКРАЇНА Страхування життя» стала переможцем двох номінацій «Компанія року» і «Вибір споживача», які були присвоєні компанії Всеукраїнським аналітичним центром і Асоціацією економічного розвитку на підставі експертного аналізу з використанням методу «Кластерного аналізу», який враховує розрахункові коефіцієнти, що характеризують стабільність, рентабельність, ефективність роботи капіталу і його ліквідність. Номінація «Компанія року» стала додатковим підтвердженням, що «ГРАВЕ УКРАЇНА Страхування життя» є надійним партнером, престижним роботодавцем і пропонує якісні послуги своїм Клієнтам. Нагорода «Вибір споживача» — знак високої якості послуг компанії. Номінація показує клієнтам і партнерам, що послуги «ГРАВЕ УКРАЇНА Страхування життя» є надійними, якісними і пріоритетними для вибору.

На початку 2020 року «ГРАВЕ УКРАЇНА Страхування життя» отримала ліцензію на здійснення валютних операцій в частині розрахунків в іноземній валюті на території України за договорами страхування життя. Отримання валютної ліцензії стало одним із пріоритетних завдань компанії одразу після того, як Закон України «Про валюту і валютні операції» набув чинності. Адже компанія дбає про інтереси своїх Клієнтів та завжди прагне зробити співпрацю максимально комфортною та вигідною для споживачів своїх послуг. Отримання валютної ліцензії надає право «ГРАВЕ УКРАЇНА Страхування життя» на здійснення виплат Клієнтам в доларах США за договорами, зобов'язання яких виражені в іноземній валюті.

Однією з головних причин такої ефективної роботи є використання консервативного австрійського підходу в побудові бізнес-процесів компанії. Стабільна робота страхової діяльності «ГРАВЕ УКРАЇНА Страхування життя», надійність і прибутковість фінансових інвестицій, повна гарантія виконання своїх зобов'язань перед Клієнтами — головні переваги компанії.

«ГРАВЕ УКРАЇНА Страхування життя» — надійний і стабільний партнер зі страхового захисту — буде і далі сприяти процвітанню майбутнього своїх Клієнтів і Партнерів. Разом ми зможемо підкорити ще не одну вершину страхового бізнесу України і стати рушійною силою, здатною вивести систему соціального забезпечення нашої країни на новий більш високий і якісний рівень розвитку.

З повагою та щирими побажаннями  
Правління «ГРАВЕ УКРАЇНА Страхування життя»

## Баланс на 31.12.2019 р.

Актив	31.12.2018 тис. грн.	31.12.2019 тис. грн.
<b>I. Необоротні активи</b>		
Нематеріальні активи	47,0	37,9
первісна вартість	93,2	93,2
накопичена амортизація	46,2	55,3
Незавершені капітальні інвестиції	–	–
Основні засоби	27.156,3	25.205,8
первісна вартість	32.261,9	31.443,3
знос	5.105,6	6.237,5
Інвестиційна нерухомість	38.636,4	37.834,0
Первісна вартість інвестиційної нерухомості	40.778,7	40.778,7
Знос інвестиційної нерухомості	2.142,3	2.944,7
Довгострокові біологічні активи	–	–
Первісна вартість довгострокових біологічних активів	–	–
Накопичена амортизація довгострокових біологічних активів	–	–
Довгострокові фінансові інвестиції: які обліковуються за методом участі в капіталі інших підприємств	–	–
інші фінансові інвестиції	2.206.780,0	959.601,1
Довгострокова дебіторська заборгованість	–	0,0
Відстрочені податкові активи	1.734,7	1.942,1
Гудвіл	–	0,0
Відстрочені аквізиційні витрати	–	0,0
Залишок коштів у централізованих страхових резервних фондах	–	0,0
Інші необоротні активи	–	0,0
<b>Усього за розділом I</b>	<b>2.274.354,4</b>	<b>1.024.620,9</b>
<b>II. Оборотні активи</b>		
Запаси	2.589,5	1.898,6
Виробничі запаси	–	0,0
Незавершене виробництво	–	0,0
Готова продукція	–	0,0
Товари	–	0,0
Поточні біологічні активи	–	0,0
Депозити перестрахування	–	0,0
Векселі одержані	–	0,0
Дебіторська заборгованість за продукцію, товари, роботи, послуги	38.436,3	46.936,2
Дебіторська заборгованість за розрахунками: за виданими авансами	1.325,5	1.729,4
з бюджетом	3.838,4	1.309,4
у тому числі з податку на прибуток	3.452,2	1.194,3
Дебіторська заборгованість за розрахунками з нарахованих доходів	55.948,9	65.109,3
Дебіторська заборгованість за розрахунками із внутрішніх розрахунків	747,8	2.204,2
Інша поточна дебіторська заборгованість	7.834,6	7.878,2
Поточні фінансові інвестиції	71.547,7	1.311.527,0
Гроші та їх еквіваленти	79.673,2	84.629,9
Готівка	–	0,0
Рахунки в банках	49.173,2	45.462,6
Витрати майбутніх періодів	611,1	168,3
Частка перестраховика у страхових резервах	324.514,7	254.393,2
у тому числі в: резервах довгострокових зобов'язань	310.319,3	235.791,5
резервах збитків або резервах належних виплат	14.195,4	18.601,7
резервах незароблених премій	–	0,0
інших страхових резервах	–	0,0
Інші оборотні активи	25,7	0,0
<b>Усього за розділом II</b>	<b>587.093,4</b>	<b>1.777.783,7</b>
<b>III. Необоротні активи, утримувані для продажу, та групи вибуття</b>	<b>–</b>	<b>0,0</b>
<b>Баланс</b>	<b>2.861.447,8</b>	<b>2.802.404,6</b>



## Баланс на 31.12.2019 р.

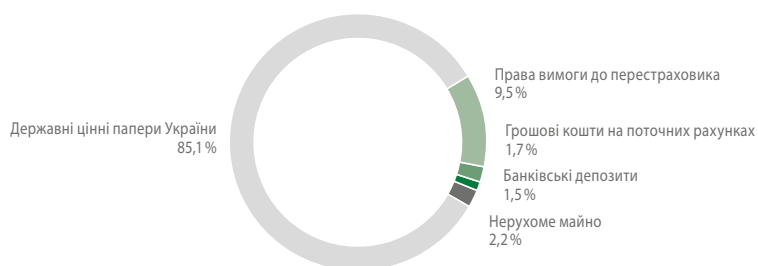
Пасив	31.12.2018 тис. грн.	31.12.2019 тис. грн.
<b>I. Власний капітал</b>		
Зареєстрований (пайовий) капітал	26.903,1	26.903,1
Внески до незареєстрованого статутного капіталу	–	–
Капітал у дооцінках	1.136,2	1.096,9
Додатковий капітал	–	–
Емісійний дохід	–	–
Накопичені курсові різниці	–	–
Резервний капітал	6.576,7	6.576,7
Нерозподілений прибуток (непокритий збиток)	197.307,7	201.554,9
Неоплачений капітал	–	–
Вилучений капітал	–	–
Інші резерви	–	–
<b>Усього за розділом I</b>	<b>231.923,7</b>	<b>236.131,6</b>
<b>II. Довгострокові зобов'язання і забезпечення</b>		
Відстрочені податкові зобов'язання	–	–
Пенсійні зобов'язання	–	–
Довгострокові кредити банків	–	–
Інші довгострокові зобов'язання	469,1	516,3
Довгострокові забезпечення	–	–
Довгострокові забезпечення витрат персоналу	–	–
Цільове фінансування	–	–
Благодійна допомога	–	–
Страхові резерви	2.560.563,5	2.492.654,2
у тому числі: резерв довгострокових зобов'язань	2.514.676,5	2.437.077,8
резерв збитків або резерв належних виплат	45.887,0	55.576,4
резерв незароблених премій	–	–
інші страхові резерви	–	–
Інвестиційні контракти	–	–
Призовий фонд	–	–
Резерв на виплату джек-поту	–	–
<b>Усього за розділом II</b>	<b>2.561.032,6</b>	<b>2.493.170,5</b>
<b>III. Поточні зобов'язання і забезпечення</b>		
Короткострокові кредити банків	–	–
Векселі видані	–	–
Поточна кредиторська заборгованість за: довгостроковими зобов'язаннями	–	–
товари, роботи, послуги	27.769,4	33.708,7
розрахунками з бюджетом	175,5	166,0
у тому числі з податку на прибуток	–	–
розрахунками зі страхування	11,3	24,6
розрахунками з оплати праці	1,4	3,6
Поточна кредиторська заборгованість за одержаними авансами	26.266,5	26.689,4
Поточна кредиторська заборгованість за розрахунками з учасниками	–	–
Поточна кредиторська заборгованість із внутрішніх розрахунків	–	–
Поточна кредиторська заборгованість за страховою діяльністю	–	–
Поточні забезпечення	12.537,7	12.461,7
Доходи майбутніх періодів	–	–
Відстрочені комісійні доходи від перестраховиків	–	–
Інші поточні зобов'язання	1.729,7	48,5
<b>Усього за розділом III</b>	<b>68.491,5</b>	<b>73.102,5</b>
<b>IV. Зобов'язання, пов'язані з необоротними активами, утримуваними для продажу, та групами вибуття</b>		
<b>V. Чиста вартість активів недержавного пенсійного фонду</b>		
<b>Баланс</b>	<b>2.861.447,8</b>	<b>2.802.404,6</b>

## Фінансові результати 2019 року

	2019 тис. грн.	2018 тис. грн.
<b>Страхові премії</b>	379.079,40	340.315,40
Інші операційні доходи	4.217,50	51.101,90
<b>Премії, сплачені за перестрахування</b>	-58.509,90	-54.192,10
<b>Формування резервів</b>		
Відрахування до резервів	67.909,30	-134.649,00
Частка перестраховика у зміні резервів	-70.121,50	-12.844,10
<b>Страхові виплати</b>		
Сплачені страхові виплати	-162.997,60	-165.206,20
Частка страхових виплат, сплачена перестраховиком	54.837,90	36.110,70
<b>Операційні витрати</b>	-428.070,80	-237.040,70
Фінансові доходи	222.130,30	182.688,00
Фінансові витрати	-900,70	-2.471,60
Податок на прибуток	-3.326,70	-2.096,50
<b>Чистий прибуток</b>	<b>4.247,20</b>	<b>1.715,80</b>

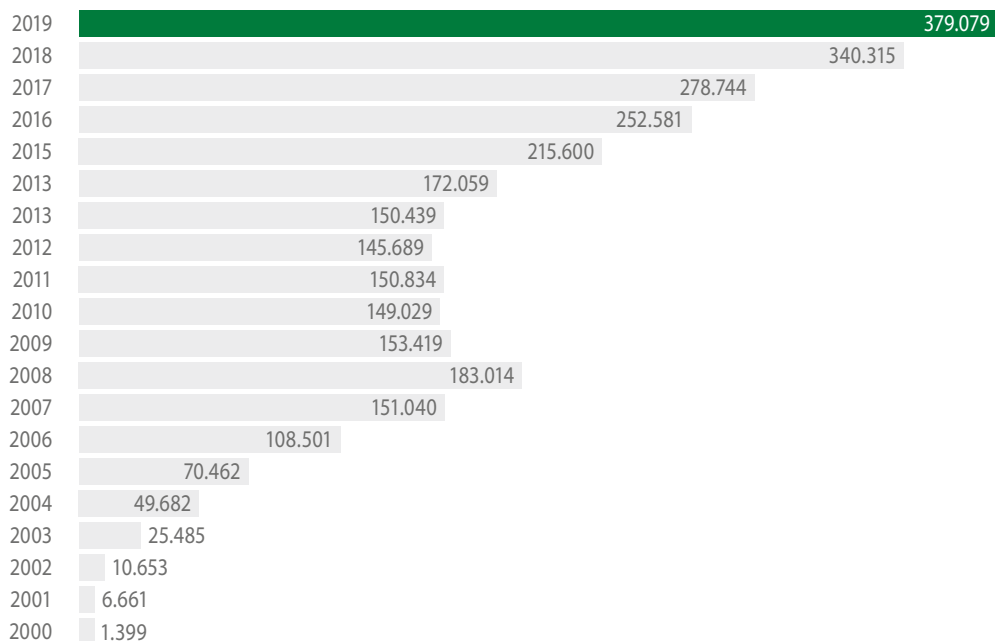
## Інвестиційний портфель ГРАВЕ Україна: 2.670.229,72 тис.грн.

(в тому числі страхові резерви: 2.492.654,2 тис.грн.)



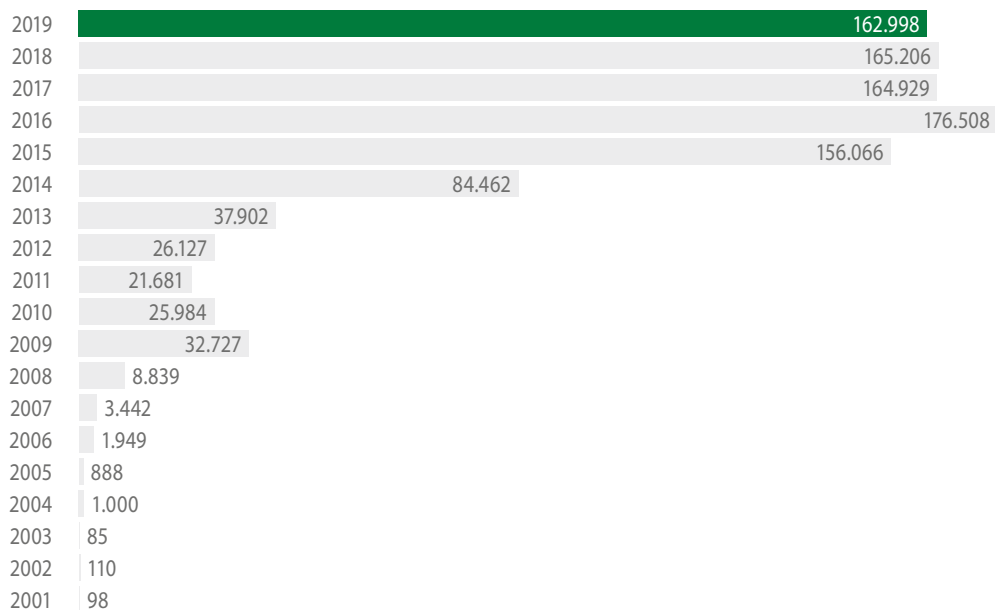
## Страхові премії

(тис.грн.)



## Страхові виплати разом з викупами

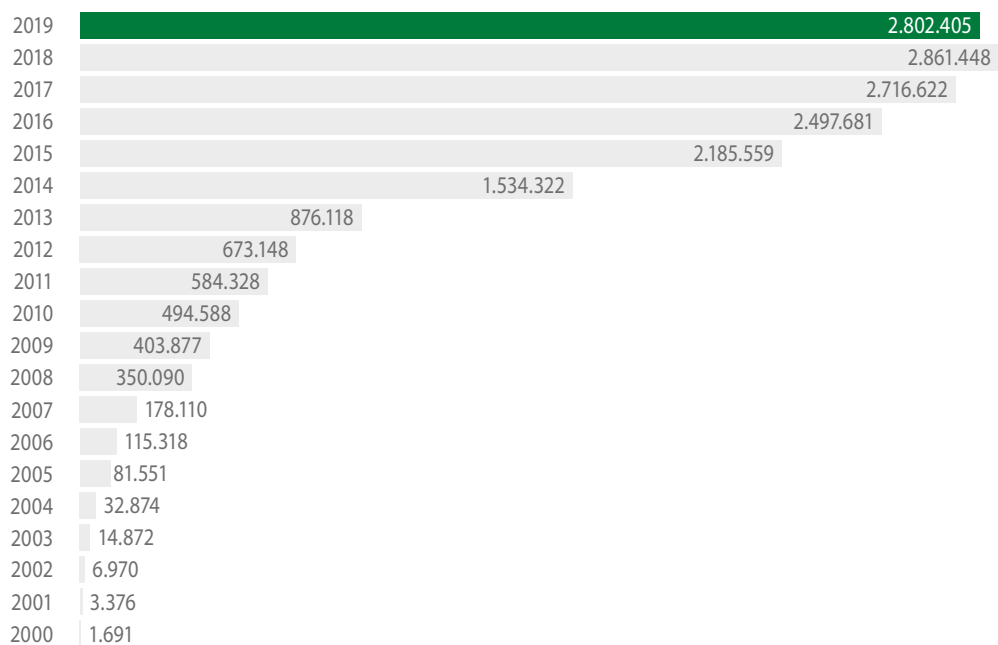
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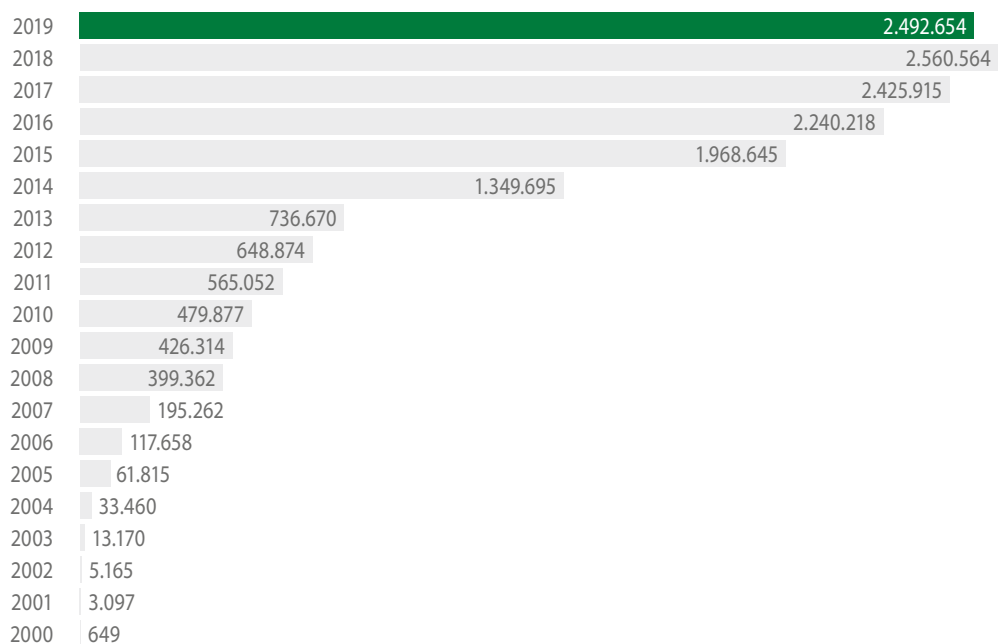
## Активи

(тис.грн.)



## Страхові резерви

(тис.грн.)





**РСМ УКРАЇНА АУДИТ**  
Україна, 04080 Київ  
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Тел./Факс: +380 (44) 501 50 34  
www.rsm.ua

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Supervisory Board of  
PRIVATE JOINT STOCK COMPANY "GRAWE UKRAINE Life Insurance"

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the annual financial statements of the PRIVATE JOINT STOCK COMPANY "GRAWE UKRAINE Life Insurance" (hereinafter – the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of cash flows, statement of changes in equity for the year then ended and notes to the financial statements, including the summary of significant accounting policies (hereinafter – the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (hereinafter – IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter – 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 Company in accordance with ethical requirements that are applicable in Ukraine to our audit of the financial statements, such as the International Ethics standards Board for Accountants' Code of Ethics for Professional Accountants (hereinafter – IESBA Code), and we also have fulfilled our other ethical responsibilities in accordance with these requirements.

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

#### Key Audit Matters

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the financial statements in the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Recognition, measurement and income earned from insurance activity of the Company*

СИЛА В РОЗУМІННІ  
АУДИТ | ПОДАТКИ | КОНСАЛТИНГ

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РСМ УКРАЇНА є філією компанії мерей РСМ, яка діє під торговельною маркою РСМ. Компанія філія РСМ є незалежним суб'єктом, що надає бухгалтерські та аудиторські послуги клієнтам в Україні. Мерей РСМ не є юридичною особою в жодній юрисдикції.

Income from premiums earned are significant for the financial statements of the Company (note 8.19), the system of their calculation and accounting is rather complex and is a component of the business risk of the Company. The Company calculates income from providing insurance services on the basis of current tariffs for each type of insurance, taking into account all the necessary characteristics of the insured object. The majority of income (premiums) is received from the wide range of clients that make payments within the agreed timeframe.

The basis of our audit approach, designed to reduce risk of material misstatements at recognition of the Company's income, includes tests of internal control, analysis of the relevant IT-system, analytical procedures, tests of details of transactions and balances, and tests of journal entries. Our audit procedures included tests of recognized income to the amounts specified in the insurance contracts with subsequent testing of payments received from insured clients. In addition, our analysis included the list of the Company's litigations in progress, provided by the management, the completeness of which was compared against the journal entries and information from external sources. We analysed the reserves for impairment of relevant accounts receivable balances, which were formed in accordance with the regulatory documents and the accounting policy of the Company.

#### Valuation of life insurance reserves

Insurance reserves are significant in terms of their volume and effect on the Company's activity (note 8.16). Insurance reserves to cover future insurance payments are made by the Company in accordance with the Methodology for formation of life insurance reserves approved by the Resolution of the State Commission for Regulation of Financial Services Market of Ukraine № 24 dated 27.01.2004.

Our audit procedures for the assessment of insurance liabilities included tests of the risk management process in place to determine liabilities under insurance contracts together with tests of related internal control system on preparation of the financial statements. We examined key judgments and control procedures on preparation of the reserves components that do not require actuarial involvement. We took into account the consistency applied to the accounting and methodology used for all insurance reserves with consideration of the best actuarial practices. We also involved the work of independent actuary to test the methodology used, the model and assumptions to the best actuarial practices. We analysed disclosures in the financial statements of the Company related to insurance reserves.

#### Valuation of financial investments in the form of bonds

The Company's financial investments include domestic and foreign government bonds. These bonds are carried at amortized cost assessed for impairment at the reporting date (note 8.3).

We performed tests on reconciliation of financial statements data to the source documentation related to operations mentioned above (determination of initial value of financial investments at their acquisition with their further measurement at the balance sheet date, accuracy of income and expenses). We obtained understanding of and tested the risk management process in place to determine the appropriateness of the financial investments measurements (including impairment identified). We analysed methodology of determining the effective interest rate and calculating amortization of premium and discount to IFRS requirements. We assessed disclosures in the financial statements and the notes thereto.

#### Other information

Management of the Company is responsible for other information. The other information comprises:

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- The Annual information of the issuer, which shall be formed by the Company on the basis of the requirements of Articles 40 and 40<sup>1</sup> of the Law of Ukraine "On Securities and the Stock Market", and which is not the financial statements of the Company and does not contain our Independent Auditor's Report on it. The Annual information of the issuer will be approved after the date of our Independent Auditor's Report. Our opinion on the financial statements does not apply to the Annual information of the issuer and we do not conclude with any level of assurance about this Annual information of the issuer. In connection with our audit of the financial statements, our responsibility is to read the Annual information of the issuer and, in doing so, consider whether there is a material inconsistency between the Annual information of the issuer and the financial statements or our knowledge obtained during the audit, or, whether the Annual information of the issuer otherwise appears to be materially misstated. When we read the Annual information of the issuer and if we come to the conclusion that it contains a material misstatement, we will be obliged to report this fact.
- The Annual reporting data of the issuer, which consists of general information about the insurer, the statement of income and expenses of the insurer, the report on insurance payments and payments by the structural units of the insurer and the explanatory note to the insurer's reporting data, in accordance with the requirements of the Procedure for compiling the reporting data of the insurer, approved by the order of the State Commission for Regulation of Financial Services Markets of Ukraine № 39 dated 03.02.2004 as amended. The Annual information of the issuer will be approved after the date of this Independent Auditor's Report. Our opinion on the financial statements does not apply to the Annual reporting data of the issuer and we do not conclude with any level of assurance about this Annual reporting data of the issuer as of the date of this Independent Auditor's Report. In connection with our audit of the financial statements, our responsibility is to read the Annual reporting data of the issuer and, in doing so, consider whether there is a material inconsistency between the Annual reporting data of the issuer and the financial statements or our knowledge obtained during the audit, or, whether the Annual reporting data of the issuer otherwise appears to be materially misstated. When we read the Annual reporting data of the issuer and if we come to the conclusion that it contains a material misstatement, we will be obliged to report this fact.
- Report on Management, which has to be formed by the Company on the basis of the requirements of the Law of Ukraine "On accounting and financial reporting in Ukraine" and which is not the financial statements of the Company and does not contain our Independent Auditor's Report on it. Our opinion on the financial statements does not cover the Report on Management as at the date of this Independent Auditor's Report. In connection with our audit of the financial statements our responsibility is to read the Report on Management and, in doing so, consider whether there is a material inconsistency between the Report on Management and the financial statements or our knowledge obtained during the audit, or, whether the Report on Management otherwise appears to be materially misstated. If, on the basis of our work, we come to the conclusion that there is a material misstatement in the Report on Management, we are obliged to report this fact. We have not identified such facts by the results of our reading the Report on Management, which would have to be included to this Independent Auditor's Report.

#### **Responsibility of the Company's 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matter related to going concern and using the going

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concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

#### **Auditor's Responsibility 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 scepticism throughout the audit. We also:

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

We communicate to those charged with governance regarding 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public

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disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- *The Law of Ukraine "On audit of the financial statements and auditing" N2258-VIII dated December 21, 2017*

The information in this section of the Independent Auditor's Report is provided in accordance with p. 3 and 4 Article 14 of the Law of Ukraine "On Audit of the Financial Statements and Auditing" No. 2258-VIII dated December 21, 2017.

We were appointed to conduct a statutory audit of the Company's financial statements by the Supervisory Board decision No. 111 dated March 20, 2019. Total duration of the audit engagement without interruptions, taking into account extension of the mandate that took place and the re-appointments, is 3 years.

#### Audit estimates

Our statement regarding identification and our assessment of risks of material misstatement of financial statements due to fraud or error is contained in *Auditor's Responsibility for the Audit of the Financial Statements* section of this Independent Auditor's Report

#### Description and assessment of risks of material misstatement in the financial statements

In planning our audit we determined that the audit of the Company's financial statements is accompanied by a high audit risk, based on the Company's business risk assessment and inherent accounting risk.

According to our audit estimates, the business risk includes:

- existence of insurance technical risk (risk of premium / insurance payments, interest guarantee risk, portfolio development, settlement of loss, redundancy (repos risk) and reinsurance (cumulative risk). Technical life insurance risks include biometric risk, risk of termination and interest guarantee risk);
- credit risk associated with the Company's investment in domestic and foreign government bonds.

In planning our audit we identified the accounting risk as existing for matters described in *Key audit matters* section of this Independent Auditor's Report.

#### References to information in the financial statements for describing and assessing the risk of material misstatement in the financial statements

We describe business risk indicators in note 6.11 to the financial statements of the Company. The description of accounting risk is provided in *Key audit matters* section of this Independent Auditor's Report, which contains references to relevant notes in the financial statements.

#### Description of responses taken to address identified risks of material misstatement in the financial statements

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Based on identified and assessed risks of material misstatement of the financial statements, we conducted the following audit procedures, we:

- increased the level of professional scepticism (i.e., increased our attention to the documentation and the need to confirm the explanations or statements of the Company's management);
- assigned appropriate personnel to carry out the statutory audit, including, in accordance with the RSM International Audit Manual, a second partner and a quality control reviewer;
- increased sample size and scope of analytical procedures;
- investigated whether there were any significant and / or unusual transactions occurred close to the year end;
- assessed the appropriateness of the applied accounting policies and the reasonableness of the accounting estimates and relevant disclosures in the financial statements made by the Company's management;
- assessed the overall presentation, structure and content of the financial statements, including disclosures, as well as whether the underlying operations and events are presented in the financial statements in the way to achieve their reliable presentation in the financial statements;
- analysed conclusion on the acceptability to use the assumption of the Company's management regarding going concern as the basis for accounting based on the audit evidence obtained. The period of assessment of continuous activity covered a period of at least twelve months from the date of approval of the financial statements;
- analysed information on whether there is a significant uncertainty about events or conditions that would put into question the Company's ability to continue as going concern.

#### Main limitations regarding the risks of material misstatement in the financial statements

The main limitation is the risk of fraud. In accordance with the requirements of IAS 240, in planning of our audit, we considered the Company's disposition to fraud, taking into account the business environment, as well as the means and methods of control established and supported by management, as well as the character of the transactions, assets and liabilities presented in the accounting.

In planning our audit, we made inquiries to the Company's management regarding whether they have knowledge of any actual, suspected or alleged fraud affecting the Company. In response to such inquiries the management provided a written assessment of the risk of fraud in the Company, according to which the risk of fraud is controlled.

However, the primary responsibility for prevention and detection of fraud rests with the management of the Company, which shall not rely on the audit to avoid its responsibilities, as fraud may include conspiracy, forgery, deliberate omission, incorrect statements or override of internal control, which may not be detected as a result of the limitations inherent of an audit. The inherent audit limitations are described in the Auditor's *Responsibility for the audit of the financial statements* section of this Independent Auditor's Report.

#### Audit effectiveness in detecting violations

In the case of any misstatements identified as a result of our audit, other than purely trivial mistakes, we report them to the Supervisory Board and management of the Company and apply professional judgment for quantitative and qualitative assessment of their cumulative effect on items and disclosures in the Company's financial statements; and also consider qualification of our Independent Auditor Report. As a result of our audit, we have not identified any uncorrected misstatements, which would require qualification of our Independent Auditor's Report.

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#### **Consistency the Independent Auditor's Report with additional report for the Audit Committee**

By the Supervisory Board decision № 112 dated 21.03.2019, the Company changed the name of the Internal Audit structural unit of the Supervisory Board to the Audit Committee of the Supervisory Board, which performs the Audit Committee functions. The Independent Auditor's Report is brought in line with the additional report to the Supervisory Board, which was prepared in accordance with the requirements of Article 35 of the Law of Ukraine "On Audit of the Financial Statements and Auditing".

#### **Providing services prohibited by law and the independence of the key audit partner and audit firm from the Company during the audit**

We have not provided services prohibited by law to the Company.

Statement of our independence from the Company, including the key audit partner is disclosed in the *Basis for opinion and Auditor's Responsibility for the Audit of Financial Statements* paragraphs of this Independent Auditor's Report.

#### **Information about other services provided to the Company or its controlled entities, except for the services of obligatory audit, which are not disclosed in the financial statements**

We conducted a review of interim financial statements of the Company for 9 months 2019 considering the requirements of the Resolution of the Board of the National Bank of Ukraine №297 dated 09.08.2002 (hereinafter – Resolution №297) (as amended). Independent Auditor's report on review of interim financial statements is issued on 04 December 2019.

We carry out the task of providing a limited assurance according to the requirements of the Resolution №297. The Independent Practitioner's Review Report was issued on 24 February 2020.

We carry out the task of providing a limited assurance on the compliance of the Annual reporting data of the insurer (the Company) for the year 2019 to the requirements of the Procedure for compiling the reporting data of the insurer, approved by the order of the State Commission for Regulation of Financial Services Markets of Ukraine № 39 dated 03.02.2004 as amended. At the date of this Independent Auditor's report, the respective Assurance Report of the Independent Auditor has not been issued yet.

We carry out the task of providing a limited assurance with regard to the information set forth in the Corporate Governance Report referred to in paragraphs 5 to 9 of section 3 of Article. 40.1 of the Law of Ukraine "On Securities and the Stock Market" of February 23, 2006, No. 3480-IV as amended, as well as verification of information specified in clauses 1-4 of this section. At the date of this Independent Auditor's Report, the respective Assurance Report of the Independent Auditor has not been issued yet.

Since the date of our appointment as an auditor of the Company's financial statements for 2019 till the date of this Independent Auditor's Report, we have not provided other services to the Company or its controlled entities (subsidiaries).

#### **Clarifications on the scope of the audit and the audit-specific constraints**

The description of scope of the audit is disclosed in *Auditor's Responsibility for the Audit of Financial Statements* paragraph of this Independent Auditor's Report.

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Because of the inherent constraints of an audit as well as the natural limitations of the internal control system, there is an inevitable risk that some significant distortions cannot be detected even if the audit is properly planned and executed in accordance with the ISAs.

#### **Basic information about the audit firm**

*Full name* - LIMITED LIABILITY COMPANY "RSM UKRAINE AUDIT"

*Location* - 04080, 47 Nizhnyoyurkivska Str., 47, Kyiv, Ukraine

*Information on inclusion to the Register* – under #2874 in the Register of Auditors and Audit Entities, including in the Section "Auditors that are entitled to carry out the statutory audit of financial statements" and in the Section "Auditors that have the right to conduct a statutory audit of financial statements of public interest companies".

The key audit partner of the audit resulting in this Independent Auditor's Report is Olga Poldiaieva.

Olga Poldiaieva  
Director

Recorded in the Register of Auditors  
and Audit Entities under # 100721

37/19 Donetska Str., Kyiv, Ukraine  
February 24, 2020



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