Independent auditor's report, annual management report and financial statements

2022 ANNUAL REPORT

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COMPANY DETAILS

ADB COMPENSA VIENNA INSURANCE GROUP

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Company code:	*304080146*
Registered address:	*Ukmergės g. 280, Vilnius, Lithuania*

SUPERVISORY BOARD

Chairman of the Supervisory Board	*Harald Riener*
Supervisory Board member	*Franz Fuchs*
Supervisory Board member	*Gábor Lehel*
Supervisory Board member	*Ireneusz Arczewski*

MANAGEMENT BOARD

Chairman of the Management Board	*Deividas Raipa*
Member of the Management Board	*Felix Nagode*
Member of the Management Board	*Andri Püvi*

AUDITOR

KPMG Baltics, UAB

ANNUAL MANAGEMENT REPORT

ABOUT VIENNA INSURANCE GROUP

We are the leading insurance group in Central and Eastern Europe with the claim to be a stable and reliable partner for our target groups.

Elisabeth Stadler,
CEO of Vienna Insurance Group

Vienna Insurance Group (VIG), headquartered in Vienna, is the leading insurance group throughout Central and Eastern Europe (CEE). Around 50 insurance companies in 30 countries form a Group with a long-standing tradition, strong brands and close customer relations. The more than 25,000 employees in the VIG take care of the day-to-day needs of more than 22 million customers.

FROM FIRST MOVER TO MARKET LEADER IN CEE

VIG was one of the first European insurance groups to begin expanding into the markets of the CEE region after the fall of the Iron Curtain in 1989. Step by step, the Group established itself in new markets and has become the number one in the region. Vienna Insurance Group places an emphasis on Central and Eastern Europe as its home market and pursues a long-term strategy in the markets where it is represented. More than half of the total business volume and profit is generated in this region.

We pursue a long-term business strategy in our markets that is focused on sustainable profitability and continuous earnings growth.

Elisabeth Stadler,
CEO of Vienna Insurance Group

EXPERTISE WITH LOCAL RESPONSIBILITY

Vienna Insurance Group is synonymous with stability and expertise in providing its customers with financial protection against risks. Great importance is attached to a local multi-brand policy with regionally established brands and local entrepreneurship. Ultimately, the Group's success and closeness to its customers is down to the individual strengths of each brand and local know-how.

STRONG FINANCES & CREDIT RATING

Vienna Insurance Group has been awarded an A+ rating with a stable outlook from the internationally recognised rating agency Standard & Poor’s. VIG is listed in Vienna, Prague and Budapest. Wiener Städtische Versicherungsverein – a stable core shareholder with a long-term focus – owns around 70% of VIG's shares. The remaining shares are in free float.

ALBANIA
SIGMA INTERALBANIAN — VIENNA INSURANCE GROUP
INTERSIG — VIENNA INSURANCE GROUP

AUSTRIA
VIG — VIENNA INSURANCE GROUP
WIENER STÄDTISCHE — VIENNA INSURANCE GROUP
Donau — VIENNA INSURANCE GROUP

BELARUS
КУПАЛА — VIENNA INSURANCE GROUP

BOSNIA-HERZEGOVINA
WIENER OSIGURANJE — VIENNA INSURANCE GROUP
vienna osiguranje — VIENNA INSURANCE GROUP

BULGARIA
BULSTRAD — VIENNA INSURANCE GROUP
Life BULSTRAD — VIENNA INSURANCE GROUP
PENSION ASSURANCE COMPANY DOVERIE — VIENNA INSURANCE GROUP

CROATIA
WIENER OSIGURANJE — VIENNA INSURANCE GROUP

CZECH REPUBLIC
Kooperativa — VIENNA INSURANCE GROUP
ČPP — VIENNA INSURANCE GROUP
VIG Re — VIENNA INSURANCE GROUP

DENMARK
VIG — VIENNA INSURANCE GROUP

ESTONIA
bta — VIENNA INSURANCE GROUP
COMPENSA — VIENNA INSURANCE GROUP
Seesam — VIENNA INSURANCE GROUP

FRANCE
VIG Re — VIENNA INSURANCE GROUP

GEORGIA
GPI — VIENNA INSURANCE GROUP
IRAO — VIENNA INSURANCE GROUP

GERMANY
InterRisk — VIENNA INSURANCE GROUP
VIG Re — VIENNA INSURANCE GROUP

HUNGARY
UNION — VIENNA INSURANCE GROUP

ITALY
WIENER STÄDTISCHE — VIENNA INSURANCE GROUP

KOSOVO
SIGMA — VIENNA INSURANCE GROUP

LATVIA
bta — VIENNA INSURANCE GROUP
COMPENSA — VIENNA INSURANCE GROUP

LIECHTENSTEIN
VIENNA-LIFE — VIENNA INSURANCE GROUP

LITHUANIA
bta — VIENNA INSURANCE GROUP
COMPENSA — VIENNA INSURANCE GROUP

MOLDOVA
DONARIS — VIENNA INSURANCE GROUP

MONTENEGRO
Život WIENER STÄDTISCHE — VIENNA INSURANCE GROUP

NORTH MACEDONIA
WINNER — VIENNA INSURANCE GROUP
Life WINNER — VIENNA INSURANCE GROUP
МАКЕДОНИЈА ОСИГУРУВАЊЕ — VIENNA INSURANCE GROUP

NORWAY
VIG — VIENNA INSURANCE GROUP

POLAND
COMPENSA — VIENNA INSURANCE GROUP
InterRisk — VIENNA INSURANCE GROUP
Vienna Life — VIENNA INSURANCE GROUP
wiener — VIENNA INSURANCE GROUP

ROMANIA
OMNIASIG — VIENNA INSURANCE GROUP
Asirom — VIENNA INSURANCE GROUP
BCR ASIGURARI DE VIATA — VIENNA INSURANCE GROUP

SERBIA
WIENER STÄDTISCHE — VIENNA INSURANCE GROUP
WIENER RE Beograd — VIENNA INSURANCE GROUP

SLOVAKIA
Kooperativa — VIENNA INSURANCE GROUP
KOMUNÁLNA POISŤOVŇA — VIENNA INSURANCE GROUP

SLOVENIA
WIENER STÄDTISCHE — VIENNA INSURANCE GROUP

SWEDEN
VIG — VIENNA INSURANCE GROUP

TÜRKIYE
RAY SIGORTA — VIENNA INSURANCE GROUP
Viennalife — VIENNA INSURANCE GROUP

UKRAINE
КНЯЖА — VIENNA INSURANCE GROUP
life КНЯЖА — VIENNA INSURANCE GROUP
USG — VIENNA INSURANCE GROUP

Status: January 2023

WE ARE **NUMBER 1**
IN CENTRAL AND EASTERN EUROPE.

VIG
VIENNA INSURANCE GROUP
Protecting what matters.

ABOUT COMPENSA VIENNA INSURANCE GROUP

Compensa Vienna Insurance Group UADB was founded in August 2015 by the decision of the Austrian company Vienna Insurance Group AG Wiener Versicherung Gruppe, which holds 100% of shares of the company. In January 2017 the legal status of insurance company was changed from private limited liability insurance company (Compensa Vienna Insurance Group UADB) to a public limited liability insurance company (ADB Compensa Vienna Insurance Group; hereinafter – the Company). At the end of 2021 the share capital of the Company was 188 000 with a nominal value of EUR 100. During the year 2022 there were no changes in the Company's capital.

MANAGEMENT BODIES

The management bodies of the Company comprise of the Shareholder's meeting, the Supervisory Board and the Management Board.

The Supervisory Board consists of four Supervisory Board members:

- Harald Riener, Chairman of the Supervisory Board of the Company;
- Franz Fuchs, Deputy Chairman of the Supervisory Board of the Company;
- Gábor Lehel, Deputy Chairman of the Supervisory Board of the Company;
- Ireneusz Arczewski, Member of the Supervisory Board of the Company.

During 2022 Mr. Arczewski joined the Supervisory Board; Mr. Borowiński and Mr. Höfinger stepped down as Members of the Supervisory Board.

The Management Board consists of three Management Board members:

Deividas Raipa
CEO and Chairman of the Management Board of the Company

Felix Nagode
CFO and Management Board member of the Company

Andri Püvi
Member of the Management Board and Head of Estonian branch of the Company

A list of executive and non-executive directorships and other professional activities of the Supervisory Board and the Management Board members is added as Annex 1 to this report.

CORE ACTIVITIES OF THE COMPANY

The core activity of the Company is non-life insurance business. The license for non-life insurance activities was issued in July 2015 by the Bank of Lithuania. After expansion of the license in March 2017 the Company has the right to carry out all non-life insurance activities.

STRUCTURE

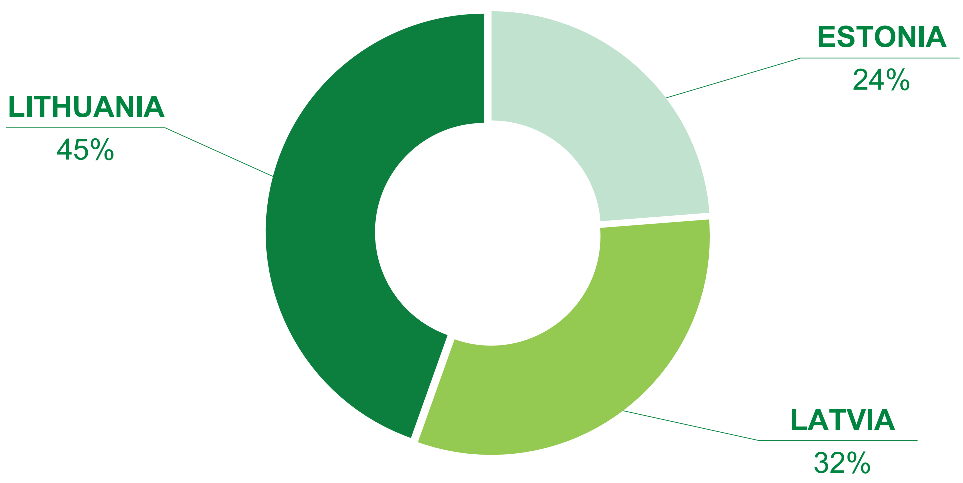
The Company is headquartered in Vilnius, Lithuania and has branch offices in Riga, Latvia and in Tallinn, Estonia. The organization is managed via a Pan-Baltic matrix structure, combining local market know-how and functional best practices. The Company follows a multi-channel distribution approach in all markets.

RESULTS FROM OPERATIONS

GROSS WRITTEN PREMIUMS **208.6** million

In 2022, the Company's gross written premiums amounted to EUR 208.6 million. The largest share of Compensa's insurance portfolio is comprised of property insurance 39% (2021: 38%); motor own damage insurance (Casco) – 24% (2021: 26%) and motor third party liability insurance – 24% (2021: 24%). During the year, the biggest part – 45% of total gross written premiums were written in Lithuania; 32% – in Latvia; 24% – in Estonia.

GROSS WRITTEN PREMIUMS



Compared to the year 2021, the profitability has dropped in the year 2022 – the Company achieved a profit before taxes in the amount of EUR 3.8 million (2021: profit of EUR 8.1 million). The Company generated net earned premiums of EUR 153.0 million. Claims incurred amounted to EUR 100.6 million and net operating expenses to EUR 47.9 million.

PROFIT BEFORE TAXES **3.8** million

The Company had a Net Combined Ratio of 97.0% - worsened due to macroeconomic conditions compared to 2021 (95.9%). This ratio is calculated as underwriting expenses and income and net payments for claims and insurance benefits, including the net change in underwriting provisions, divided by net earned premiums.

NET COMBINED RATIO **97.0%**

Net investment income of EUR -0.9 million, consists of interest income (EUR 2.3 million), disposal gains (EUR 0.5 million) as well as management, interest expenses and impairment of not liquid investments (EUR -3.7 million). At the end of the year, investment assets amounted to EUR 167.0 million (end of 2021: EUR 185 million). Assets are split between fixed income securities 89% (2021: 92%); loans 3% (2021: 2%); shares 7% (2021: 6%).

At the end of 2022, the shareholder's equity amounted to EUR 53.9 million (2021: EUR 86.3 million), insurance technical provisions to EUR 168.6 million (2021: EUR 158.0 million) and liabilities to EUR 73.3 million (2021: EUR 71.3 million).

At the end of 2022, ADB Compensa VIG had total assets of EUR 325.7 million (2021: EUR 329.2 million).

TOTAL ASSETS **325.7** million

STRATEGY AND DEVELOPMENT IN 2022

COMPENSA 24

The company continues to execute on its “Compensa 24” strategy program. Several initiatives were started its three pillars – some were already successfully concluded. Undoubtedly war related effects led to reprioritizations in some work streams, nevertheless, the strategy program serves as north star and remains fully in force.

PROTECT
to defend company’s profit and loss from adverse price developments

ATTACK
to use growth chances in the attractive Baltic markets

AMEND
to increase efficiency along our core processes

PROTECT

A new cross-functional technical excellence process was introduced. The dialog format and analytics served us well to manage pricing and risk selection in a high inflation environment. Furthermore, our proprietary claim network and its control was further strengthened.

ATTACK

We expanded the retail and corporate ecosystems by offering value added services such as Assistance and launched product innovations e.g., green products and STOP Hate, – a product focused on cyber bullying.

AMEND

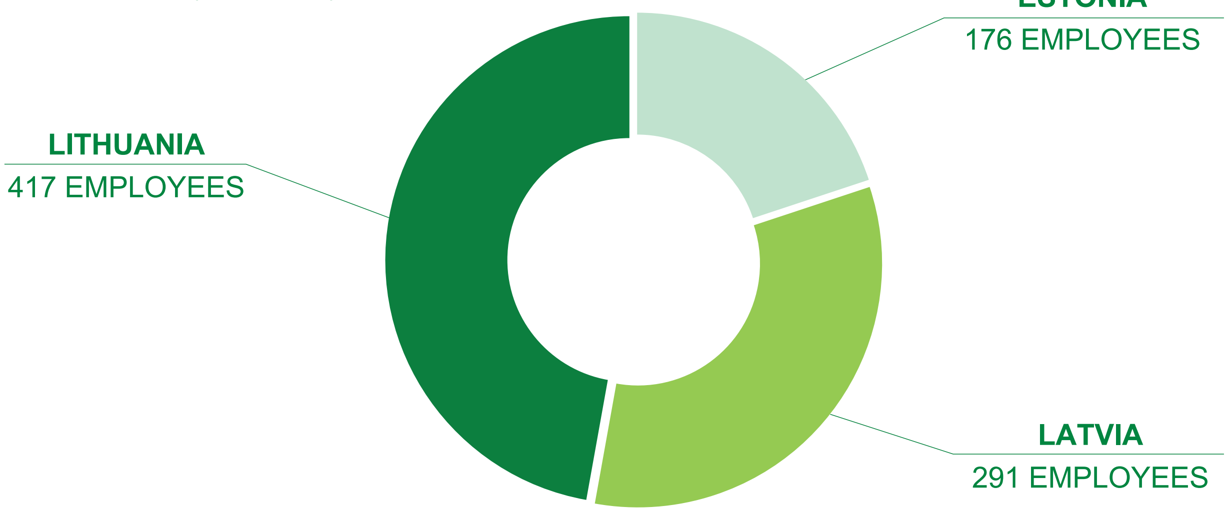
Compensa invested in process improvements in Claims as well as in Sales, making our services even more customer friendly. To streamline internal efficiency, managers were trained in Agile working. Underlying our commitment to ESG, Compensa achieved the ISO 14001 certification.

HUMAN RESOURCES

884 EMPLOYEES

At the end of 2022 the Company had overall 884 employees (2020: 860; 2021:884), the split between the Baltic countries can be seen below.

EMPLOYEES (2022: 884)



In an insurance business where products are intangible, personnel trust plays a decisive role. The confidence that the Company's customers place in us day-by-day is essential to the Company's success. This success is gained and maintained by the Company's service-oriented and competent employees.

During the year 2022, as part of the strategic process, the purpose and values of Compensa were further communicated and anchored in the company. The initiative was performed with broad involvement of our employees across regions, departments and career tenures.

Our purpose **"We deliver protection for your prosperity"** is our commitment to our Stakeholder groups. This purpose is based on our four values: being trustworthy, going extra mile, driving innovation and bringing simplicity.

RISK AND RISK MANAGEMENT

Risk management in the Company is organized according to the standards of the parent company Vienna Insurance Group and in compliance with Solvency II requirements with well-defined organizational and operational structures, responsibilities, and risk management processes. The main objective of risk management is ensuring sustainability and solvency of the Company even under less favourable market conditions thus guaranteeing the fulfilment of obligations to the customers under any circumstances.

All key function holders comply with fit and proper requirements. The Company fosters a risk culture where every employee feels responsible for day-to-day risk management in daily work, informs promptly about emerging risks and incidents, understands the need for applicable control procedures and follows them.

The core competence of the Company is dealing professionally with risks. The insurance business consists of deliberate assumption of various risks and profitable management of them. Those risks include standard underwriting risks resulting from underwriting non-life and health insurance business as well as risks stemming from investments (market risks) and general risks, such as the counterparty default risk, concentration risk, operational risk or reputational risk. Those mentioned risks also cover ESG (environment, social and governance) related risks.

The Company defines the following overall approach to risks it might be exposed to:

Accepted risks:

- The Company generally accepts those risks that are directly associated with the exercise of its insurance business (underwriting risk, partially market risks).

Conditionally Accepted Risks:

- Operational risks need to be avoided as far as possible, but have to be accepted to a certain degree, as on the one side operational risks cannot be eliminated fully and on the other side expenses for protection against certain risks may exceed the expected loss, which would be economically unreasonable.
- Investment management shall follow the prudent person principle, unreasonable risks need to be avoided, high-risk investment products shall only be held in case of hedging of other market risks.
- Risk stemming from financial insurance shall be held to a limited extent.

Mitigated Risks / Mitigation Measures:

- Fostering and promotion of strong risk awareness together with a well-defined risk governance in all business areas.
- The calculation of the technical provisions must be performed in a prudent way, especially to compensate undesirable, but possible fluctuations.
- Reinsurance is a central instrument to hedge against major loss events (tail risks in non-life business.
- Strict limits for market risks and investments well-matched to the liabilities of the Company.

Avoided Risks:

- Risks are not accepted, if either the Company has not the necessary know-how or not the necessary resources for the management of the risk, or capital resources of the Company are insufficient for the coverage of the risk.
- The Company does not accept underwriting risks, if they cannot be evaluated and priced correctly.
- Asset Management does not accept risks, if the know-how for the valuation of these risks is not available in an adequate kind. Such risks include, but are not limited to weather derivatives, commodity futures or investments with unlimited loss potential.

The Company’s established reinsurance program allows controlling net retention on risk and event level. To increase counterparty risk diversification, the Company co-operates with more than 30 reinsurance companies. The main reinsurance partners in 2022 were Vienna Insurance Group (Austria), VIG Re (Czech Republic) and Swiss Re (Switzerland).

MARKETING AND SOCIAL ACTIVITIES

Lithuania

ADB Compensa Vienna Insurance Group second year in a row is in the list of leaders of the Lithuanian financial sector in 2022.

The company entered the top ten leaders of the financial sector compiled by "Verslo žinios" - for the second year in a row – taking first place among non-life insurance companies.

Remaining in the leader's list is a proof of the company stability, the professionalism of the employees, and the earned loyalty of customers.

GREEN ECONOMY AND DEVELOPMENT OF INSURANCE SERVICES

In support of the European Union's goal to become the first climate-neutral continent by 2050, we are committed to innovative and responsible actions. Understanding the importance of this commitment globally and locally, Compensa Vienna Insurance Group aims to contribute and become an insurance expert for the transformation towards a green economy.

In 2022, we introduced the CASCO insurance services package adapted to electric vehicles to the market. We became one of the first to separate electric vehicles from vehicles powered by internal combustion engines, adapting the service specifically to the properties of electric vehicles.

FIGHTING BULLYING ON SOCIAL NETWORKS

Realising that social networks have become a virtual home for a large number of people, Compensa Vienna Insurance Group takes active steps and leadership to promote respectful behaviour in this space and educate both children and adults, as well as to help people who became victims of bullying on social networks.

In 2022, we introduced the Neapykantai STOP (STOP Hate) service, which can be added to a client’s property insurance coverage. STOP Hate provides protection in cyberspace – it helps fight hate speech and other safety issues on social networks. The insured is provided with psychological, IT specialist and legal assistance, information and relevant services that are necessary to avoid, reduce or eliminate unwanted consequences of events in the social network space.

PREVENTION OF UNDERINSURANCE

Incomplete insurance is one of the main risks that companies should consider in the current economic situation. Inflation rates in the Baltics have been in record high for more than a year-inflation reached more than 20% in the course of percent 2022. Due to the increase in building values, the insured amounts in the insurance contracts signed before the inflation jump, may be not sufficient to protect the entire property and satisfy customers expectations.

ADB Compensa Vienna Insurance Group emphasizes in our internal and external communications that for customers it is important to review insurance contracts and values already before they expire. Customers should take the changing situation in consideration and book at least a small safety margin when concluding the insurance contract. Communication with the representative of the insurance company will ensure timely advice how the existing contracts should be adjusted.

SUPPORT FOR SPORTS AND CULTURE

Compensa Vienna Insurance Group ADB constantly emphasizes the importance of not only teamwork, but also active social activities. Therefore, contributing to projects and initiatives that are of importance to the country is one of our goals. In 2022, we continued our successful and inspiring partnership with the Lithuanian Basketball League. We also aim to contribute to the development of young talents.

In 2022, we provided support for cultural projects — together with the Vienna Insurance Group, we became sponsors of the exhibition of the Austrian artist A. Brauer, and continued cooperation and extended the right to use the Compensa trademark to the Compensa Concert Hall.

SOCIAL ACTIVE DAY IN THE COMPANY

Since 2011, the companies within Vienna Insurance Group have been encouraging their employees to be involved in the Social Active Day initiative. Its essence is that employees devote a part of their working time to helping socially vulnerable groups.

In 2022, we added a paid day off for Social Active Day to the list of Employee Benefits to encourage employees to become involved in the social activities planned by the Company or individually.

We aim for the number of employees participating in the Social Active Day to increase every year. The 2022 goal of Compensa Vienna Insurance Group ADB for the Baltic countries is to include at least 40% of its employees in the Social Active Day (2021 goal — 30%).

This goal was achieved — 429 employees (48%) participated in different initiatives organised by the company in Lithuania, Latvia and Estonia..

SUPPORT FOR VULNERABLE SOCIAL GROUPS

In 2022, we established significant long-term cooperation with the support and charity fund Mamų Unija (Mothers' Union) and the Order of Malta, and we established the directions for long-term cooperation with both organizations, as well as continued cooperation with other organizations.

Mothers' Union: the employees were involved in the Family Home housekeeping work, helped in organising Christmas gifts for the children were invited to the children Christmas performance organised by Compenca. We provided support to the Mothers' Union with household appliances and furniture, which we purchased using the funds collected during Pie Day. Colleagues working in different Lithuanian cities contributed to the Pie Day initiative.

Lithuania

168 employees volunteered in activities organised by the Company in cooperation with the Food Bank, the Order of Malta, the Mothers' Union, Caritas Lithuania and animal shelters.

Order of Malta: together we defined 5 long-term volunteering directions and suggested them to our colleagues. We have agreed on long-term cooperation in the project "Preparation of children and young people for independent life" — we have 2 volunteers who, in cooperation with the representatives of the Order of Malta, have taken responsibility to engage in long-term mentorship of young people.

Colleagues across Lithuania were actively involved in the project "Kindness cake with the Order of Malta"; they baked and prepared festive cakes and food packages for the elderly and disabled people.

Latvia

165 employees were actively involved in organising support and creating a Christmas celebration for families from Ukraine. Having dedicated a large portion of their own Christmas event to attention and help for Ukraine. The colleagues worked hard and packed more than 200 gifts for Ukrainian children. In cooperation with the social service of the Ropaži Municipality, our colleagues brought gifts to the Ukrainian children staying in their region, and the Ukrainians in the Latvian community made sure that our gifts also reached Ukrainian children with disabilities.

The colleagues worked hard and packed more than 200 gifts for Ukrainian children.

Estonia

97 employees participated in 4 initiatives of the Company: they continued the tradition and did household chores at the Iru nursing home, volunteered at the Tartu animal shelter, knitted nets for the Ukrainian army, devoted time to work at the Parnu Children and Youth Support Centre.

Volunteering at the Tartu animal shelter.

SOCIAL ACTIVITIES AT THE INITIATIVE OF EMPLOYEES

Compensa Vienna Insurance Group ADB also supports and encourages the employees' own internal social initiatives. It has become a tradition to annually contribute to the initiative of the employees in fulfilling the dreams of the children fostered in Naujieji Valkininkai, Žilinai and Varėna orphanages. The children make the list themselves, in which the most necessary everyday items and learning tools are listed at the top.

In 2022, we contributed to the fulfilment of larger domestic needs – using the collected funds, all necessary needs were fulfilled, and additionally, the employees organised holiday gifts and entertainment for the children.

Deividas Raipa
Chief Executive Officer and Chairman of the Management Board
29 March, 2023

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME (EUR)

Items	Note	Financial year	Previous financial year (restated)
INSURANCE INCOME			
NET PREMIUMS EARNED	**24**	**152 952 496**	**126 749 553**
Net written premiums		**161 443 557**	**130 058 599**
Gross written premiums	23	208 626 101	171 594 314
Reinsurer's share in premiums	23	(47 182 544)	(41 535 715)
Change in provision for unearned premiums		**(8 491 061)**	**(3 309 046)**
Change in gross provision for unearned premiums	9	(9 529 596)	(7 312 030)
Change in provision for unearned premiums, reinsurer's share	9	1 038 535	4 002 984
Other technical income		-	-
INSURANCE EXPENSES			
Net claims paid		**(103 918 072)**	**(80 369 471)**
Gross claims paid	25	(128 061 017)	(98 406 676)
Claims settlement expense	25	(9 556 723)	(8 180 058)
Recovered losses	25	8 312 549	6 618 965
Reinsurer's share	25	25 387 119	19 598 299
Change in outstanding claim technical reserve		**3 342 702**	**(111 259)**
Change in gross provision for claims	25	(1 048 653)	489 100
Change in provision for claims, reinsurer's share	25	4 391 355	(600 359)
NET INCURRED CLAIMS	**25**	(100 575 370)	(80 480 730)
Operating expenses		**(45 405 033)**	**(39 032 398)**
Acquisition costs	26	(46 808 090)	(39 761 322)
Administrative expenses	27	(8 439 416)	(8 296 456)
Reinsurance commission income and profit share		9 842 473	9 025 380
Other technical result		(3 180 742)	**832 359**
Interest income	28	2 288 284	2 050 905
Net profit / loss of financial assets	28	536 945	1 255 763
Investment valuation and management expenses	28	(2 825 092)	(211 330)
Other finance income	29	31 709	34 105
Other finance expenses	29	(1 023 741)	(436 806)
Other income	30	950 813	682 096
Other expenses	30	(3 139 660)	(2 542 373)
PROFIT / (LOSS) BEFORE TAXES		**3 791 351**	**8 068 785**
INCOME TAX EXPENSES	31	(119 884)	(237 101)
PROFIT / (LOSS) OF THE YEAR		3 671 467	7 831 685
Other comprehensive income	13	**(30 614 274)**	**(4 714 507)**
Revaluation of available for sale instruments that are or may be reclassified to profit or loss		**(30 614 274)**	**(4 714 507)**
Items that will not be reclassified to profit or loss			
Total comprehensive profit / (loss) for the reporting year		**(26 942 807)**	**3 117 177**

D. Raipa	Ž. Kramarauskaitė	L. Petrošienė
General Manager	Chief Accountant	Chief Actuary
29 March 2023	29 March 2023	29 March 2023

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION (EUR)

Items	Note	Financial year	Previous financial year (restated)
ASSETS			
Intangible assets	1	15 477 558	14 954 980
Right-of-use assets	2	2 933 037	2 998 220
Property and equipment	3	1 201 639	1 384 936
Investment in subsidiaries and an associate	7	1 817 503	1 817 503
Financial assets available for sale	4	158 712 215	1 79 111 219
Loans and deposits	6	6 394 880	4 224 674
Total investment		**166 924 598**	**185 153 396**
Amounts receivable from policy holders		26 902 388	24 277 415
Amounts receivable from intermediaries		6 856 589	5 356 983
Total receivables from direct insurance activities	8	**33 758 977**	**29 634 398**
Receivable from reinsurance activities		4 204 006	8 575 154
Other receivables		1 657 027	2 088 447
Total amounts receivable	8	**39 620 010**	**40 297 999**
Deferred tax assets	31	**2 294 255**	**274 743**
Provision for unearned premiums, reinsurer's share	9	16 933 873	15 895 339
Outstanding claims technical provision, reinsurer's share	9	29 770 601	25 379 246
Total reinsurance assets		**46 704 474**	**41 274 586**
Accrued interest and rental income	10	1 011 858	913 390
Deferred acquisition costs	10	13 960 780	12 141 407
Other accrued income and deferred costs	10	17 486 911	16 057 978
Total accrued income and deferred costs	10	**32 459 549**	**29 112 775**
Cash at bank and cash in hand	11	**18 087 034**	**13 763 892**
Total assets		**325 702 154**	**329 215 526**

Continued on the next page

STATEMENT OF FINANCIAL POSITION (EUR) (CONTINUED)

Items	Note	Financial year	Previous financial year
EQUITY AND LIABILITIES			
Equity			
Share capital	12	18 800 000	18 800 000
Share premium	12	17 045 774	17 045 774
Revaluation reserve	13	(26 584 175)	4 030 100
Legal reserve	13	1 880 000	1 880 000
Retained earnings		39 081 899	36 750 213
Profit (loss) of the reporting year		3 671 467	7 831 685
Total equity		**53 894 965**	**86 337 772**
Liabilities			
Subordinated loan	6	**23 069 842**	**7 596 814**
Technical reserves			
Technical provision for unearned premiums	9	92 213 790	82 432 111
Technical provision for outstanding claims	9	76 350 282	75 314 267
Unexpired risk technical provisions	9	-	252 083
Insurance rebates technical provision		17 114	4 474
Total insurance liabilities		**168 581 186**	**158 002 935**
Provisions	14	**2 294 407**	**1 710 732**
Creditors			
Direct Insurance creditors			
Liabilities to insured		7 105 570	6 430 001
Liabilities to intermediaries		22 280 812	20 831 327
Total direct Insurance creditors	16	**29 386 382**	**27 261 328**
Liabilities to reinsurers	17	8 262 260	11 774 695
Deposits of reinsurer	15	24 593 944	22 314 451
Debts to credit institutions	18	26 381	35 192
Lease liabilities	2	2 949 064	3 020 859
Taxes and social insurance contributions	19	388 312	321 602
Other liabilities	20	7 677 382	6 544 164
Total creditors		**73 283 725**	**71 272 290**
Accrued liabilities	22	**3 677 276**	**3 341 562**
Deferred income		**900 753**	**953 746**
Total equity and liabilities		**325 702 154**	**329 215 526**

D. Raipa	Ž. Kramarauskaitė	L. Petrošienė
General Manager	Chief Accountant	Chief Actuary
29 March 2023	29 March 2023	29 March 2023

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY (EUR)

	Share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Total
Balance as at 31 December 2020	**18 800 000**	**17 045 774**	**8 744 607**	**1 387 287**	**42 242 604**	**88 220 270**
Profit / (loss) of the year	-	-	-	-	7 831 685	**7 831 685**
Other comprehensive income (Note 13)	-	-	(4 714 507)	-	-	**(4 714 507)**
Transactions with owners of the Company						
Creation of mandatory reserves	-	-	-	492 714	(492 714)	-
Dividends					(5 000 000)	(5 000 000)
Balance as at 31 December 2021	**18 800 000**	**17 045 774**	**4 030 099**	**1 880 000**	**44 581 898**	**86 337 772**
Profit / (loss) of the year	-	-	-	-	3 671 468	**3 671 468**
Other comprehensive income (Note 13)	-	-	(30 614 275)	-	-	**(30 614 275)**
Transactions with owners of the Company						
Other	-	-	-	-		-
Creation of mandatory reserves	-	-	-			-
Dividends					(5 500 000)	(5 500 000)
Balance as at 31 December 2022	**18 800 000**	**17 045 774**	**(26 584 175)**	**1 880 000**	**42 753 366**	**53 894 965**

D. Raipa	Ž. Kramarauskaitė	L. Petrošienė
General Manager	Chief Accountant	Chief Actuary
29 March 2023	29 March 2023	29 March 2023

STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS (EUR)

Items	Note	Financial Year	Previous financial year
Cash flows from operating activities			
Premiums received from direct insurance		190 571 724	157 157 441
Claims paid for direct insurance		(118 625 497)	(93 620 830)
Payments received from ceded reinsurance			-
Payments made for ceded reinsurance		(6 451 526)	(8 583 345)
Operating expenses paid		(52 874 126)	(45 784 141)
Taxes paid on ordinary activities		(3 767 466)	(3 400 959)
Amounts paid on other operating activities of insurance		(118 051)	1 544 734
Net cash from / (used in) operating activities		**8 735 057**	**7 312 899**
Cash flows from investing activities			
Acquisition of subsidiaries and associates	7		
Disposal of the investments		24 284 450	30 843 884
Acquisition of the investments		(35 849 943)	(35 934 406)
Loans	6	(2 179 018)	(1 716 393)
Interest received from shares, debt and other non-current assets	6	115 994	68 115
Amounts from other investing activities		109 155	6 582
Net cash flows from / (used in) investing activities		**(13 519 362)**	**(6 732 217)**
Cash flows from financing activities			
Amounts received on issue of ordinary shares		-	-
Subordinated loan		15 000 000	
Interest from loans	6	(392 553)	(391 986)
-Paid dividend's		(5 500 000)	(5 000 000)
Net cash flows from / (used in) financing activities		**9 107 447**	**(5 391 986)**
Net increase / (decrease) in cash and cash equivalents		**4 323 142**	**(4 811 304)**
Cash and cash equivalents at the beginning of reporting year		**13 763 892**	**18 575 197**
Cash and cash equivalents at the end of reporting year		**18 087 034**	**13 763 892**

D. Raipa
General Manager
29 March 2023

Ž. Kramarauskaitė
Chief Accountant
29 March 2023

L. Petrošienė
Chief Actuary
29 March 2023

EXPLANATORY NOTES

EXPLANATORY NOTES

1. BACKGROUND INFORMATION

ADB "Compensa Vienna Insurance Group" (hereinafter "the Company") was registered on 11 August 2015 in the Republic of Lithuania.

The Company is engaged in insurance activities and provides non-life insurance services.

As at 31 December 2022 the authorized capital of the Company consists of 188 000 ordinary registered shares with a nominal value of EUR 100 per share, and share premium of EUR 17 045 774. All shares are fully paid.

As at 31 December 2022 the Company's sole shareholder was Vienna Insurance Group AG Wiener Versicherung Gruppe, company code 75687 f, address Schottenring 30, 1010 Vienna, Austria.

The Company is headquartered in Vilnius, Lithuania.

At 31 December of 2022, the Company had 876 full-time employees (at 31 December 2021: 875), 409 of them work in Lithuania, 291 in Latvia and 176 in Estonia.

Country	**31/12/2022**	**31/12/2021**
Lithuania	417	404
Latvia	291	289
Estonia	176	182
Total	**884**	**875**

The license for insurance activities was issued on 30 July 2015 and expanded on 28 July 2016. In January 2017, with regard to changes in legal regulation, the license for compulsory civil liability insurance of contractors was changed to the license of administrative construction works and civil liability insurance of building construction, reconstruction, repair, renovation (modernization), demolition or cultural heritage buildings, and new insurance lines were added on 15 March 2017. The license is valid in the Republic of Lithuania and in any other state of the European Economic Area. The license provides the Company with the right to carry out sales of voluntary insurance, of the following insurance groups or related risks:

- Accident insurance;
- Sickness insurance;
- Land vehicles (other than railway rolling stock) insurance;
- Railway rolling stock insurance;
- Ships (sea and internal waters) insurance;
- Goods in transit insurance;
- Property insurance against fire and natural forces;
- Property insurance against other risks;
- Liability arising out of the use of motor vehicles operating on the land;
- Liability arising out of the ships (sea and internal waters);
- General liability insurance;
- Financial loss insurance;
- Legal expenses insurance;
- Assistance insurance;
- Aircraft insurance;
- Insurance against civil liability arising out of the use of aircraft;
- Credit insurance;
- Suretyship insurance.

Sales of the following compulsory insurance risk products are carried out:

- Compulsory civil liability insurance of technical supervisors of construction;
- Compulsory civil liability insurance of construction (part thereof) examination contractor
- Compulsory insurance of suppliers of tour organizing services;
- Compulsory civil liability insurance of construction planners;
- Compulsory civil liability insurance of main researchers and contractors of biomedical research;
- Administrative construction works and civil liability insurance of building construction, reconstruction, repair, renovation (modernization), demolition or cultural heritage buildings;
- Compulsory civil liability insurance of insurance intermediaries;
- Compulsory civil liability insurance of users of motor vehicles;
- Compulsory civil liability insurance of railroad companies (carriers) and companies using public railway infrastructure;
- Compulsory civil liability insurance of audit companies;
- Compulsory professional civil liability insurance of bailiffs;
- Compulsory civil liability insurance of notaries;
- Compulsory civil liability insurance of construction project (part thereof) examination contractor;
- Compulsory civil liability insurance of health care institutions against damage;
- Compulsory civil liability insurance of property or business valuation firms and independent property or business assessors;
- Civil liability insurance of licensed person for damage caused to others by determination of the cadastral data of immovable property;
- Compulsory professional civil liability insurance of bankruptcy administrators carrying out bankruptcy procedures for natural persons;
- Compulsory professional civil liability insurance of bankruptcy administrators carrying out company bankruptcy procedures;
- Compulsory professional civil liability insurance of restructuring administrators;
- Compulsory civil liability insurance of consular officials performing notarial acts;
- Compulsory professional civil liability insurance of attorneys.

The Company has branch offices in Riga, office address: Vienības gatve 87h, Latvia, and in Tallinn, office address: Maakri19/1, Tallinn 10145.

As at 31 December 2022 the Company did not have subsidiaries.

The financial year of the Company starts on 1 January and ends on 31 December.

The audit in the Company has been performed by KPMG Baltics, UAB.

The Shareholders' Meeting will be held on 3 April 2023.

2. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

Consistent accounting principles have been applied to the financial years presented in these financial statements.

BASIS OF PREPARATION

The financial statements of ADB Compensa Vienna Insurance Group have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and their interpretations as adopted by the European Union (IFRS EU) to be effective for the year 2022. The financial statements were presented for authorization to management on 29 March 2023. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in euro (unless otherwise stated), which is the Company's functional currency.

BASIS OF MEASUREMENT

The financial statements are prepared on the historical cost basis except for the available-for-sale financial assets which are measured at their fair values.

USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Although the estimates are based on management's best judgement and facts, actual results may differ from those estimates.

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

The most significant estimates in the financial statements are related to estimation of recoverable amount of goodwill, estimation of insurance provisions. and determination of value for Russian federation bonds

Information about the main estimation criteria that affect the amounts recognized in the financial statements is presented in the following notes:

- Note 1 Goodwill
- Note 5 Financial Instruments and Fair value measurement hierarchy.
- Note 10 Insurance contract provisions.

MEASUREMENT OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements including Level 3 fair values and reports directly to the chief financial officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information such as broker quotes or pricing services is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS EU including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability the Company uses observable market data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

FOREIGN CURRENCY

All the operations in foreign currency are booked as functional currency to the relevant country on the day the operation is performed, by the euro-foreign exchange rate published by the European Central Bank. All the monetary assets and liabilities, evaluated in foreign currency, are converted to the functional currency by the euro-foreign exchange rate published by the European Central Bank at the end of reporting period.

All the income and expenses of converting assets or liabilities due to the change in the currency exchange rate are included in the statement of comprehensive income, in the period the exchange rate changed.

3. SIGNIFICANT ACCOUNTING POLICIES

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

CLASSIFICATION OF INSURANCE CONTRACTS

A contract under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. All contracts concluded are classified as non-life insurance contracts and the Company has not concluded any investment contracts. The basis for classification of insurance contracts is the essence of the transfer of insurance risk, for example:

- Personal accident insurance,
- Property insurance,
- Vehicle insurance,
- Liability insurance.

RECOGNITION OF REVENUE AND EXPENSES

Premiums written and earned

Premiums written comprise premiums on contracts concluded during the reporting period with cover period not longer than one year, one-year portion of premiums on contracts concluded during the reporting period with cover period longer than one year and current year portion of premiums on contracts concluded during the previous financial year with cover period longer than one year.

Premiums written are decreased by cancelled insurance premiums following the terminated contracts.

Premiums earned comprise premiums attributable to the reporting period, i.e. premiums written during the reporting period adjusted for change in the provision for premiums unearned over the reporting period.

Reinsurance premiums

Reinsurance premiums are recognized following the same principles as gross written premiums of the respective contracts.

Unearned reinsurance premiums are those proportions of premiums ceded in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Reinsurance premiums and claims in profit or loss have been presented as negative items within premiums and net benefits and claims respectively, which is consistent with how the business is managed.

Fees

Insurance contract policyholders are charged for policy surrenders. These fees are recognized as revenue over the period in which the related services are performed.

Incurred claims

Claim costs comprise amounts actually paid for insurance events including claim settlement costs less changes in technical provision for outstanding claims and recovered amounts by subrogation or regress. Claim costs are decreased by the reinsurers' share. Reinsurers' share includes amounts to be compensated by reinsurers in accordance with existing reinsurance contracts. Reinsurers' claim costs include reinsurers' share of claim costs during the reporting period, claim settlement costs, amounts recovered by subrogation and regress, and reinsurers' share of the change in technical provision for outstanding claims.

Reinsurers' share of claims and benefits incurred
Reinsurance claims and benefits are recognized when the related gross insurance claim or benefit is recognized according to the terms of the relevant reinsurance contract.

Investment income and costs

All income and costs related to investments are recognized in profit or loss as investment income and costs on an accrual basis.

All interest income from cash generating financial instruments is included in the statement of comprehensive income using the effective interest rate method. Interest income includes coupon payments for fixed income bonds and interest income earned from investment into bank deposits and bank loans. Also, interest income includes cash on bank accounts and the amortization of discounts and bonuses, or other financial instrument difference between the carrying value from which interest is calculated and its value on redemption day calculated using the method of effective interest rate.

Acquisition and administrative expenses

Acquisition costs include costs related to underwriting of insurance contracts, their updating and servicing. Acquisition costs include direct and indirect acquisition costs. Direct acquisition costs include commissions to intermediaries, which are attributed to lines of insurance depending on which line of the insurance contracts the commissions are paid for directly for each line. Other acquisition costs related to concluding and servicing insurance contracts (e.g. preparation of insurance documents, salaries to employees concluding insurance contracts, advertising) are allocated in proportion to gross premiums earned during the reporting period if type of insurance was not specified when entering costs into the accounting system. Acquisition costs related to the future periods are shown in the statement of financial position as deferred acquisition costs.

Administrative expenses are the expenses that contribute to generating income for the reporting period, e.g. salaries paid to the Company's management and social insurance contributions, costs of rent. Repairs, maintenance, and depreciation of non-current assets of common use, expenses of communication, business trips and other. These expenses are identified according to the cost centre of expenses they are incurred in (administrative expenses are incurred in the functional group of administration). Administrative expenses are allocated in proportion to gross premiums earned during the reporting period if type of insurance was not specified when entering costs into the accounting system.

In allocation of expenses, a part of administrative expenses of the functional group is attributed to acquisition costs. Attribution is regulated by the Company's methodology for accounting and allocating expenses.

Other technical income and expenses

Other technical expenses comprise obligatory deductions to supervisory authorities and other expenses. Other technical income comprises commission fee for claim settlement of other insurance companies.

Other income and expenses

Other income and expenses consist of income and expenses related to other than insurance, inward or outward reinsurance or investing activities.

Other income includes income earned for the provided services, not related with insurance activity, such as earned interest income which is not related with investment from cash in bank account; earned income which is not related with investment from currency converting and change in currency exchange rate; profit from the revaluation of positions in the financial statements not related with investment; any other similar income not included in other positions.

Expenses are recognized based on the accrual and matching principles in the reporting period during which related income is earned, irrespective of the time the money was spent. Only the part of expenses of the reporting and previous periods, which is attributable to the income generated during the reporting period, is recognized as expenses.

Other expenses comprise expenses related to sales of other assets, non-allowable tax deduction, assets written off, credit interest, currency exchange loss, etc.

Other income includes income from sales of the Company's other assets, services rendered as to other contracts.

Taxation

Corporate income tax consists of the current and deferred taxes.

Current tax is the expected tax payable on the taxable income using applicable tax rates effective as at the reporting date. The taxable profit is different than the profit in profit or loss as it does not include some items of income and expenses, which can be taxed and legible in the other year, and it also does not include some items which will never be taxed or legible. For the year 2022 and 2021 the corporate tax rate was 15% in Lithuania.

The corporate tax in Latvia it is calculated in accordance with Latvia laws. In the Estonia it is calculated in accordance with Estonian laws.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted.

A deferred tax asset is only recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

The Company calculates and books profit tax using profit tax rate effective as at the reporting date and effective tax accounting principles.

Rates of other taxes paid by the Company are the following:

- Support fee for the supervisory authorities based on gross written premiums in Estonia and Lithuania and based on collected premiums in Latvia:
  - Lithuania: 0.221%,
  - Latvia: 0.202%, MTPL 0.143%
  - Estonia: 0.097%.
- Motor bureau membership fee based on gross written premiums of civil liability in respect of the use of motor vehicles:
  - Lithuania: 1.75%,
  - Latvia: 2% and EUR 0.39 per insurance contract, fixed monthly fee EUR 3 247,
  - Estonia 3,05% and fixed monthly fee EUR 3 000.
- Social insurance contributions on employment related income calculated for employees
  - Lithuania: 1.77%.
  - Latvia: 23.59%,
  - Estonia: 33.8%.

Intangible assets

Intangible assets include identified non-monetary assets, which have no material form, held by the Company and used with a view to gain direct or indirect economic benefit.

Maintenance and other costs of intangible assets are treated as costs of the reporting period when incurred. Decrease in the value of intangible assets loss of assets write-off are treated as operating expenses.

Intangible assets are stated at acquisition cost less accumulated amortization and impairment, if any. Straight-line amortization of intangible assets is provided over the estimated useful lives of the assets.

The amortization period from 5 to 10 years is applied depending on the group of intangible assets. The Company uses these amortization periods for intangible assets:

Intangible assets	Amortization period (in years)
Software	5
Other assets	5

Goodwill

Goodwill arising in a business acquisition process is accounted for at cost determined at business acquisition date less accumulated impairment losses, if any. Goodwill is recognized after acquisition of subsidiaries/branches at the amount by which the price paid exceeds the fair value of the net assets attributable to the Company.

Goodwill acquired in a business combination is not amortized, but is tested for impairment annually or more frequently, when indications of impairment losses exist.

Financial assets

Financial assets consist of cash and cash equivalents, receivables, deposits in credit institutions and financial assets available for sale as well as the financial assets held to maturity.

Financial assets available for sale are non-derivative financial assets that have been recognized initially in this category, or are not recognized initially in any other category. After to initial recognition financial assets in this category are measured at fair value, and gain or loss is recognized in other comprehensive income except for impairment losses, which are recognized in profit or loss.
Financial assets are derecognized when the rights to receive cash flow from the financial asset have expired or where the Company has transferred substantial all risk and rewards of ownership. Financial liabilities are derecognized when they are extinguished.

Amounts receivable include payments receivable from the insured, brokers and other intermediaries, amounts receivable from the reinsured and the reinsurers. Amounts receivable are stated at nominal value less impairment. Doubtful amounts are identified according to the term overdue. Cash include cash in hand and at bank. Cash equivalents are short-term highly liquid investments readily convertible into known amounts of cash.

Deposits in credit institutions are financial assets, including cash held at bank for a certain period. At initial recognition, deposits in credit institutions are accounted for at the acquisition cost. Whereas, at each date of the financial statements they are accounted for at amortized cost. The amounts which may be withdrawn only upon certain maturity are treated as deposits in credit institutions. The amounts not subject to this limitation are treated as cash in hand and at bank, even if interest is charged on them.

Investments into Fund units

The fair value of fund units is determined based on the funds' published net asset value (NAV) as of the balance sheet date on which the fund units are typically redeemed. NAV is determined by the book value method. The fair values of assets in which the fund invests, and liabilities are determined based on acceptable market valuation methods. The change in fair value is accounted for in the statement of other comprehensive income, reserves.

Restatement

Prior year financial statements were restated due to reclassification made in the statement of financial position between Investments to subsidiaries and associates and Financial assets available for sale . The restatements is explained in notes 4 and 7 of these financial statements.

Investment into equity securities

Investment into equity securities are treated as financial assets available for sale. At the initial recognition these investments are recognized at acquisition cost and they are stated at the end of each period at the fair value which is established on the market price basis. Investments in non-listed securities are stated at estimated fair value.. Changes in the fair value of investment into equity securities are reflected in other comprehensive income and reserves.
Investment in subsidiaries and associate companies is accounted using cost method less impairment. Dividend income is recorded when declared.

Investments into debt securities

Valuation of investments into debt securities depends on the objective of the acquisition of assets. For the purpose of measurement, these financial assets are divided into two groups: financial assets available for sale and financial assets held to maturity. Only newly acquired debt securities may be attributed to the group of financial assets held to maturity.

Investments into debt securities, which are classified as financial assets available for sale at the initial recognition are registered in the accounting at acquisition cost. Subsequently these investments are stated at the fair value at the end of each reporting period which is established on the market value basis, and reflected in the statement of financial position at the fair value. Profit and loss arising from the change in the fair value of the investments into debt securities are reflected in other comprehensive income and reserves. Interest is calculated at amortized cost and is recognized in profit or loss as income and costs of investment activities as incurred.

Investments into debt securities, which are classified as financial assets held to maturity, at the initial recognition are registered in the accounting at acquisition cost. These assets have a fixed maturity term and are measured at the amortized cost using the effective interest rate method.

Interest income on debt securities is accounted for in profit or loss for the reporting period. Accrued interest is included in the total value of investments in the statement of financial position.

All acquisitions and sales of investments are recognized as at their settlement date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified as Loans, Term deposits with banks, Insurance and Reinsurance debtors and Other debtors in the statement of financial position. Loans and receivables are measured at amortized cost using the effective interest rate method.

Property and equipment

Property and equipment of the Company include assets held and controlled by the Company expecting to get benefit in the future periods, which are to be used for over one year, and the acquisition cost of which can be reliably estimated and the value of which is higher than the minimum established for that group of the assets.

Tangible non-current assets are recognized at acquisition cost when acquired. In the statement of financial position, the tangible non-current assets are reflected at the acquisition cost less accumulated depreciation and impairment.

Depreciation of the tangible non-current assets is calculated on a straight-line basis over the useful lifetime of the assets. The main groups of tangible assets are depreciated over the following period:

- Office equipment 3–7 years;
- Cars 4–10 years.

Useful lifetime is regularly reviewed to ensure that the depreciation term approximates useful lifetime of tangible non-current assets.

When the assets are written-off or disposed, their acquisition cost and accumulated depreciation are eliminated and gain or loss on disposal is recognized in profit or loss.

If the renovation of tangible assets improves their useful features or extends their useful lifetimes, the acquisition cost of the tangible non-current assets is increased by the value of the improvement. Otherwise, the improvement is expensed. Value added tax is not included in the acquisition cost of the non-current tangible assets. The minimum value of the group of the tangible non-current assets is EUR 1 000.

Impairment of financial assets

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

The Company evaluates the evidence of impairment for both specific assets and for all group of assets. All individually significant financial assets are assessed for impairment. All individually significant assets that are not assessed as impaired are assessed as a whole for any impairment incurred but not yet identified.

If payments from policyholders are not timely made, policies are cancelled, and respective amounts are deducted from Premium income. Other receivables are stated at the amount that can be expected to receive. Impairment allowance was made for doubtful debts.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its property and equipment and intangible assets also Right of use asset to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation cannot be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately as income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Related party transactions

The parties are related if one of the parties can control the other or can make a significant influence on the other party's financial and operational decisions. Related parties are shareholders, employees, members of the Management and Supervisory Board, their relatives, and the companies which directly or indirectly control, through one or several intermediaries, or are controlled by the reporting Company, or are controlled jointly with the Company. Inter-group transactions are defined as supplies and services or receivables and payables between companies, which are defined in the VIG's scope of companies for intra-group transactions.

All companies in which a significant participation is held directly or indirectly by VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG) are included in the scope of companies for intra-group transactions.

Deferred acquisition costs

The acquisition costs incurred by the Company are deferred while recognizing the acquisition costs under the heading of assets in the statement of financial position. These acquisition costs are deferred because they will be incurred in the subsequent period when related income is earned. Deferred acquisition costs consist of deferred commission paid to intermediaries' insurance policies written. Deferred commission is calculated on a pro-rata basis in respect of each insurance policy, and is recognised as expenses over the life of each insurance policy.

Capital and reserves

The authorized capital is accounted for in compliance with the Company's Statute. The amount received by which the sales price of the shares issued exceeds their nominal value is accounted for as share premium. Share premiums may be used to increase the Company's authorized capital and cover loss.

Reserves are formed when allocating profit of the reporting and previous years, according to the decision of the Shareholders' Meeting, in compliance with legal acts of the Republic of Lithuania, bylaws and the Company's Statute. Legal reserve is the compulsory reserve which is formed from the profit for distribution. The companies shall transfer 5% of the net profit into compulsory reserve until the total amount of this reserve reaches 10% of the authorized capital of the Company. The compulsory reserve may only be used to cover losses of the Company. The part of the compulsory reserve exceeding 10% of the authorized capital may be reallocated when distributing the profit of the following financial year. Revaluation reserve reflects the increase in value of non-current (real estate) assets, as a result of revaluating of the assets. The revaluation reserve is decreased when revaluated assets are depreciated, written-off, depreciated or transferred to the ownership of other persons. The authorized capital can be increased by the part of revaluation reserve after the revaluation of non-current assets. The losses cannot be decreased by using the revaluation reserve.

Insurance technical provisions

The Company makes technical provision for unearned premiums, unexpired risk, outstanding claims and rebates.

The technical provision for unearned premiums is to cover insurance costs according to all effective insurance risks. This provision is calculated as a part of written premiums that will be attributed to the Company's income in future periods. The provision for unearned premiums is calculated according to the 'pro rata' method. Unearned premiums provisions acquired during the merger with SIA SEESAM are estimated further without recalculation of written premiums in respect of long-term policies.

The provision for outstanding claims is formed in respect of all claims arising from the events which have occurred before the end of the reporting period. The provision for Incurred but Not Reported Claims is calculated by the "Bornhuetter-Ferguson" method or Chain Ladder method for those types of insurance where statistical information is sufficient. For types of insurance, where statistical information is limited, provision is calculated by using loss ratio method. Reserve for Incurred, Reported but Not Settled Claims is calculated during of loss adjustment including expected claim amount and loss adjusting expenses for each event. No discounting is applied, except for reported but not settled annuity claims.

The unexpired risk technical provision is intended for covering of the premium insufficiency under all valid insurance risks. Premiums are insufficient, where it is established that the future accounting period revenue under all valid insurance risks will not be sufficient for pay-outs in the future accounting periods, including running cost of that business. The unexpired risk technical provision equals to the amount, by which the premium amount is insufficient.

Technical provision for rebate of insurance premiums is made for amounts to be returned to the policyholder in case his claims statistics follows conditions pre-agreed in the contract. The provision is calculated for each contract which is subject to rebate of premiums, separately in accordance with terms laid down by the contract.

The reinsurers' share in technical provisions is estimated according to the terms and conditions of reinsurance contracts.

Non-technical provisions

Non-technical provisions are recognized as liabilities when the Company has legal liability or an irrevocable commitment due to events in the past; it is also possible that the assets will be used for the fulfilment of the legal liability or irrevocable commitment and the amount of liabilities may be reliably estimated.

Other liabilities

Other liabilities are accounted for when liabilities concerning insurance and other related activities arise. Other liabilities do not include technical provisions.

Financial liabilities

Financial liabilities are accounted for when the Company undertakes to pay in cash or make a settlement by other assets. These are the financial liabilities not related to market prices. First the Company recognizes the financial liability at the acquisition cost, i.e. at the value of assets or services received. Subsequently, they are measured at amortized cost using the effective interest method.

Foreign currency transactions

All the monetary assets and liabilities denominated in foreign currencies are translated into euro at the rate prevailing at the year end. Gains and loss arising from this translation are included in profit or loss for the year.

All transactions in foreign currencies are stated at the rate prevailing at the date of transaction.

Cash flow statement

The cash flow statement has been prepared using the direct method. Cash and cash equivalents include cash in hand and cash in bank. The received dividends are shown as investment activity in the cash flows statement, and paid dividends as financing activity. The received interest is shown in investing activity.

Mutual netting

The income and expenses are not netted mutual, except in those cases, where IFRS standard demands exactly this netting.

Changes in accounting policy

No changes in accounting policy applied for 2022Y as compared to 2021Y.

4. THE APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Changes in accounting policies

The following amended standards and interpretations which were adopted as of 1 January 2022 did not have a significant impact on the Company's financial statements:

- COVID-19-Related Rent Concession beyond 30 June 2021 (Amendments to IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3).

New Standards and Interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. However, the Company has not early adopted the new standards in preparing these financial statements.

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have an impact on The Company's financial statements in the period of initial application.

A) Estimated impact of the adoption of IFRS 17 and IFRS 9

The Company has assessed the estimated impact that the initial application of IFRS 17 and IFRS 9 will have on its financial statements. Based on assessments undertaken to date, the total adjustment (after tax) to the balance of the Company's total equity is estimated to be a reduction of €2.0 million EUR; on 1 January 2023 and €1,9 millions; UR on 1 January 2022, as summarized below.

In millions of EUR	1 January 2023	1 January 2022
Estimated increase (reduction) in the Group's total equity		
Adjustments due to adoption of IFRS 17		
Life contracts	-	-
Non-life contracts	(1.9)	(2.0)
	(1.9)	(2.0)
Adjustments due to adoption of IFRS 9		
Classification of financial assets	-	-
Impairment of financial assets	-	-
Deferred tax impacts	-	-
Estimated impact of adoption of IFRS 17 and IFRS 9, after tax	**(1.9)**	**(2.0)**

The Company will restate comparative information on adoption of IFRS 17 and IFRS 9. The Company estimates that the profit after tax for 2022 will be reduced by €0.3 million as a result.

An insurer that has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at FVTPL, and whose activities were predominantly connected with insurance at its annual reporting date that immediately preceded 1 April 2016 (or at a later date as specified in paragraph 20G of IFRS 4 Insurance Contracts), may apply IAS 39 Financial Instruments: Recognition and Measurement rather than IFRS 9 for annual periods beginning before 1 January 2023 (temporally exemption from IFRS 9). The Company has applied the temporary exemption from IFRS 9 and has not previously adopted any version of IFRS 9, including the requirements for the presentation of gains and losses on financial liabilities designated as at FVTPL, for annual periods beginning before 1 January 2023. Consequently, the Company has a single date of initial application of 1 January 2023 for IFRS 9 in its entirety. The date of initial application is relevant to several assessments necessary to apply IFRS 9.

The assessment above is preliminary because not all of the transition work has been finalized. The actual impact of adopting IFRS 17 and IFRS 9 on 1 January 2023 and 2022 may change because:

- the Company is continuing to refine the new accounting processes and internal controls required for applying IFRS 17 and IFRS 9;
- although parallel runs were carried out in the second half of 2022, the new systems and associated controls in place have not been operational for a more extended period.
- the new accounting policies, assumptions, judgements, and estimation techniques employed are subject to change until the Company finalizes its first financial statements that include the date of initial application.

B) IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted.

I. Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. When identifying contracts in the scope of IFRS 17, in some cases the Company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Company does not expect significant changes arising from the application of these requirements.

II. Level of aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts and each annual cohort into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous; and
- any remaining contracts in the annual cohort.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a CSM, against losses on groups of onerous contracts, which are recognized immediately.

III. Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all future cash flows within the boundary of each contract in the group. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services. A substantive obligation to provide services ends when the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks.

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

IV. Measurement – Overview

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. The Company expects that it will apply the PAA to all contracts due to met PAA eligibility criteria.

On initial recognition of each group of insurance contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognized as insurance revenue for services provided. If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company will recognize a loss in profit or loss and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

The Company will recognize the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted.

The Company will apply the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

Although the PAA is similar to the Company's current accounting treatment when measuring liabilities for remaining coverage, the following changes are expected in the accounting for insurance contracts:

Impact on equity on transition from IFRS 4 to IFRS 17	Changes from IFRS 4 IFRS 17
Under IFRS 17, the Company will discount the future cash flows when measuring liabilities for incurred claims. The Company does not currently discount such future cash flows.	Increase
IFRS 17 requires the fulfilment cash flows to include a risk adjustment for non-financial risk. This is not explicitly allowed for currently.	Decreases
The Company's accounting policy under IFRS 17 to expense eligible insurance acquisition cash flows when they are incurred does not materially differ from the current practice under which these amounts are recognized separately as deferred acquisition costs.	Stable

V. Measurement – Significant judgements and estimates

Estimates of future cash flows

In estimating future cash flows, the Company will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events. The estimates of future cash flows will reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices. When estimating future cash flows, the Company will consider current expectations of future events that might affect those cash flows.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows will be attributed to acquisition activities, other fulfilment activities and other activities. Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics.

Discount rates

Liquid risk-free discount rates for EUR are used for liabilities discounting.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk is determined to reflect the compensation that the Company would require for bearing non-financial risk and its degree of risk aversion.

VI. Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach. Under the full retrospective approach, at 1 January 2022 the Company will:

- identify, recognize and measure each group of insurance contracts and reinsurance contracts as if IFRS 17 had always been applied;
- identify, recognize and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that they will not be tested for recoverability before 1 January 2022;

- derecognize previously reported balances that would not have existed if IFRS 17 had always been applied (including some deferred acquisition costs); and
- recognize any resulting net difference in equity. The carrying amount of goodwill from previous business combinations will not be adjusted.

The Company will apply the full retrospective approach to all insurance and reinsurance contracts.

C) IFRS 9 Financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023.

VII. Financial assets – Classification

Impact assessment

Although the permissible measurement bases for financial assets – amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognized in profit or loss in the same manner as for amortized cost assets. Other gains and losses are recognized in OCI and are reclassified to profit or loss on derecognition.

Because most of the Company financial assets are measured at fair value both before and after transition to IFRS 9, the new classification requirements are not expected to have a material impact on the Company total equity at 1 January 2023 or 2022.

The Company total equity is impacted only to the extent of any reclassifications between the FVTPL and fair value measurement categories. The Company estimates that, on adoption of IFRS 9, will no material impact of these changes (before tax).

VIII. Financial assets – Impairment

The impairment model in IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking an ‘expected credit loss’ (ECL) model, which means that a loss event will no longer need to occur before an impairment allowance is recognized. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

Expected credit loss model (ECL model) applies:

- Financial debt assets (i.e. loans, term deposits, bonds, etc.) measured at AC/FVOCI.
- Loan commitments and guarantees.
- Trade and lease receivables.

Not in scope of IFRS 9 credit impairment are:

- All instruments out of this scope do not involve any separate impairment accounting since their fair values already include impairment losses.
- Current bank accounts – which are payable at any moment, so that the calculation of lifetime expected credit loss would necessarily lead to zero.
- Term deposits with maturity of less than 31 days (if not material – for details see chapter 4.4.6)
- Tax receivables – which are not contractual obligations.
- Loans on policies – which will be handled within the scope of IFRS 17.

According to IFRS 9, the information used in order to conduct the staging process, must consider various criteria. Summarized, the information shall:

- be holistic, i.e. cover quantitative as well as qualitative dimensions,
- be evaluated in comparison to the credit risk at initial recognition of the asset,
- be forward looking instead of relying solely in past due information and
- cover a lifetime perspective of the respective asset. In general, the staging process shall be applied to individual assets. Under certain circumstances though, assessment of significant deterioration in credit risk can be made at the level of the counterparty rather than the individual financial instrument. Such assessment is only allowed if the outcome would not be different to the outcome if the financial instruments had been individually assessed. Only if adequate information is not available on asset level without undue cost or effort, the assessment must be conducted on a collective basis according to IFRS 9.B5.5.1.

IX. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will be applied using a full retrospective approach.

D) Other Standards

The following amended standards are not expected to have a significant impact on the Company's financial statements:
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37);- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (not yet endorsed by EU);
-Disclosure of Accounting Policies (Amendment to IAD 1 and IFRS Practice Statement 2)
-Definition of Accounting Estimates (Amendments to IAS 8)
-Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12)

RISKS AND RISK MANAGEMENT

Risk management in the Company is organized according to the standards of the parent company Vienna Insurance Group and in compliance with Solvency II requirements with well-defined organizational and operational structures, responsibilities and risk management processes. The main objective of risk management is ensuring sustainability and solvency of the Company even under less favorable market conditions thus guaranteeing the fulfilment of obligations to the customers under any circumstances.

Effective system of governance forms the basis for effective risk management. The ultimate responsibility for the risk management lays on the Management Board of the Company who is responsible for the organizational oversight and ensuring that appropriate structures and processes are in place for effective governance. Risk management is organized according to the three lines model. The first line roles are line managers who perform daily risk management and control activities in their area of responsibility. The second line role – risk management function holder (risk manager), who is responsible for establishing risk management and internal control systems and coordination of the risk management activities across the company, providing additional oversight and supporting Management Board and line managers with risk related issues and reports directly to the Management Board. Risk management activities are also coordinated by Vienna Insurance Group thus ensuring additional controls and sharing of the best practices and know-how between the group companies. The second line role is also performed by the compliance function that ensures compliance with laws, regulations and administrative provisions, assesses the potential impact of the changes in the legal environment, and manages compliance risks. The third line role is formed by internal audit function that provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management (including internal control). All key function holders comply with fit and proper requirements. The Company fosters risk culture where every employee feels responsible for day-to-day risk management, informs promptly about emerging risks and incidents, understands the need for applicable control procedures and follows them meticulously.

The main risk management documents are risk strategy and risk policy. The goal of the risk strategy is integration of risk awareness into the planning, business and decision-making processes, ensuring sustainability of the Company by maintaining sufficient solvency buffer and ensuring effective risk management within Compensa. The risk strategy is evaluated within yearly own risk and solvency assessment process ("ORSA") and if necessary updated based on ORSA findings. The risk strategy describes risks the Company is taking, principles of risk management and defines limit for minimum solvency ratio. The risk management policy describes the Company's risk management system and main risk management processes, defines responsibilities and risk categories the Company is accepting.

The Company has established remuneration policy to set up a general framework for establishing, implementing and maintaining remuneration practices in line with the Company's business and risk management strategy, its risk profile, objectives, risk management practices as well as long-term interest and performance.

The core competence of the Company is dealing professionally with risks. The insurance business consists of deliberate assumption of various risks and profitable management of them. Those risks include standard underwriting risks resulting from underwriting non-life and health insurance business as well as risks stemming from the investments (market risks) and general risks such as the counterparty default risk, concentration risk, operational risk or reputational risk. Those mentioned risks also cover ESG (environment, social and governance) related risks.
The Company defines ten risk categories. It is assumed that these risk categories are complete and do cover all possible sources of risk. Those mentioned risks also cover ESG (environment, social and governance) related risks (environmental, social and governance - they do not form a separate risk category within the risk management system but are mapped to the risk categories listed below depending

on its risk characterization). The risk categories are further split into subcategories during further risk management processes. The main risk categories are as follows:

- Non-life insurance risk reflects the risk resulting from insurance and reinsurance liabilities related to non-life insurance policies with respect to covered risks and business processes.
- Health insurance risk reflects the risk stemming from liabilities specific for health insurance, with respect to both covered risk and business processes related to health insurance.
- Life insurance risk reflects the risk stemming from liabilities resulted from annuity payments occurred from the motor third party liability insurance with respect to uncertainty of development path of assumed risks and processes associated with this business.
- Market risk reflects the risk resulting from the degree of fluctuations of financial instruments' prices (such as bonds and loans, deposits, cash, participation, etc.). The measure of risk exposure is the impact of changes in financial variables i.e. stock prices, interest rates, property prices, currency exchange rates etc. This risk could be further subdivided into interest rate risk, foreign exchange risk, equity risk, spread risk and concentration risks.
- Credit risk reflects the losses arising when counterparties or debtors breach the obligations or their creditworthiness decreases.
- Liquidity risk is the risk is the risk that insurance company will not be able to provide, in timely manner and without bearing additional costs, financial resources to meet short- and long-term liabilities.
- Operational risk is the risk resulting from not adequate or incorrect internal processes, personnel or systems, or external events. Operational risk covers legal risk, cyber risk, but does not include strategic risk and reputation risk.
- Strategic risk defined as adverse development of business as the results of incorrect business decisions or investment, inappropriate communication and implementation of goals, or inadequate adjustments of resources due to changes in economic and business environment. Risk is managed by well-defined decision-making and follow-up process.
- Reputation risk is defined as possibility of adverse development of business as a result of damaged reputation. Reputational risk covers sustainability risks. The risk is managed the same way as operational risk and by periodic media monitoring, brand development activities.

For the main risk categories, the Company has defined key risk indicators that are monitored on a regular basis.

Risk management principles for those risk categories are described below.

Additionally, the Company's risk is managed by setting aside solvency capital, as required by Solvency 2 directive. Solvency capital requirement is calculated using standard formula that is assessed to be suitable for the risk profile of the Company.

An internal control system is one of the key components for Compensa risk management system. Internal control system is a continually operating process that provides an appropriate control environment with effective controls, and is not only relevant for compliance purposes, but also serves as important tool for sustainable business management. The internal control system must provide reasonable assurances of effectiveness and efficiency of operations, reliability of financial and non-financial information, adequate control of risks, a prudent approach to business, compliance with laws and regulatory requirements, compliance with the Company's strategies, policies, processes and reporting procedures. The internal control responsibilities cover all levels of the organizational structure and every processes starting from day-to-day activities to the assessment of the internal control system. The internal control system includes administration, accounting, control, and reporting procedures at each organizational level.
To ensure the maintenance of the existing control system and the environment, Compensa defines the following standards for the internal control system:

- The Company establishes and fosters a control culture and policies that support the maintenance of effective control at all organizational levels of the Company;
- The Company establishes organizational structure that is adequate in the scale and complexity to the area of business in which the Company operates;
- Roles and responsibilities of employees at each level of organization are well defined and prevent a conflict of interest. Proper segregation of duties ensures that the employee responsible for building up risk position is not at the same time directly or indirectly responsible for the monitoring or controlling the risk of that position. In case complete separation of duties is not possible or feasible, proper procedures are established in order to ensure that any intentional or unintentional mistakes have a reasonable chance to be detected before the loss or other damage occurs and the conflict of interests is avoided.
- The Company identifies and assesses risks associated with operating activities and business processes that could affect the Company's goals negatively. The Company establishes and maintains effective controls aligned to these risks to ensure the achievement of these goals;
- Controls are conducted at different levels of the organizational and operational structures, at different time periods and with different level of detail, as needed. The control activities are adequate to underlying risks;
- Effective channels of communication and information systems have to be established to ensure that the full staff clearly understands and adheres to policies and procedures affecting their duties and responsibilities, and that relevant information reaches the appropriate personnel.

The Company operates in constantly changing environment. For this reason, the efficiency and effectiveness of internal control system can only be provided by regular review and adjustments of processes and control activities. Compensa has established harmonized internal control system assessment process. It allows evaluating the effectiveness of existing internal control system on regular basis, with the respect to any material risks regularly. Moreover, the process of assessment allows for identification of possible weaknesses and control deficiencies within the internal control system, in order to take appropriate measures and action for remediation in timely manner. The assessment of internal control system is conducted at least annually.

FINANCIAL RISK AND RISK MANAGEMENT

The following risk categories are classified as financial risks:

1. Market risk.
2. Credit risk.
3. Liquidity risk.

MARKET RISK

Market risk, among others, includes following risk sub-categories:

1. Currency exchange risk.
2. Interest rate risk.
3. Price risk.

Market risk is managed by choosing an appropriate investment strategy and defining investment limits with respect to asset classes, ratings, currencies, concentration, durations etc., taking into account characteristics of insurance liabilities (i.e. performing asset-liability management), risk appetite and return targets. The Company's investment strategy is subject to regular reviews. Keeping substantial share of fixed income investments (bonds and loans) in the portfolio will lead to stable expected returns and generally lower volatility. The Company invests only in those assets, for which it can identify, measure, monitor, manage and control the related risks accordingly and which are approved by the Management Board, thus complying with prudent person principle.

CURRENCY EXCHANGE RISK

Currency exchange risk arises from changes in the level or volatility of currency exchange rates.

The Company has exposure to currency risk arising from liabilities for the foreign claims and investments in non-EUR currencies.

Split of open currency positions is presented in the table below with largest positions in GBP (474 559) (resulting from liabilities) and DDK 5 590 043 from investments in Danish mortgage bonds. Currency risk related to DDK is low, since DDK is pegged to EUR through European Exchange Rate Mechanism.

The Company does not perform any speculative transactions which could increase currency exchange risk.

Split of assets and liabilities of currencies at the end of the year 2022 is following:

	EUR	GBP	USD	SEK	NOK	RUB	DKK	PLN	Total
Assets									
Financial assets available for sale	152 887 549						5 824 666		158 712 215
Total amounts receivable (Note 8)	39 620 010								39 620 010
Outstanding claims technical provision, reinsurer's share	29 328 056	31 879	850	23 397	13 200	15 317	300 616	57 286	29 770 601
Loans and deposits	6 394 880								6 394 880
Cash and Cash equivalents	18 087 034								18 087 034
Total assets	**246 317 529**	**31 879**	**850**	**23 397**	**13 200**	**15 317**	**6 125 282**	**57 286**	**252 584 740**

Equity and liabilities									
Outstanding claim technical reserve	74 199 949	506 439	110 574	243 772	155 924	61 629	535 239	536 756	76 350 282
Provisions (Note 14)	2 294 407								2 294 407
Creditors	48 722 021							(32 240)	48 689 781
Total equity and liabilities	**125 216 377**	**506 439**	**110 574**	**243 772**	**155 924**	**61 629**	**535 239**	**504 515**	**127 334 469**
Open currency position	**121 101 152**	**(474 560)**	**(109 724)**	**(220 375)**	**(142 724)**	**(46 312)**	**5 590 043**	**(447 230)**	**125 250 271**

Split of assets and liabilities of currencies at the end of the year 2021 is following:

	EUR	GBP	USD	SEK	NOK	JEN	DKK	PLN	Total (restated)
Assets									
Financial assets available for sale	173 109 374						6 001 845		179 111 229
Total amounts receivable (Note 8)	40 297 999								40 297 999
Outstanding claims technical provision, reinsurer's share	24 607 227	309 827		67 343	21 400		255 666	117 785	25 379 247
Loans and deposits	4 224 674								4 224 674
Cash and Cash equivalents	13 763 892								13 763 892
Total assets	**256 003 166**	**309 827**	**-**	**67 343**	**21 400**		**6 257 511**	**117 785**	**262 777 032**
Equity and liabilities									
Outstanding claim technical reserve	72 451 199	603 235	129 048	329 926	135 413	103 752	403 325	1 158 368	75 314 267
Provisions (Note 14)	1 710 732								1 710 732
Creditors	48 953 225							4 614	48 957 839
Total equity and liabilities	**123 115 156**	**603 235**	**129 048**	**329 928**	**135 413**	**103 752**	**403 325**	**1 162 982**	125 982 839
Open currency position	**132 888 012**	**(293 409)**	**(129 048)**	**(262 585)**	**(114 014)**	**(103 752)**	**5 854 186**	**(1 045 198)**	**136 794 193**

INTEREST RATE RISK

Interest rate risk arises from all assets and liabilities which are sensitive to changes in the term structure of interest rates or interest rate volatility.

Interest rate risk is managed by setting limits for the asset duration and following them. The largest part of interest-rate sensitive assets is made of medium-term bonds (2–10 years) that offer a good balance between return and interest rate risk.

Financial assets without defined durations are cash at bank, participation equity, tangible assets – i.e. assets not affected by interest rate movements.

There is also variable interest calculated for the reinsurers' deposits. The interest in deposits is calculated according to EURO LIBOR interest rate at the beginning of the accounting period.

Parallel shift in interest rates +/-100 bp would have the following effect on investment result (by affecting the value of bonds).

Change	**2022**	**2021**
+ 100 bp	(8 082 790)	(11 554 179)
- 100 bp	8 811 262	12 198 174

The same amount would have an impact on equity (OCI) and no impact on the statement of profit or loss until the realisation of investment.

The average yield for investment portfolio is presented below:

Type of investment	**2022**	**2021**
Corporate bonds	1.31%	1.24%
Government bonds	0.77%	0.66%

Technical provisions, except reported but not settled annuities are not discounted, therefore changes to interest rate are not material for technical provisions amounts.

PRICE RISK

Price risk – the risk that changes in market prices will influence the variation of value of financial instruments; these changes may affect the factors of the individual financial instruments or the factors of all the financial instruments traded in the market. Price risk arises when the Company chooses short-term and long-term position of the financial instruments.

The Company's main part of financial asset is accounted for as available for sale. The Company reported changes in securities' price through comprehensive income. Changes of 5% in securities' price would have affected comprehensive income:

	2022	**2021 (restated)**
5 % increase security price	7 935 611	8 955 561
5 % decrease security price	(7 935 611)	(8 955 561)

COUNTERPARTY DEFAULT RISK

The scope of the counterparty default risk includes risk-mitigating contracts, such as reinsurance arrangements, and receivables from intermediaries, as well as any other credit exposures which are not covered by spread risk. Spread risk means the risk of widening of the credit spreads (additional premium over risk-free rates that investors demand to accept counterparty default risk of an issuer of financial instrument, that is especially relevant for the corporate bonds and loans), that consequently decrease value of security. Spread risk is part of the market risk.

The risk is managed by careful selecting of counterparties, defining limits with respect to counterparties' rating and to the exposure for single counterparty for financial assets, and in case of reinsurance, defining and following reinsurer's selection criteria, efficient debt collection and policy cancellation process in case of receivables.

COUNTERPARTY DEFAULT RISK OF FINANCIAL INVESTMENT

To manage counterparty default risk, the Company mainly invests into financial instruments with high credit rating.

All the financial investment consists of investment to the Government (bonds), to Fund units, to not listed bonds, shares, loans and cash held in banks.

Investment splits according to ratings as at 31 December 2022

Rating	EUR	DKK	31/12/2022	EUR	DKK	31/12/2021
AAA	11 493 522	5 824 666	17 318 188	13 128 193	6 001 845	19 130 037
AA+	4 548 084		4 548 084	3 658 175	-	3 658 175
AA	8 127 015		8 127 015	5 619 640	-	5 619 640
AA-	13 338 235		13 338 235	10 450 834	-	10 450 834
A	54 029 875		54 029 875	61 330 609	-	61 330 609
A+	7 323 049		7 323 049	7 186 640	-	7 186 640
A-	13 426 234		13 426 234	18 876 878	-	18 876 878
BBB+	22 037 168		22 037 168	21 960 764	-	21 960 764
BBB	17 091 528		17 091 528	24 181 640	-	24 181 640
BBB-	6 315 550		6 315 550	9 868 699	-	9 868 699
BB-	-		-	3 369 054	-	3 369 054
BB+	364 947		364 947			
BB	2 182 394		2 182 394			
CCC	2 450 000		2 450 000			
Not rated	16 459 365		16 459 365	13 284 318	-	13 284 318
Total	**179 186 966**	**5 824 666**	**185 011 632**	**192 915 443**	**6 001 845**	**198 917 288**

More than 86% of asset portfolio is investment grade (mainly government/corporate bonds) with unrated exposure coming from the cash held in banks, belonging to Nordic bank groups (SEB, Swedbank) that are not rated separately. .

Split of financial assets by counterparties is presented in the table below (the largest exposure of the Company is towards Lithuanian government bonds):

Counterparty	2022	2021
Nordea Kredit (AAA)	149 583	104 305
Realkredit Danmark A/S (AAA)	142 368	200 212
BRF kredit (AAA)	1 134 389	116 845
Nykredit Real (AAA)	4 398 326	5 580 482
Slovak Republic (A)	931 200	-
Slovenska Sporitelna AS (A)	1 584 940	-
Swisscom AG Lunar FUNDI (A)	1 368 645	-
BNP Paribas (A+)	933 200	1 066 720
BNP Paribas (A-)	249 270	315 078
BNP Paribas (BBB+)	1 262 850	1 502 775
Goldman Sachs Group Inc. (A)	3 072 746	3 874 691
Moneta Money Bank AS (A-)	1 840 482	-
Johnson & Johnson (AAA)	646 265	771 371
Republic of Austria (AA+)	449 170	530 355
State of North Rhine-Westphalia Germany (AA+)	898 960	1 059 360
SNFC Reseau EPIC (AA)	915 200	1 062 550
Cooperatieve Rabobank (AA-)	0	507 832
Shell International Finance BV (AA-)	436 231	519 361

Westpac Banking (AA-)	437 010	525 316
Erste bank Cash (A)	3 107 089	2 150 967
Republic of Latvia (A-)	1 845 069	3 612 525
Altum Attistibas Finansu (BBB+)	1 340 766	1 446 900
Raiffeisen_landesBank Tirol AG (A-)	1 393 492	-
Republic of Poland (A-)	1 744 980	2 116 340
EFSF (AA)	454 725	-
EUROFIMA (AA)	928 650	-
Republic of France (AA)	2 237 650	-
Bank Gospodarstwa Krajowego (A-)	0	2 138 600
Republic of Lithuania (A)	34 288 463	44 517 834
Republic of Greece (BB)	808 970	1 021 050
Hungary (BBB)	2 064 960	2 946 780
State of Israel (A+)	3 305 550	1 634 685
United Mexican States (BBB)	1 534 255	2 208 312
People's Republic of China (A+)	1 526 240	1 961 780
Republic of Estonia (AA-)	785 640	997 460
Russian Federation (CCC)	1 000 000	1 990 800
Republic of Slovenia (A)	3 608 900	2 151 720
Belgium Kingdom (AA)	1 829 140	-
Pozavarovalnica SAVA D.D. (BBB+)	362 710	520 000
Munich Re (A)	2 272 950	2 960 700
S Immobilien AG (BBB+)	1 675 031	3 210 819
LHV Group AS (BB+)	151 732	175 905
Erste Group Bank AG (BBB+)	1 746 190	2 035 290
Oberbank AG (A)	1 318 890	1 516 950
Daimler AG (A-)	1 493 240	2 099 640
Deutche Bank AG (BBB+)	2 600 395	3 539 005
CEZ AS (BBB+)	900 930	1 141 040
Berkshire Hathaway INC (AA)	1 349 880	1 569 780
Telekom Finanzmanagement (BBB+)	0	852 280
Banco Santander SA (BBB)	1 963 384	2 467 012
Morgan Stanley (A+)	909 870	1 073 980
Province of Quebec (AA-)	471 425	-
BK Nederlandse Gemeenten (AAA)	662 953	779 114
Mbank Hipotecny (AA+)	1 895 140	2 068 460
Bayer Capital Corp BV (BBB)	671 530	2 199 040
National Australia Bank (AA-)	1 784 940	2 127 120
Cloverie PLC Zurich INS (AA-)	1 742 080	2 136 740
OEST Kontrollbank AG (AA+)	1 304 814	-
BAUSPARKASSE WUESTENROT AG (AAA)	2 905 410	-
Sparebanken Sor Boligkre (AAA)	1 281 910	1 429 204
Commonwealth Bank Austt (AAA)	0	3 139 560
Achmea Hypotheebank NV (AAA)	2 742 300	3 059 550
Bundesrepub. Deutschlandt (AAA)	1 237 375	-
Erste Bank Hungary ZRT (BBB+)	1 774 040	-

Wells Fargo Company (A+)	0	1 820 232
Temasek Financial I LTD (AAA)	750 560	2 116 350
Koninklijke Philips NV (BBB+)	0	-
Unilever NV (A+)	648 189	703 223
Bank of America Corp (A)	2 472 440	3 081 200
Raiffeisen Bank INTL (BB)	1 143 506	1 541 876
CESKE DRAHY (BBB)	1 551 918	1 825 775
BAWAG GROUP AG (BBB)	1 673 740	2 040 060
OMV AG (A-)	0	500 710
BANCA INTESA SANPAOLO (BBB)	0	1 059 040
CK HUTCHISON GROUP TELECOM FINANCE S.A. (A-)	765 720	1 017 270
ING GROEP NV (BBB)	881 400	1 004 790
UNICREDITO ITALIANO (BBB-)	2 173 311	2 775 195
EXXON MOBIL CORP (AA-)	3 771 295	3 368 085
IMMOFINANZ AG (BBB-)	1 591 200	2 093 740
BANCA INTENSA SANPAOLO (BBB-)	741 820	-
LA BANQUE POSTALE SA (BBB-)	926 904	1 155 979
UNIBAIL-RODAMCO-WESTFIELD (BBB+)	1 498 260	2 052 500
Lietuvos Energija UAB (BBB+)	797 200	834 038
Luminor bank AS Estonia (BBB+)	945 720	1 763 958
BAYER AG (BBB)	1 774 500	944 050
UBS Group AG (A-)	2 133 600	2 916 150
Raiffeisenlandesbank VLBG (AAA)	1 266 749	1 833 044
Russian Railways via RZD CAP (CCC)	1 450 000	3 016 522
MDGH GMTN RSC LTD (AA)	2 240 910	2 987 310
Raiffeisen Bank INTL (BBB)	713 430	993 050
fund units (unrated)	4 752 830	3 804 235
Investment to associated companies (Unrated)	1 817 503	1 817 503
Loans (Unrated)	4 585 660	1 852 985
Loans (BBB-)	1 809 219	2 371 689
Cash and deposits	14 979 945	11 612 925
VIG Fund	5 279 610	5 279 610
Credit risk	**185 011 632**	**198 917 288**

COUNTERPARTY DEFAULT RISK OF INSURANCE RECEIVABLES

Another source of counterparty default risk is insurance receivables. Examples include, but are not limited to, receivables from intermediaries and policyholder debtors. Those exposures are usually diversified, and the counterparty is likely to be unrated. The Company regularly monitors direct insurance receivables. In case premium due is not paid by the policyholder, policy becomes subject to cancellation process. The delinquency of receivables is regularly monitored. For details please see Note 9.

COUNTERPARTY DEFAULT RISK OF REINSURANCE

To manage risk, the Company has an approved reinsurance program, which identifies principles of reinsurance and criteria of reinsurers selection. The management of the Company checks reinsurance program at least once a year and does corrections if needed.

Split of reinsurers by reinsurer and rating

Reinsurer	Rating	Reinsurance receivables 2022	Reinsurance receivables 2021
Vienna Insurance Group	A+	29 002	1 792 517
VIG RE zajist'ovna, A.S.	A+	235 574	-
Hannover Ruckversicherung AG	AA-	144 937	141 666
Ace European Group limited	AA-	100 549	100 549
Mapfre re compania de reaseguros, S.A.	A	171 989	142 666
Scor Global P&C SE	AA-	303 422	256 201
Polskie towarzystwo reasekuracji SA	A-	368 403	262 621
R+v Versicherung AG	AA-	- 10 224	555 186
Swiss Re Europe S.A.	AA-	1 784 091	3 236 880
Not rated		1 076 263	2 086 868
Total		**4 204 006**	**8 575 154**

Concentration risk could arise due to excessive exposure to a single counterparty. Concentration can arise out of several areas such as investments, underwriting or reinsurance. Therefore, every unit involved in the risk management system has to monitor and control and manage the concentration risk within its area of responsibility.

LIQUIDITY RISK

The risk is managed following liquidity management policy by analyzing liquidity needs and setting investment limits.

The table below shows the allocation of Company's liquid asset to liabilities to maturity groups based on the maturity date or settlement dates. The main part of the Company's liquid asset consists of financial assets available for sale in amount of 158,7 million EUR and cash at bank in amount of 18 million EUR which company tread us highly liquid asset. In the event of a crisis of liquidity, Compensa may ask the shareholders to provide short-, medium, or long-term financial support or enter the repurchase agreement. Liquidity risk management involves determination of the level of mismatch between cash inflows and outflows, considering the cash flows associated with both assets and liabilities. The investment limits are set taking into consideration the liquidity structure of liabilities and cash demand for other needs.
Liquidity risk assessment as of 31 December 2022

	Contractual undiscounted cash flows				
Items	**Non-fixed term up to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**	**Carrying amount**
Financial investments		63 062 292	95 649 923	158 712 215	158 712 215
Accrued interest	2 348 651	8 495 135	13 022 924	23 866 710	2 348 651
Loans and deposits (Note 6)		421 186	5 973 694	6 394 880	6 394 880
Cash at bank	18 087 034			18 087 034	18 087 034
Total amounts receivable (Note 8)	39 620 010			39 620 010	39 620 010
Total assets	**60 055 695**	**71 978 613**	**114 646 541**	**248 498 352**	**225 162 790**

Items	**Non-fixed term up to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**	**Carrying amount**
Technical provision (net)	116 875 551	50 384	4 950 775	121 876 710	**121 876 710**
Insurance creditors (Note 16)	29 386 382			29 386 382	**29 386 382**

Liabilities to reinsurers (Note 17)	8 262 260			8 262 260	**8 262 260**
Subordinated loan	1 558 600	10 234 400	22 482 000	34 275 000	**23 069 842**
Other creditors	9 171 399	1 729 437	140 303	11 041 139	**11 041 139**
Total liabilities	**165 254 192**	**12 014 221**	**27 573 078**	**204 841 491**	**193 636 333**

Liquidity risk assessment as of 31 December 2021

	Contractual undiscounted cash flows				
Items	**Non-fixed term up to 12 months**	**1 to 5 years**	**Over 5 years**	**Total (restated)**	**Carrying amount (restated)**
Financial investments	0	41 639 549	137 471 670	179 111 219	179 111 219
Accrued interest	2 080 796	7 866 142	14 359 119	24 306 057	**2 080 796**
Loans and deposits (Note 6)	90 402	748 234	3 386 038	4 224 674	**4 224 674**
Cash at bank	13 763 892			13 763 892	**13 763 892**
Total amounts receivable (Note 8)	40 297 999			40 297 999	**40 297 999**
Total assets	**56 233 089**	**50 253 925**	**155 216 827**	**261 703 841**	**239 478 580**

Items	**Non-fixed term up to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**	**Carrying amount**
Technical provision (net)	98 660 989	9 117 120	8 950 242	116 728 350	**116 728 350**
Insurance creditors (Note 16)	27 261 328			27 261 328	**27 261 328**
Liabilities to reinsurers (Note 17)	11 774 695			11 774 695	**11 774 695**
Subordinated loan	395 000	1 580 000	8 115 000	10 090 000	**7 596 814**
Other creditors	7 691 113	1 781 590	449 112	9 921 816	**9 921 816**
Total liabilities	**145 783 125**	**12 478 710**	**17 514 354**	**175 776 189**	**173 282 003**

The Company has sufficient liquid assets to meet obligations when they fall due.

INSURANCE RISK

GENERAL PRINCIPLES OF INSURANCE MANAGEMENT

The Company performs management of insurance risks in accordance with the Underwriting Policy where the methodologies and rules regulating the risk and Portfolio strategy for each line of business are defined.

Portfolio Strategy for each line of business defines portfolio targets, target portfolio mixes and risk appetite represented using four color codes: Green, Yellow, Red and Black. Green represents the lowest risk category and most attractive segments. Black code represents the highest risks. Strategy documents are updated annually.

Financial results of each portfolio are reviewed on a regular basis and, depending on performance, actions are taken. The calculation of the tariffs and prices of insurance products reflects the current market conditions and assesses the most probable assumptions which are necessary to correct future outcomes in order to significantly reduce financial risks.

FREQUENCY AND SEVERITY OF CLAIMS

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The frequency and severity of claims can be affected by several factors. Different factors depend on relevant products and types of activity. The most significant are the increasing level of claim amount for the damage suffered, and the increase in the number of claim cases. Estimated inflation is also a significant factor due to increased increment rate of inflation. The increase of claims can depend on change of customer price index, increase of the payroll, social inflation, also on the price of the change for prices of materials and services bought for regulation of claims. The inflation in property insurance consists of customer price index and of the increase of construction costs, which might develop differently than customer price index.

The different factors will depend on the products or lines of business considered. An increase in the frequency of claims can be due to seasonal and more sustainable effects. Changes in consumer behavior, new types of claims can affect more stable changes in the frequency of claims. The effect of the long-term change in claims frequency can be significant on profitability.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The management of the changes in each activity is closely monitored through recommendations for the conclusion of insurance contracts and active regulation of claims.

BASIC PRODUCT FEATURES

Motor compulsory third party liability (MTPL)

It is a compulsory insurance type and the objective of this line of insurance is to protect the interests of third parties who have suffered in road accidents and this line of insurance is regulated by the laws on motor third party liability compulsory insurance.

Insurance premiums for motor third party liability are determined individually for each customer based on both customer as well as vehicle-based risk criteria.

Most of motor third party liability insurance indemnities are made up of indemnities for property damage and lump sum personal injuries, mostly medical treatment costs and temporary incapacity for work benefits.

The risk of inflation for this type of insurance payments is increased; therefore, the Company regularly assesses the impact of this influence on financial ratios.

Motor third party liability insurance is classified as ‘long-tail’ classes where the ultimate claim cost takes longer to determine.

Motor own damage insurance (CASCO)

The insurance indemnifies for losses which arise from damage to the vehicle destruction, theft or robbery. Several additional insurance covers may also be purchased which are related to insured vehicle. Product package can contain several additional insurance covers – road assistance and replacement car, for instance.

The largest losses are incurred in the event of complete destruction and theft of the vehicle, but such cases are infrequent.

Insurance premiums are set in line with applicable insurance methodology. The Company tries to avoid the risk of wrong information from the clients; therefore, detailed examination of the application for payment is always performed. And further investigation of competent authorities is performed if necessary.

The claim will usually be notified promptly and can be settled in the short term. CASCO is therefore classified as ‘short-tail’, contrasted with the ‘long-tail’ classes where the ultimate claim cost takes longer to determine.

Property insurance

Property insurance covers losses arisen because of fire, weather, leakage of liquid or steam, explosion, malicious acts by third parties (robbery, burglary) or collision.

Many commercial property proposals comprise a unique combination of location, type of business and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky. The property insurance risk is managed by accurately assessing the insurers assets in order to determine which assets should be insured, which should be insured under special conditions and which in general should not be insured by the mandate of the insurer of the respective insurance type. The calculation of the contribution of the respective insurance contracts corresponding to this risk is subjective and therefore risky.

Insurance risk is managed primarily through pricing, independent assessment of property under international standards, product design, risk selection and reinsurance. The Company monitors and reacts to the changes in its economic and commercial environment.

The claim will usually be notified promptly and can be settled in the short term. Property business is therefore classified as ‘short-tail’, contrasted with the ‘long-tail’ classes where the ultimate claim cost takes longer to determine.

The key risks associated with this product are underwriting risk and claims experience risk.

REINSURANCE CONTRACT ASSETS

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets.

These assets consist of short-term balances due from reinsurers as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in profit or loss.

CONCENTRATION OF INSURANCE RISK

The concentration of insurance risk arises from too large exposure to a single counterparty, line of business or geographic region.

The Company controls risk concentration in the following manner:

- Applying risk concentration limits for specific clients or insurance objects. Application of limits of risk concentration by evaluating the risk of specific clients/insurance subjects. Each type of insurance has a set maximum gross and net limits for specific risks. These limits are applied to each insurance contract.

- The residual risk is managed through the use of reinsurance. The Company buys reinsurance programs covering risks for various types of insurance. Management reviews the reinsurance programs annually and makes decisions about the required changes to these programs. The biggest Net retained parts of the risk of the Company at the end of relevant year:

Net retained parts of risk	2022	2021
Personal accident	100 000 €	100 000 €
Travel medical expense	100 000 €	100 000 €
Motor own damage	Not ceded	Not ceded
Cargo insurance	100 000 €	100 000 €
Property insurance	500 000 €	500 000 €
Motor third party liability insurance	250 000 €	250 000 €
General TPL insurance	200 000 €	200 000 €
Bonds	475 000 €	300 000 €

- Potential impact of catastrophic events. Natural and man-made catastrophe events could potentially result in significant losses and are considered in the insurance methodology. The most common natural catastrophes are storms and flood.

SENSITIVITIES

The Company is responsible for insurance events, which happened in a contract period, even if the information about the claims coming after the end of the insurance contract, and the claims are settled and paid under the contract details which was valid at the contract period.

Claim costs include costs that will be incurred for claim settlement, minus expected recovery and other recoverable amounts. The Company takes all reasonable steps to have an appropriate information about its insurance risks. Therefore, because of uncertainty in claims provision calculation, it is probable that the final result can be different from the previously expected amount of liabilities. The liabilities related to these contracts in the financial statements include claims provisions for the IBNR, provisions for reported but not yet settled claims (RBNS), and provisions for non-ended exposures as at the reporting date.
The IBNR calculations are generally more uncertain than calculations for necessary expenses for already reported claims (RBNS) when the information about the suffered claim is already known. If it is possible, the Company uses different methods for calculation of necessary amount of provisions. It helps to understand more clearly the tendencies of a projected scenario. The usage of different methods for performed projections allows to evaluate the range of possible outcomes. The most suitable computing technique is chosen, considering the characteristics of business class and the size of changes in each year of the insured events.

The Company performs sensitivity testing of IBNR claim’s provisions by detailed analysis of the results calculated by using several statistical methods to ensure that the selected method gives the best estimate of provisions for IBNR recognized.

Sensitivity analysis for claims provision as of 31 December 2022

Line of insurance	Impact if loss ratio 5 percent higher than used in IBNR estimates for attractional and large losses	Impact if loss ratio 5 percent lower than used in IBNR estimates for attractional and large losses
MTPL	1 801 432	(1 874 436)
Property	1 578 103	(278 301)
Liability	686 717	(595 500)
MOD	35 106	(35 106)

Sensitivity analysis for claims provision as at 31 December 2021

Line of insurance	Impact if loss ratio 5 percent higher than used in IBNR estimates for attractional and large losses	Impact if loss ratio 5 percent lower than used in IBNR estimates for attractional and large losses
MTPL	1 650 180	(1 650 180)
Property	2 231 371	(1 867 656)
Liability	696 688	(533 331)
MOD	31 893	(31 893)

The provision for the capitalized value of the Annuity claims coming from MTPL contracts is determined using actuarial method by calculating present value of future disbursements, for each annuity separately, by taking into account the nature of the particular claim, possible development, legislation requirements and other relevant factors. Indexation of payable annuity amount is set according to the local legislative acts related to annuity payments. The Company performs sensitivity analysis for reported annuities by changing indexation assumptions.

Sensitivity analysis for reported annuities as of 31 December 2022

Policy country	+1%	-1%
Estonia	1 008 301	(57 626)
Lithuania	54 321	(278 025)
Latvia	203 323	(107 963)
Total	**1 265 945**	**(443 614)**

Sensitivity analysis for reported annuities as of 31 December 2021

Policy country	+1%	-1%
Estonia	653 104	(527 596)
Lithuania	285 406	(232 749)
Latvia	162 922	(136 512)
Total	**1 101 432**	**(896 857)**

LIABILITY ADEQUACY TEST

In the calculation of technical provisions of the insurance portfolio, an estimation of future cash flows related to insurance payments is always performed, and these calculations always have uncertainty elements. The risk of provisions is related with that uncertainty. The uncertainty depends on the format of risk. Short-term risk changes have a little less influence, but they will have bigger influence on future payments. The risk of inflation is inherent for most insurance products. The influence is different, and it depends on characteristics of each product as well as on the conditions which are used for claims regulation.

At each reporting date, the Company prepares a liability adequacy test by assessing whether the insurance liabilities for valid policies are adequate by comparing the insurance provisions established to the present value of the estimated future cash flows arising on existing insurance policies. If the liability adequacy test shows a deficiency in the carrying amount of liabilities, the deficiency is recognized as a loss for the financial year by setting additional unexpired risk reserve. The test is applied to the gross amounts of provisions, i.e., the effect of reinsurance is not considered. Unexpired risk reserve was not recognized as at 31 December 2022 (252 083 EUR as of 31 December 2021).

CLAIMS DEVELOPMENT

The following tables show the estimates of incremental incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

Claims payment non-cumulated (gross)	2016	2017	2018	2019	2020	2021	2022
2010	(509)	206	(314)	(266)	1 081 873	74 112	-
2011	60 838	21 185	16 709	89	(11 682)	34 204	392 010
2012	443 472	54 859	21 266	102 837	(71)	104 972	27 287
2013	344 157	354 433	46 199	3 625	9 936	(21 895)	8 936
2014	873 943	1 220 422	139 275	(125 664)	12 733	7 755	(824)
2015	5 786 504	2 117 086	202 291	106 529	58 208	55 336	23 268
2016	17 114 672	8 473 554	675 273	564 564	920 062	171 585	59 940
2017	-	23 448 814	5 277 596	490 821	819 774	380 944	63 689
2018	-	-	25 594 140	10 089 250	1 298 996	697 712	492 241
2019	-	-	-	32 215 469	10 809 518	1 186 577	1 117 635
2020	-	-	-	-	57 646 604 *	13 662 443	920 615
2021	-	-	-	-	-	83 614 022	23 846 967
2022	-	-	-	-	-		102 353 427
Total	**24 623 076**	**35 690 558**	**31 972 436**	**43 447 254**	**72 645 952**	**99 967 769**	**129 305 191**

Claims reserve as of 31 December (gross)	2015	2016	2017	2018	2019	2020	2021	2022
2010	1 105	1 586	1 464	1 490	0	5 583 779	5 965 949	5 767 100
2011	211 979	208 900	62 161	36 236	37 800	288 991	437 758	417 571
2012	753 668	437 578	185 613	308 384	102 917	458 281	430 883	383 788
2013	1 479 524	1 070 475	644 668	578 893	511 335	760 018	687 384	1 064 935
2014	4 744 198	3 128 021	436 717	320 036	184 932	638 409	190 534	150 783
2015	10 718 149	4 490 000	687 135	612 085	594 052	1 248 413	747 959	726 389
2016	-	14 161 259	1 847 184	1 796 405	1 463 690	3 854 722	3 269 886	979 149
2017	-	-	8 458 209	1 874 898	1 206 453	3 488 960	2 631 039	1 505 186

2018	-	-	-	15 301 555	4 017 836	13 178 834	3 837 930	2 351 476
2019	-	-	-	-	16 764 153	12 992 592	6 866 038	4 389 783
2020	-	-	-	-	-	33 310 430*	12 477 439	7 902 601
2021							37 771 468	13 489 512
2022	-	-	-	-	-	-		37 222 009
Total	**17 908 624**	**23 497 820**	**12 323 150**	**20 829 982**	**24 883 168**	**75 803 429**	**75 314 268**	**76 350 282**

* Reporting period 2020 comprises claim costs arising from liabilities taken over from Seesam Insurance AS as well as Company's liabilities.

CAPITAL MANAGEMENT

The Company has Capital management procedure approved by the Management Board. The Company's objectives with respect to capital management are to ensure the continued existence of the Company as a going concern in order to continue providing shareholders with earnings and other stakeholders, in particular policyholders, with the payments to which they are entitled. Furthermore, the objective is to maintain an optimal capital structure with regard to the Solvency II requirements and capital costs.

To ensure a sufficient solvency position of the Company, the policy describes minimum requirements and standards regarding capital management. Solvency ratio is the main indicator of financial strength of a company. In order to protect the Company against strong movements in both directions, additional relative limits and limit warnings for the Solvency Ratio, the capital requirement and the own funds are defined. Additional relative limits for solvency ratio, which are based on the solvency planning are monitored within the risk bearing capacity process. The risk bearing capacity concept is based on a two-stage limit system, which means that limit warnings (yellow) as well as limits (red) are implemented for the three key figures total eligible own funds, total solvency capital requirement and solvency ratio. In addition to the monitoring of limits of the three key figures the limit system also provides an overall limit status by aggregating limit breaches. The overall status is displayed in a three-color scheme (red, yellow, green). In case of limit violation escalation process is triggered. In order to improve the steering and monitoring of eligible own funds a loss capacity is defined based on the relative limit for the eligible own funds. For this purpose, the total loss capacity for a quarter is calculated as the difference between actual eligible own funds of the quarter and the own funds limit of the following quarter. Hence, it provides the maximum decrease in the eligible own funds, such that the limit is not breached in the next quarter. Similar to the loss capacity on the side of the own funds, SCR risk budgets have to be defined to enhance the steering and monitoring of the solvency capital requirement. For this purpose, the risk budget is defined as the maximum allowed deviation in the SCR. Hence, the risk budget is the difference between the SCR limit applied on the planned SCR and the actual value of the SCR. As such it provides the maximum allowed increase in the solvency capital requirement in the next quarter.

To meet targeted solvency ratio impact on SCR is evaluated for each new investment, planned strategic asset allocation is targeted. Other activities include business plan fulfilment monitoring actions. Also, impact of significant business deals on SCR is evaluated.

Capital management process is performed together with financial planning and ORSA processes.

The capital management process can be summarized by the following steps:

Capital Adequacy Assessment: capital management process starts with an assessment of capital adequacy based on regulatory solvency capital requirements.

Capital Planning: Management Board's views and plans regarding the future development of the business and investment activities are used when analyzing the future capital requirement considering amount and quality of the available capital. Within the planning process it is considered how changes either in business volumes and business mix or changes in existing risk factors may affect profitability, risks and capital needs. The outputs of the analysis from the adequacy assessment stage are then combined with business planning targets for the next 3 years in order to determine possible capital deficiencies and future capital allocation. Capital management plan shall provide evidence of sustainable capitalization, determines possible capital deficiencies and quantifies future capital requirements at an early stage.

Capital Management Measures: a prudent assessment of capital adequacy and a careful capital planning are important phases when creating an understanding of the actions that maintain a proper balance between capital and risks. Analysis is performed of how any planned capital issuance, redemption or repayment, dividend distribution affects the capital structure, costs, compliance with the limits on tiers. In order to implement capital management plan, measures are proposed for approval from the Management and Supervisory Board.

Every quarter the deviations between planned and actual figures are evaluated.

OPERATIONAL RISK

The risk is managed by implementing effective internal control system, that includes proper segregation of duties, application of four-eye principle, access right control, business contingency planning, incident management, following established procedures, guidelines and policies etc., that is evaluated each year during internal control assessment process.

Operational Risk Management is part of the day-to-day activities of every organizational unit of Compensa.

Based on the fact, that operational risks can arise in every area and operating activity, Compensa follows the approach that operational risk management is not the task of one single department, but in the responsibility of each department within their own operational area.

To support the operational risk management and the monitoring of operational risks, Compensa uses the following two risk management processes:

- Assessment of the effectiveness of the internal control system
- Risk Inventory

Goal of these two processes is the identification and evaluation of operational risks, the evaluation of the adequacy of the control environment as well as the identification and evaluation of risk mitigating measures. During that process, each operational risk category is additionally assessed according to the heat map based on frequency-severity assessment.

The risk is managed by implementing effective internal control system described above. Business contingency plans, that describe action on how to continue critical business processes if one of the several defined critical scenarios materializes, are in place. In case of crisis, a Crisis Committee is formed by the Management Board that has the task to restore the business operations.

REINSURANCE AND OTHER TECHNIQUES FOR RISK MINIMIZATION

The approach to reinsurance within Compensa as a central tool to mitigate underwriting risk is defined in the reinsurance guidelines established by VIG Group (i.e. Security Guidelines) and described in the Underwriting policy of Compensa. Reinsurance and other Risk Mitigation techniques are regularly evaluated for their effectiveness. The responsibility and decision on other risk mitigating actions is defined by internal documents developed by the department responsible for the risk itself.

When selecting reinsurers, the Management Board chooses a reinsurer from a list prepared by the VIG Reinsurance Security Committee. Each quarter the VIG Reinsurance Security Committee prepares and publics a list of reinsurers that are automatically accepted (within the allowed range of quota limits) in case of obligatory and facultative agreements. Other reinsurers and their shares in agreements are decided individually if accepted by the VIG Reinsurance Security Committee.

A generally applicable VIG rule states, that reinsurers with a minimum rate of A, given by the rating agency Standard & Poor's, can take part in agreements covering risks with a long-term liability like third party. On the other hand, reinsurers with a minimum rate of BBB, given by the rating agency Standard & Poor's, can take part in agreements covering risks with short-term liability.

ASSET AND LIABILITY MANAGEMENT

The purpose of the asset-liability management process is to minimize risk arising from the mismatch between the investment portfolio and liability structure. This risk includes liquidity risk and market risk (currency and interest rate risk in particular).

Asset-liability management includes setting and monitoring strategic asset allocation limits, monitoring investment performance, conducting stress-tests, maintaining liquidity of investments, key risk indicators and their limits.

The currency and duration mismatch between assets and liabilities is monitored quarterly in order to control for the currency and interest rate risk.
In case the mismatch between assets and liabilities is evaluated to be material and inappropriate, the strategic asset allocation and limits set in the Investment and Risk policy must be changed.

NOTE 1. INTANGIBLE ASSETS (EUR)

	Goodwill	Software	Other assets	Total
In 2021	10 725 808	3 788 949	211	**14 392 617**
Acquired assets	-	1 571 662	64 648	**1 636 311**
Reorganisation effect	-	(102 825)	102 825-	**-**
Written off	-	(21 221)	-	**(21 221)**
Amortization for intangible assets written-off	-		(62 448)	**-**
Amortization charge	-	(1 112 630)	**105 237**	**(1 175 078)**
Closing net book amount	**10 725 808**	**4 123 935**	**105 237**	**14 954 980**
As at 31 December 2021				
Acquisition cost	10 725 808	8417 676	171 682	**19 315 167**
Accumulated amortization	-	(4 293 741)	(66 446)	**(4 360 187)**
Net book amount	**10 725 808**	**4 123 935**	**105 237**	**14 954 980**
In 2022				
Acquired assets	-	1 431 368	112 006	**1 543 374**
Reclassification		-	-	**-**
Written off	-	(2 487)	-	**(2 487)**
Amortization for intangible assets written-off	-		-	**-**
Amortization charge	-	(953 500)	(64 808)	**(1 018 308)**
Closing net book amount	10 725 808	**4 599 316**	**152 435**	**15 477 559**
As at 31 December 2022				
Acquisition cost	10 725 808	9 849 044	283 688	**20 858 540**
Accumulated amortization	-	(5 249 728)	(131 254)	**(5 380 982)**
Net book amount	**10 725 808**	**4 599 316**	**152 434**	**15 477 558**

The amortization expenses of intangible assets for the year 2022 was booked as administrative expenses in the amount of EUR 1 018 308 (in 2021: EUR 1 175 078).
Goodwill is part of other intangible assets which are all acquired through business combinations or mergers.

GOODWILL

Goodwill was recognized as a result of the business transfer agreements concluded on 2 October 2015 with Compensa TU S.A. Vienna Insurance Group. The value of goodwill was booked as a difference of consideration paid and net value of assets and liabilities obtained. According to business transfer agreements, Compensa TU S.A. Vienna Insurance Group transferred to the insurance undertaking ADB Compensa Vienna Insurance Group the business (as the set of assets, rights and obligations) carried out through the Lithuanian and Latvian branches of Compensa TU S.A. Vienna Insurance Group. The business purchase price (consideration payable) was determined by the Group management. The value was determined based on both the forecasted discounted cash inflows for 2015–2024 and comparable market transactions method as at 30 June 2015 and financial result of the year 2014 Business rights and obligations were taken over on 31 December 2015.

IMPAIRMENT TESTING OF GOODWILL

At the end of each reporting year, the management assesses goodwill for impairment. The annual assessment of impairment losses was carried out at the end of 2022. Recoverable amount of the goodwill is determined based on an assessment of value in use. For the purpose of impairment testing of goodwill, the entire Company is assumed to be one cash generating unit due to following facts:

- central management of main functions (underwriting, sales, claims) and centralized back-office functions;
- cross border agreements and servicing of Pan Baltic client is carried out centrally;
- Baltics operations are managed and supervised by the shareholders on a whole Company level, not separating operating locations;
- Need for capital injections (and Investments) are managed on a whole Company level.

Taking above into consideration, the management concluded that operations of the Company are considered as one cash generating unit.

The recoverable amount of cash generating unit as of 31 December 2022 was determined based on the discounted dividends model based on the five-year financial forecasts prepared by the management. Significant assumptions used for the assessment of the equity value in use in 2022 and 2021 are described further.

In current year impairment model, gross written premiums are forecasted to grow at compound average growth rate (CAGR) 8% for 2021 (13%) over the next five years. Net earned premiums are forecasted to grow at compound average growth rate CAGR) 8% for 2021 (13%) over the forecast period. Management expects growth above general GDP growth level due to growth of general insurance market, increasing insurance penetration, and increase of the Company's brand awareness. Gross loss ratio is estimated at 60.1%-60.3% and net loss ratio is forecast at 63.3%-63.6% over the forecast period.

Cash flows beyond the five-year period were extrapolated using 1% growth rate. The discount rate used by the management was estimated as a weighted average cost of capital for the cash generating unit and is equal to 10.15% in 2022 and 9.79% % in 2021.

The assessment of the recoverable amount of the cash generating unit as of 31 December 2022 resulted in no impairment of goodwill at the end of 2022.

The management assessed an impact of an individual change of certain key assumptions on the recoverable amount.

The following table shows potential impairment loss respectively changing parameters used in the model for 2022:

Items	Net Premiums Earned	Loss ratio	Discount rate
	-1%	+1%	+1%
Impairment needed, kEur	-	-	-

If used parameter was used more than presented in the table, the potential impairment would be recognized.

NOTE 2. LEASES

The Company recognizes right-of-use assets in the amount of EUR 2 933 036. For the calculation of lease liabilities, the Company used discount rates that depend on lifetime of contract which a varies from 0.073% to 2.96%.

RIGHT-OF-USE ASSET

	Land and buildings	Cars	Total
2022			
Balance on 1 January	2 960 788	37 432	2 998 220
Depreciation charge for the year	(555 606)	(40 598)	(596 204)
Additions to right-of-use assets	489 571	41 450	531 021
Balance on 31 December	**2 894 753**	**38 284**	**2 933 037**

	Land and buildings	Cars	Total
2021			
Balance on 1 January	3 239 176	55 871	3 295 047
Depreciation charge for the year	(952 234)	(38 896)	(991 131)
Additions to right-of-use assets	673 846	20 457	694 304
Balance on 31 December	**2 960 788**	**37 432**	**2 998 220**

LEASE LIABILITIES

Leases under IFRS 16	**2022**	**2021**
Less than one year	1 079 324	790 157
One to two years	1 729 437	1 781 590
Two to three years	140 303	449 112
Four to five		-
Total	**2 949 064**	**3 020 859**

Leases as lessee (IFRS 16)

Over 88 customer service centers are located in leased premises, as well as the premises for the Company's headquarters and head offices of branches are leased. The contracts for these leases typically run for a period of 2 to 5 years after which a new contract might be renegotiated or the existing one prolonged, or the lease ends all together; over one third of the lease contracts do not have a set term, for such contracts the Company has elected to set a period of 2 years with the review done at the end of each calendar year.

In addition to premises, the Company also leases IT equipment, vehicles, and other miscellaneous items.

Information about leases for which the Company is a lessee is presented above.

NOTE 3. PROPERTY AND EQUIPMENT (EUR)

	Office and other equipment	Vehicles	Prepayments for non-current assets	Total
In 2021				
Balance at 01/01/2021	1 260 250	166 333		**1 426 582**
Adjusted balance at 01/01/2021				
Acquired assets	541 294	6 440	-	**547 734**
Reclassification	(1 516)	1 516	-	**-**
Written-off	(31 005)		-	(31 005)
Depreciation for tangible assets written-off	26 631		-	**26 631**
Depreciation charge	(530 134)	(54 872)	-	**(585 006)**
Closing net book amount	**1 265 520**	**119 417**	**-**	**1 384 936**
As at end of December 2021				
In 2022				
Balance at 01/01/2022				
Adjusted balance at 01/01/2022				
Acquired assets	423 160	48 586	-	**471 746**
Reconciliation	-	-		**-**
Written-off	(171 540)	-	-	**(171 540)**
Depreciation for tangible assets written-off			-	**-**
Depreciation charge	(427 887)	(55 618)	-	**(483 505)**
Closing net book amount	**1 089 253**	**112 385**	**-**	**1 201 638**
As at end of December 2022				
Acquisition cost	3 081 955	306 020	-	**3 387 975**
Accumulated depreciation	(1 992 701)	(193 635)	-	**(2 186 336)**
Net book amount	**1 089 254**	**112 385**	**-**	**1 201 639**

The depreciation expenses of property and equipment of the year 2022 were booked as administrative expenses (Note 28) in the amount of EUR 461 030 (in the year 2021 – respectively EUR 585 006).

As of 31 December 2022, the Company had fully depreciated property and equipment which were still used in activity.

Office and other equipment:

Items	**2022**	**2021**
Acquisition price	277 731	516 729

NOTE 4. FINANCIAL ASSETS AVAILABLE FOR SALE (EUR)

FINANCIAL ASSETS AVAILABLE FOR SALE

	2022	2021 (restated)
At the beginning of the reporting year	**179 111 219**	**176 967 043**
Purchases	35 624 756	35 908 678
Maturities	-	(2 876 349)
Disposals	(20 550 407)	(25 627 405)
Fair value Gain/(Loss) recorded in OCI	(32 717 345)	(5 014 409)
Amortization adjustment	(140 479)	(248 441)
Impairment adjustment	(2 616 452)	
Foreign currency exchange adjustments	923	2 102
At the end of the reporting year	**158 712 215**	**179 111 219**

Investments to associated companies: Gertrude SIA, Artilerija SIA and Alauska SIA were reclassified from category financial assets available for sale to category investments to associate companies to better reflect nature of these investments. Valuation method of these investments is cost less impairment.

Restatement on the a of 2021	
Financial asset available for sales	(1 682 503)
Investment to associate companies	1 682 503

FAIR VALUE OF THE FINANCIAL ASSETS

Items	2022 Amortized cost	2022 Fair value	2021 Amortized cost (restated)	2021 Fair value (restated)
Republic of Lithuania	39 446 363	34 288 463	43 349 160	44 517 835
Republic of Latvia	2 028 842	1 845 069	3 517 282	3 612 525
Russian Federation	1 000 000	1 000 000	2 017 450	1 990 800
Republic of Estonia	991 921	785 640	990 846	997 460
Republic of France	2 432 226	2 237 650	-	-
Republic of Slovenia	4 019 886	3 608 900	2 034 289	2 151 720
Republic of Mexico	2 135 523	1 534 255	2 131 469	2 208 312
People's Republic of China	1 982 949	1 526 240	1 981 083	1 961 780
Republic of Germany	2 258 590	2 136 335	1 012 050	1 059 360
Republic of Greece	995 216	808 970	994 620	1 021 050
Republic of Hungary	2 967 581	2 064 960	2 963 584	2 946 780
Israel	4 012 077	3 305 550	1 527 143	1 634 685
Republic of Poland	2 013 469	1 744 980	2 015 720	2 116 340
Republic of Austria	1 900 291	1 753 984	501 507	530 355
Republic of Slovakia	997 731	931 200		
Kingdom of Belgium	1 964 849	1 829 140		
Canada	496 963	471 425		
Grand Duchy of Luxembourg	488 114	454 725		
Green bonds	995 796	928 650		
Corporate bonds	102 695 169	83 973 639	98 090 426	100 261 851
Russian Railways	1 450 000	1 450 000	3 032 362	3 016 522
VIG fund share	5 248 636	5 248 636	5 279 609	5 279 609
Fund units	4 659 416	4 783 804	3 465 115	3 804 235
Total	**187 181 608**	**158 712 215**	**174 903 715**	**179 111 219**

The fair value was measured based on the quoted prices or the current market value of similar securities (Level I fair value hierarchy for quoted, Level 2 input other than quoted prices and Level 3 for Investment to Funds units, also available instruments and bonds of Russian Federation).

Revaluation effect for financial investments available for sale that in 2022 was recognized in other comprehensive income was EUR (30 614 274) (in 2021: EUR 4 714 507).

NOTE 5. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT HIERARCHY

The measurement process aims to determine fair value using price quotations that are publicly available in active markets or valuations based on recognized economic models using observable inputs.

Hierarchy as of 2022

	Level 1	**Level 2**	**Level 3**	**Total**
Available for sales instruments	96 957 169	49 272 606		146 229 775
Russian bonds			2 450 000	2 450 000
Fund units	1 553 400		8 479 040	10 032 440
Total	**98 510 569**	**49 272 606**	**10 929 040**	**158 712 215**

Hierarchy as of 2021

	Level 1	**Level 2**	**Level 3**	**Total (restated)**
Available for sales instruments	112 943 135	52 076 918		165 020 053
Russian bonds	5 007 322			5 007 322
Fund units	1 917 000		7 166 844	9 083 844
Total	**119 867 457**	**52 076 918**	**7 166 844**	**179 111 219**

Sensitivities analyses for the investment to fund units and investment to Russian bonds is captured in the table below.

2022	OCI, net of tax	
	Increase	Decrease
Available for sales instruments changes in value by 5 %	122 500	(122 500)
Fund units change in value by 5% resulting in changes of NAV by 5%	423 952	(423 952)

2021	OCI, net of tax	
	Increase	Decrease
Available for sales instruments changes in value flow by 5 %	250 366	(250 366)
Fund units change in value by 5% resulting in changes of NAV by 5%	358 432	(358 432)

In the reporting period was reclassification between levels. Russian bonds were moved to level 3.

Due to limited liquidity for the Russian bonds, Company changed the calculation methodology and Russian bonds were moved from Level 1 to Level 3

	Level 1	Level 2	Level 3	Total
Russian bonds	(2 450 000)	-	2 450 000	0

Table below show reconciliation of level 3 from the opening balances to the closing balances.

Russian bonds were impacted by sanctions implemented by the US and EU. The Company valued these bonds as 50% from nominal value based on Bloomberg quotations for the period of December 2022 and January 2023.

Financial assets Level 3 as at 31 December 2020	**3 939 080**
Purchased	2 931 109
Gain included in OCI	318 675
Sold	(22 020)
Financial assets Level 3 as at 31 December 2021	**7 166 844**
Purchased	1 194 301
Gain included in OCI	2 734 347
Impairment	(2 616 452)
Reclassification	2 450 000
Financial assets Level 3 as at 31 December 2022	**10 929 040**

In the reporting period the Company acquired funds units in amount of 1.2 million EUR. The value of these units is determined by reference to the Net Asset Value of the Investee as at the reporting date, where the value of assets of this Investee is measured using valuation reports prepared by appraisers.

VIG fund units are originally valued at their acquisitions cost and subsequently revaluated at fair value. For the determination of the fair value of the investment the net asset method was applied. VIG fund units value is highly impacted by value of invested property and a change in the underlying inputs can therefore lead to fluctuations in the value of property.

Significant unobservable inputs used in fair value measurement categorized as level 3 of the fair value hierarchy of the Company's investment properties are:

- Equivalent yields
- Estimated rental

The applied yields for valuation ranges from 4,75% to 8,26% (5,16% to 7,70% in 2021, respectively). Rental levels vary between EUR 5 and EUR 26 per sqm per month (between EUR 5 and EUR 26 per sqm per month in 2021, respectively).

A change in the underlying inputs can therefore lead to fluctuations in the value of a property. An increase of rental income by 2,5% respectively 5% and unchanged yield will lead to an increase of value of the properties by 5,5 million EUR respectively 11, 1 million EUR. On the other side a decline of rental income would lead to an according reduction in the asset value. In case of a yield increase by 0,25% respectively 0,5% and leaving the rental income unchanged the values of the properties would decrease by 11,1 million EUR, respectively 21,3 million EUR. A yield decrease would result in the opposite effect namely accordingly higher asset values.

Combination of changes in rental income as well as yield as yield changes and subsequent fair value of the property are show in the table below:

Relative changes in rental income

		-5%	-2,50%	0%	2,50%	5%
	-0,50%	287 044	293 204	299 363	305 521	311 677
	-0,25%	274 531	280 374	286 217	292 059	297 898
	0%	263 045	268 599	274 150	279 704	285 254
Relative yield changes	0,25%	252 463	257 751	263 038	268 324	273 608
	0,50%	242 681	247 724	252 766	257 807	262 846

The table contains rounded figures.

NOTE 6. LOANS AND DEPOSITS

A. LOANS GRANTED

During 2022, the Company granted loans in amount of 2,3 million.

For the year ended 31 December 2022, the Company has not recorded any impairment of loans relating to amounts owed by related parties. No amounts where overdue as at 31 December 2022.

LOAN AND INTEREST AMOUNTS RECEIVABLE

The split of the receivable interest and receivable loan payments for the future periods:

Items	2022		2021	
	Loans	**Future interest**	**Loans**	**Future interest**
Within 1 year	92 692	150 682	90 402	95 823
Within 2-5 years	742 984	570 146	748 234	357 878
Within 5-10 years	5 559 204	469 987	3 386 038	338 575
After 10 years	-	-	-	-
Total	**6 394 880**	**1 190 815**	**4 224 674**	**792 277**

Loan amount as of 31 December 2022 and 2021

Items	**2022**	**2021**
Loans at the beginning of reporting year	**4 224 674**	**2 526 595**
Loans granted	2 260 846	2 380 952
Loans repayment	(90 640)	(682 874)
Loans at the end of reporting year	**6 394 880**	**4 224 674**

B. LOANS RECEIVED

At the end of 2022Y. the Company received restricted (according to Solvency II own funds classification) subordinated loan with interest rate 10,28% in amount of 4 million EUR. The loan is granted for an unlimited time. The principal amount may only be repaid after 5th anniversary of it being received by the Borrower (In 2027Y). Also Company received 2 subordinated loans with interest rates 6,84% and 5,8% in total in amount of 11 million. for 10 years period. All loans were received from the Company's shareholder Vienna Insurance Group AG Wiener Versicherung Gruppe. At the end of 2021 Y. the Company had subordinated loans in the amount of EUR 7 500 000. Interest rates are 5.5% and 5%. Maturity of the loans is set to 10 years.

LOAN AND INTEREST AMOUNTS PAYABLE

The split of the payable interest and loan repayment for the future periods:

Items	2022		2021	
	Loans	Future interest	Loans	Future interest
Within 1 year	-	(1 558 600)	-	(395 000)
Within 2-5 years	(4 000 000)	(6 234 400)	-	(1 580 000)
Within 5-10 years	(18 500 000)	(3 982 000)	(7 500 000)	(615 000)
After 10 years	-		-	
Total	**(22 500 000)**	**(11 775 000)**	**(7 500 000)**	**(2 590 000)**

LOAN AMOUNT AS AT 31 DECEMBER 2022

Items	2022	2021
Loans at the beginning of reporting year	**(7 596 814)**	**(7 596 814)**
Loans received	(15 000 000)	-
Accrued interest	(865 014)	391 987
Loans repayment	391 986	(391 987)
Loans at the end of reporting year	**(23 069 842)**	**(7 596 814)**

NOTE 7. INVESTMENT TO ASSOCIATE COMPANIES

On December of 2020 the Company concluded an agreement regarding purchase of SIA Global Assistance Baltic. The Company has acquired 33% of the shares of the entity. Company will be involved in providing assistance services.
In 2021 company invested in to tree associate Gertrudes 121 SIA, Artilerijas 35 SIA and Alauksta 13/15 SIA. During 2021 Company invested 0,3 million EUR to Artilerijas 35 SIA, 0,3 million to Alauksta 13/15 SIA and to Gertrudes 121 SIA 1 million. During 2022 was no additional investments to these companies' equity.
As at the end of 2022 the associated companies are accounted using the cost method.Based on impairment analysis performed by managers as at 31.12.2022 no impairment has been identified.

The equity and total assets as at 31 December 2022 and result for the financial year then ended of the associate companies could be presented as follows:

Company name	Company share	Investment 2022	Investment 2021	Net asset value for 100% of shares 2022 (not audited)	Net asset value for 100% of shares 2021 (not audited)
SIA Global Assistance Baltic	33,33%	100 000	100 000	264 548	277 108
Artilerijas	33,33%	320 407	320 407	1 066 882	917 626
Gertudes	33,33%	1 058 582	1 058 582	2 891 209	3 286 505
Alauska	33,33%	303 514	303 514	899 651	1 025 777
AS EGCC	C,D, categories	35 000	35 000		
Total		1 817 503	1 817 503	5 122 290	5 507 016

Investments to associated companies: Gertrude SIA, Artilerija SIA and Alauska SIA were reclassified from category financial assets available for sale to category investments to associate companies to better reflect nature of these investments. Valuation method of these investments is cost less impairment. Based on impairment analysis performed by management as at 31.12.2022, no impairment has been identified.

Restatement on the end of 2021	
Financial asset available for sales	(1 682 503)
Investment to associate companies	1 682 503

NOTE 8. AMOUNTS RECEIVABLE (EUR)

Items	2022	2021
Receivable from direct insurance activities	**33 758 977**	**29 634 398**
Receivable from insured	27 304 775	24 604 115
Receivable from intermediaries	6 915 296	5 422 517
Impairment for receivables from direct insurance operations	(413 645)	(333 706)
Impairment for the amounts receivable from insurance activities	(47 449)	(58 528)
Receivable from reinsurance activities	**4 204 006**	**8 575 154**
Receivable from reinsurance activities	4 204 006	8 575 154
Other amounts receivable	**1 657 027**	**2 088 447**
Other amounts receivable	1 657 027	2 088 447
Total	**39 620 010**	**40 297 999**

Aging of receivables from direct insurance operations

Term	2022			2021		
	Gross	Impairment	Total amounts receivable	Gross	Impairment	Total amounts receivable
Not past due	30 224 350	14 018	**30 210 332**	26 166 741	12 879	26 153 862
Overdue 0-30 days	2 076 915	7 534	**2 069 381**	2 556 280	6 841	2 549 439
Overdue 31-90 days	933 823	36 133	**897 690**	662 321	26 140	636 181
Overdue 91-180 days	129 670	38 637	**91 033**	93 338	46 136	47 202
Overdue 181-365 days	182 598	101 255	**81 343**	99 110	95 199	3 911
Overdue more than 365 days	625 266	216 068	**409 198**	390 314	146 510	243 804
Total	**34 172 622**	**413 645**	**33 758 977**	**29 968 103**	**333 705**	**29 634 398**

Impairment for bad debts is calculated based on debt development rate. Debt development rate is calculated based on Company's experience, external factors (economic cycle, bankruptcy trends and other), change in the Company's debt management practices and other significant factors.

Bad debt impairment is calculated by multiplying the corresponding debts by debt development rate.

Calculated impairment is recognized as expenses and is shown in other technical costs position.

Amounts receivable include amounts receivable from policyholders, intermediaries, reinsurers and other.

In case insurance premiums are received earlier than the insurance contract becomes effective, the premiums received are stated as prepayments and accounted for in the financial statements as liabilities to the insured.

Receivables from intermediaries are registered by decreasing debts of the policyholders and having sufficient evidence that an intermediary has received money from the policyholder as to insurance contracts.

Amounts receivable from reinsurers include amounts payable by the reinsurers for reinsurance claim and commission payment. Liabilities to reinsurers are higher that receivables and set off are performed on the monthly basis.

In 2022, no advances were paid to the administrative, management and supervisory bodies.

NOTE 09. TECHNICAL PROVISIONS

Provision for unearned premiums

The provision for unearned premiums is calculated on ‘pro rata’ basis.

Line of insurance	Technical provision GROSS of reinsurance		Techical provision reinsurance part		Change of provision GROSS of reinsurance	Change of provision reinsurance part
	2022	2021	2022	2021		
Accident insurance	2 444 635	2 378 084	1 222 318	1 189 043	66 551	33 275
Health insurance	7 710 356	6 650 478	421 140	705 498	1 059 878	(284 358)
Land and vehicle casco insurance	24 708 643	23 421 946	-	-	1 286 697	-
Marine insurance	908		-	-	908	-
Transport insurance	23 051	23 373	-	-	(322)	-
Fire and natural hazard insurance	443 343	472 818	-	-	(29 475)	-
Other property insurance	5 146 480	4 913 185	59 069	40 869	233 295	18 200
Land and vehicle MTPL insurance	23 751 183	20 671 124	2 974 797	3 382 274	3 080 059	(407 477)
Carrier liability (CRM) insurance	20 436 988	17 156 960	10 166 493	8 578 480	3 280 028	1 588 013
	-	146 153	-	-	(146 153)	-
General liability insurance	-	-	-	-	-	-
	5 043 459	4 396 078	1 031 801	1 053 259	647 381	(21 458)
Suretyship insurance	-	-	0	0	-	-
Severe financial losses	1 120 084	983 771	987 977	905 153	136 313	82 823
	1 118 580	982 849	70 278	40 761	135 731	29 517
Assistance insurance	266 080	235 292	-	-	30 788	-
Total	**92 213 790**	**82 432 111**	**16 933 873**	**15 895 339**	**9 781 679**	**1 038 535**

UNEXPIRED RISK TECHNICAL PROVISION

Unexpired risk technical provision is distributed into line of insurance level based on estimated gross of reinsurance future cash flows for the particular segment. Estimation is made for the existing portfolio unearned premium reserve net of deferred acquisition costs taking into account expected loss ratios as well as allocated administration expenses, based on the Company’s cost allocation principles.

Line of insurance	Technical provision GROSS of reinsurance		Technical provision reinsurance part		Change of provision GROSS of reinsurance	Change of provision reinsurance part
	2022	2021	2022	2021		
Health insurance	-	97 702	-	-	97 702	-
Land and vehicle MTPL insurance	-	154 381	-	-	154 381	-
Total	**-**	**252 083**	**-**	**-**	**252 083**	**-**

TECHNICAL PROVISION FOR OUTSTANDING CLAIMS

Technical provision for outstanding claims is formed in respect of all claims arising from events which have occurred up to the end of the accounting period. The provision for Incurred but Not Reported Claims is calculated using the ‘Bornhuetter-Ferguson’ or Chain Ladder method for types of insurance where statistical information is sufficient. For types of insurance where statistical information is limited, provision is calculated by expected loss ratio method. Reserve for Reported but Not Settled Claims is calculated during the course of loss adjusting including expected claim amount and loss adjusting expenses for each event. Reinsurers’ share in technical provision for outstanding claims is measured under the terms and conditions of reinsurance contracts.

Line of insurance	Technical provision GROSS of reinsurance		Technical provision reinsurance part		Change of provision GROSS of reinsurance	
	2022	2021	2022	2021		
Accident insurance	673 471	811 046	318 882	333 486	(137 575)	(14 604)
Health insurance	2 921 537	1 864 055	821 496	550 279	1 057 482	271 217
Land and vehicle casco insurance	6 762 585	6 677 788	37 501	34 863	84 797	2 638
Railway rolling stock insurance	59	57	-	-	2	-
Marine Insurance	18 703	24 533	-	-	(5 830)	-
Transport insurance	540 982	669 474	30 439	106 760	(128 492)	(76 321)
Fire and natural hazard insurance	5 280 086	5 994 191	199 493	1 540 863	(714 105)	(1 341 370)
Other property insurance	9 241 225	10 699 333	2 111 409	2 030 894	(1 458 107)	80 515
Land and vehicle MTPL insurance	38 099 245	36 248 620	19 608 755	17 033 001	1 850 625	2 575 754
Carrier liability (CRM)	442 602	489 356	-		(46 754)	-
General liability insurance	7 096 858	8 260 982	2 411 066	2 140 019	(1 164 124)	271 047
Suretyship insurance	1 503 014	1 323 730	1 288 101	1 130 965	179 284	157 136
Severe financial losses	3 734 776	2 221 237	2 943 458	478 115	1 513 539	2 465 343
Assistance insurance	35 139	29 925	-	-	5 214	-
Total	**76 350 282**	75 314 327	**29 770 601**	**25 379 246**	**1 035 955**	**4 391 355**

STRUCTURE OF GROSS TECHNICAL PROVISION FOR OUTSTANDING CLAIMS

	2022	2021
Amount of claims reported but not settled (RBNS)	59 256 980	54 079 600
Reserve for the recoveries	- 1 432 264	(1 305 687)
Amounts of claims incurred but not reported (IBNR)	15 920 744	19 896 479
Amount of claims settlement costs	2 604 822	2 643 934
Total	**76 350 282**	**75 314 326**

STRUCTURE OF REINSURANCE SHARE IN TECHNICAL PROVISION FOR OUTSTANDING CLAIMS

	2022	2021
Amount of claims reported but not settled (RBNS)	23 815 054	19 368 218
Reserve of the recourse	(237 770)	(196 191)
Amounts of claims incurred but not reported (IBNR)	6 193 317	6 207 219
Amount of claims settlement costs	-	-
Total	**29 770 601**	**25 379 246**

NOTE 10. ACCRUED INCOME AND DEFERRED COSTS

Items	2022	2021
Deferred acquisition costs	**13 960 780**	**12 141 407**
Deferred acquisition costs	13 960 780	12 141 407
Other accrued income and deferred costs	**17 486 911**	**16 057 978**
Accruals for estimated recourses	2 697 938	2 559 541
Prepaid expenses/ deferred costs	14 788 973	13 498 436
Accrued interest and rent income	**1 011 858**	**913 390**
Accrued interest from bonds available for sale	1 011 858	913 390
Total	**32 459 549**	**29 112 775**

As of 31 December 2022, deferred acquisition costs amounted to EUR 13.9 million. They were calculated in proportion to unearned premiums as to insurance lines and insurance contracts.

Accruals for estimated recourses in the amount of EUR 2.7 million are estimated for potential recovery cases by taking into account uncertainty level related to particular claims.

Prepaid expenses/deferred costs in the amount of EUR 14.7 million consist of prepayments for future commission expenses, which is paid for policies not yet entered into force. Note 16 shows the amount of received premiums for policies not yet entered into force.

CHANGE IN DEFERRED ACQUISITION COSTS

Items	2022	2021
Deferred acquisition costs at the beginning of the year	**12 141 408**	**11 548 778**
Additions	34 012 411	27 313 628
Used and reversed	(32 193 039)	(26 720 998)
Deferred acquisition costs at the end of the year	**13 960 780**	**12 141 408**

NOTE 11. CASH IN HAND AND AT BANK

Items	2022	2021
Cash in bank	18 074 628	13 756 701
Cash in hand	12 406	7 191
Total	**18 087 034**	**13 763 892**

NOTE 12. SHAREHOLDERS' EQUITY (EUR)

On 10 October 2019 the Company concluded a cross-border merger agreement with Seesam, Compensa Services Lithuania and Compensa Services Latvia, where parties agree to transfer all assets, rights and liabilities to the Receiving Company (ADB Compensa Vienna Insurance Group) as a going concern.

As a result of the merger, capital from Seesam in the amount of EUR 3 000 000 was transferred to the Company.

As at the end of 2022, the authorized share capital of the Company was EUR 18 800 000 (as of 31 December 2021: EUR 18 800 000). The authorized share capital consists of 188 000 ordinary registered shares with the nominal value of EUR 100 each, and share premium of EUR 17 045 774. All shares are fully paid.

Items	2022	2021

	Number of shares	Value	Number of shares	Value
Share capital	188 000	18 800 000	188 000	18 800 000
Share premium		17 045 774		17 045 774

The sole shareholder of the Company is Vienna Insurance Group AG Wiener Versicherung Gruppe.

2022		2021	
Number of shares	% of share capital	Number of shares	% of share capital
188 000	100	188 000	100

NOTE 13. RESERVES

In the year 2022 the Company's shareholders decided to paid dividends in amount 5 000 000 EUR from retained earnings.

Legal reserve is formed in compliance with the Company Law of the Republic of Lithuania. Annual allocation to the legal reserve shall amount to at least 5% of the net profit until the reserve makes up 10% of the share capital. This reserve cannot be distributed.

In 2022, the Company recognized revaluation reserve for financial assets in the amount (26 584 175) which is net of deferred taxes in amount of 1 835 462 EUR.

At the end of 2021 revaluation reserve for financial assets was 4 030 100 which was net of deferred taxes of EUR (267 580). Changes of revaluation reserve and deferred taxes from revaluation reserve are presented in other comprehensive income. After realization of financial assets, result of transaction would be presented in the profit or loss position "Net profit/loss of financial asset".

Movement of revaluation reserve	**2022**	**2021**
Balance at the beginning of the year	**4 030 100**	**8 744 607**
Fair value Gain/(Loss) recorded in OCI	(33 230 726)	(4 714 507)
Impairment Russian bonds	2 616 452	-
Balance at the end of the year	**(26 584 174)**	**4 030 100**

Profit distribution

The draft profit distribution was not yet agreed at the issue date of these financial statements.

NOTE 14. PROVISIONS

Items	**2022**	**2021**
Provisions at the beginning of reporting year	**1 710 731**	**2 303 528**
Reserve created	**2 524 155**	1 371 116
Reserve used	**(1 940 479)**	(1 963 913)
Provisions at the end of reporting year	**2 294 407**	**1 710 731**

For the year 2022 provisions in the amount 2.2 million EUR. Were created for estimated staff-related liabilities.

NOTE 15. REINSURANCE DEPOSIT

Reinsurance deposit was created according to the reinsurance agreement. Bases of calculation of deposit consist of reinsurance part in technical provisions:

+ Reported part of Outstanding losses (RBNS) at the end of the respective accounting period
+ Unreported part of Outstanding losses (IBNR) at the end of the respective accounting period
+ Unearned Premium Reserve at the end of the respective accounting period
= Deposit

Expenses related to the interest for deposit are calculated according to 3-month EURIBOR + 0.5 pp interest rate at the beginning of the accounting period. Expenses of interest are recognized as financial activities expenses.

AMOUNT OF REINSURANCE DEPOSITS IS RELATED TO SHARE OF TECHNICAL PROVISIONS AS FOLLOWS:

Items	2022	2021
Unearned premium technical provisions	11 580 227	10 204 757
Outstanding claims technical provisions	13 013 717	12 109 694
Total	**24 593 944**	**22 314 451**

NOTE 16. LIABILITIES TO INSURED AND INTERMEDIARIES

Items	2022	2021
Liabilities to policyholders	8 680 276	5 727 381
Payable commission to intermediaries	1 362 673	2 249 455
	19 343	19 284
Money received before insurance policies became effective	433	493
Total	**29 386 382**	**27 261 328**

In case insurance premiums are received earlier than the insurance contract becomes effective, the premiums received are stated as prepayments and accounted for in the financial statements as liabilities to the policyholders.

NOTE 17. LIABILITIES TO REINSURERS

Items	2022	2021
Reinsurance liabilities to related companies	610 546	615 821
Liabilities to other reinsurers	7 651 714	11 158 874
Total	**8 262 260**	**11 774 695**

NOTE 18. DEBTS TO CREDIT INSTITUTIONS

DEBTS TO CREDIT INSTITUTIONS

Items	2022	2021
Loans at the beginning of reporting year	**35 192**	**44 236**
Loans received	-	-
Loans repayment	(8 811)	(9 044)
Loans at the end of reporting year	**26 381**	**35 192**

REPAYMENTS PERIOD

Items	2022		2021	
	Loans	Interest	Loans	Interest
Within 1 year	8 829	467	8 829	467
Within 2-5 years	26 363	334	26 363	334
Total	**35 192**	**801**	**35 192**	**801**

NOTE 19. TAXES AND SOCIAL INSURANCE CONTRIBUTIONS

Items	2022	2021
Social taxes	385 014	321 603
Polish social taxes	3 895	-
Austrian social taxes	(597)	-
Total	**388 312**	**321 603**

NOTE 20. OTHER LIABILITIES

Items	2022	2021
Wages and salaries	1 498 918	1 897 828
Payments to employees	23 686	20 962
Taxes liabilities	16 586	42 347
VAT liabilities	7 326	39 844
Payment to Supervisory institution	168 701	132 164
Other liabilities	1 276 389	806 671
Received deposit	4 685 776	3 527 123
Liabilities to other entities for claims handling services	-	77 223
Total	**7 677 382**	**6 544 162**

NOTE 21. FINANCIAL RELATIONS WITH THE MANAGEMENT AND TRANSACTIONS WITH RELATED PARTIES

Related parties include shareholders and associated companies which are related to shareholders, employees, their family members, and entities which directly or indirectly, through one or more intermediaries, control the Company or are controlled by the Company separately or jointly with intermediaries, if the mentioned relations enable one of the parties to control or significantly influence financial and operating decisions of the other entity.

FINANCIAL RELATIONS WITH THE MANAGEMENT

Items	2022	2021
Remuneration to Management Board and Supervisory Board members	292 148	162 263
Bonuses to Management Board and Supervisory Board members	161 884	199 840

At the end of 2022 Management consists of 3 Board Members and 4 supervisory board members.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties include transactions with entities which belong to VIG Group. Outstanding balances with related parties are specified as follows:

Items	2022	2021 (restated)
Receivables from related companies for inward and outward reinsurance activities	264 576	1 792 517
Other receivables from related companies	124 585	335 725
Granted loan	6 394 880	4 224 674
Equity investments	7 031 139	7 062 112
Interest from granted loans	-	212
Total	**13 815 180**	**13 415 240**

Table of transactions with related parties was supplemented by including shares of associated companies and investments in VIG Funds.

LIABILITIES TO RELATED PARTIES

Items	2022	2021
Liabilities to related companies for inward and outward reinsurance activities	610 547	616 610
Other liabilities to related companies	122 876	200 640
Claims handling transaction	156 054	128 498
Reinsurance deposit	24 593 944	22 314 451
Interest from subordinated liabilities (Shareholder)	569 842	96 814
Subordinated liabilities (Shareholder)	22 500 000	7 500 000
Total	**48 553 263**	**30 857 013**
Transactions with related parties		
From reinsurance activity	3 804 522	(3 924 844)
Commission payments	-	(759 097)
Other transaction with related companies	(2 354 134)	(1 206 488)
Received interest	116 958	88 768
Granted loans	2 170 206	1 750 051
Received subordinated loan	(15 000 000)	-
Subordinated loan interest	(865 015)	(391 986)
Dividents	172 686	
Total	**(11 954 777)**	**(4 443 597)**

NOTE 22. ACCRUED COSTS AND DEFERRED INCOME

Items	2022	2021
Accrued costs for payable commission	2 341 194	1 750 608
Reinsurers` share in estimated recourse	306 011	390 623
Other accrued costs for administrative expenses	1 030 071	1 200 331
Total	**3 677 276**	**3 341 562**

Position other accrued cost for administration expenses included cost accruals for consulting services, IT services and for other services for the year 2022.

NOTE 23. GROSS WRITTEN PREMIUM

GROSS WRITTEN PREMIUM

Line of insurance	Gross written premiums	
	2022	2021
Accident insurance	5 352 008	4 915 201
Health insurance	22 421 860	15 604 520
Land and vehicle casco insurance	49 831 793	45 274 238
Railway rolling stock insurance	1 833	113 738
Marine insurance	51 864	52 041
Transport insurance	1 369 565	1 303 916
Fire and natural hazard insurance	10 150 707	8 924 465
Other property insurance	49 466 781	39 774 357
Land and vehicle MTPL insurance	49 401 147	40 042 903
Carrier liability (CRM) insurance	367 675	442 699
General liability insurance	12 420 594	10 687 715
Suretyship insurance	2 140 612	1 531 110
Severe financial losses	5 117 293	2 982 446
Assistance insurance	532 369	(55 037)
Total	**208 626 101**	**171 594 314**

Gross written premium per policy issue country

Line of insurance	Gross written premiums	
	2022	2021
Lithuania	93 041 178	74 340 407
Latvia	65 794 721	52 394 996
Estonia	49 790 202	44 858 911
Total	**208 626 101**	**171 594 314**

REINSURER'S SHARE IN PREMIUM

Line of insurance	Reinsurer's share in premiums	
	2022	2021
Accident insurance	2 705 738	3 619 984
Health insurance	1 632 927	1 750 844
Land and vehicle Casco insurance	16 883	13 524
Railway rolling stock insurance	1 244	-
Marine insurance	3 821	-
Transport insurance	126 011	147 293
Fire and natural hazard insurance	864 068	1 462 532
Other property insurance	10 052 819	8 409 871
Land and vehicle MTPL insurance	24 663 308	20 187 811
General liability insurance	4 168 567	3 901 985
Suretyship insurance	1 884 466	1 446 849
Severe financial losses	1 062 692	595 020
Total	**47 182 544**	**41 535 715**

NOTE 24. NET EARNED PREMIUMS

NET EARNED PREMIUMS AS AT 31 DECEMBER 2022

Line of insurance	Gross earned premiums	Reinsurer's share in premiums	Net earned premiums
Accident insurance	5 285 457	2 672 464	2 612 993
Health insurance	21 459 684	1 917 285	19 542 399
Land and vehicle Casco insurance	48 446 614	16 883	48 429 731
Railway rolling stock insurance	99 405	1 244	98 161
Marine insurance	52 186	3 820	48 366
Transport insurance	1 399 041	126 011	1 273 030
Fire and natural hazard insurance	9 917 412	845 868	9 071 544
Other property insurance	46 386 723	10 460 296	35 926 427
Land and vehicle MTPL insurance	46 379 501	23 045 616	23 333 885
Carrier liability (CRM) insurance	409 827	29 680	380 147
General liability insurance	11 773 213	4 190 025	7 583 188
Suretyship insurance	2 004 299	1 801 642	202 657
Severe financial losses	4 981 562	1 033 175	3 948 387
Assistance insurance	501 581	-	501 581
Total	**199 096 505**	**46 144 009**	**152 952 496**

NET EARNED PREMIUMS AS OF 31 DECEMBER 2021

Line of insurance	Gross earned premiums	Reinsurer's share in premiums	Net earned premiums
Accident insurance	4 814 147	2 430 941	2 383 206
Health insurance	13 771 778	1 186 508	12 585 270
Land and vehicle casco insurance	41 988 897	13 524	41 975 373
Railway rolling stock insurance	15 257	0	15 257
Marine insurance	46 844	0	46 844
Transport insurance	1 319 907	160 897	1 159 010
Fire and natural hazard insurance	9 253 895	1 494 370	7 759 525
Other property insurance	37 606 399	6 492 372	31 114 027
Land and vehicle MTPL insurance	40 439 667	20 287 105	20 152 562
Carrier liability (CRM) insurance	404 958	0	404 958
General liability insurance	9 965 140	3 608 850	6 356 290
Suretyship insurance	1 380 625	1 261 616	119 009
Severe financial losses	2 748 808	596 548	2 152 260
Assistance insurance	525 962	0	525 962
Total	**164 282 284**	**37 532 731**	**126 749 553**

NOTE 25. CLAIMS INCURRED

CLAIMS INCURRED AS AT 31 DECEMBER 2022.

Line of insurance	Gross paid claims	Claims settlement expenses	Amounts recovered	Reinsurer's share	Change in the technical provision for claims outstanding	Reinsurer's share	Total
Accident insurance	(2 569 733)	(309 111)	93	1 269 845	137 575	(14 661)	(1 485 992)
Health insurance	(15 680 099)	(917 861)	21 477	643 981	(1 057 599)	271 273	(16 718 828)
Land and vehicle casco insurance	(39 730 903)	(2 309 383)	4 579 353	147 994	(94 087)	2 638	(37 404 388)
Railway rolling stock insurance	-	(978)	-	-	(2)	-	(980)
Marine insurance	(87 236)	(10 382)	-	-	(5 830)	-	(91 788)
Transport insurance	(403 239)	(117 941)	211 634	(10 859)	125 144	(76 321)	(271 582)
Fire and natural hazard insurance	(7 768 085)	(657 303)	402 810	219 767	714 636	(1 341 868)	(8 430 043)
Other property insurance	(20 982 743)	(2 149 624)	1 219 393	4 277 293	1 457 576	81 014	(16 097 091)
Land and vehicle MTPL insurance	(33 296 946)	(2 444 512)	1 756 098	15 642 959	(1 802 005)	2 575 754	(17 568 652)
Carier liability (CRM) insurance	-	-	-	-	(1 810)	-	(1 810)
General liability insurance	(3 506 679)	(376 155)	(106 691)	(969 516)	(1 164 125)	271 047	(1 371 455)
Suretyship insurance	(116 753)	(66 314)	15 000	93 147	(179 283)	157 136	(97 067)
Severe financial losses	(3 576 747)	(166 428)	-	2 133 476	(1 513 539)	2 465 343	(657 895)
Assistance insurance	(341 854)	(30 731)	-	-	(5 214)	-	(377 799)
Total	**(128 061 017)**	**(9 556 723)**	**8 312 549**	**25 387 119**	**(1 048 653)**	**4 391 355**	**(100 575 370)**

CLAIMS INCURRED AS AT 31 DECEMBER 2021

Line of insurance	Gross paid claims	Claims settlement expenses	Amounts recovered	Reinsurer's share	Change in the technical provision for claims outstanding	Reinsurer's share	Total
Accident insurance	(2 134 855)	(227 505)	600	832 961	(2 190)	333 543	(1 197 447)
Health insurance	(9 725 659)	(577 885)	11 379	262 638	(931 632)	541 187	(10 419 973)
Land and vehicle casco insurance	(30 600 078)	(2 228 823)	3 776 066	52 116	(742 514)	(63)	(29 743 296)
Railway rolling stock insurance	-	(167)	-	-	(57)	-	(224)
Marine insurance	(17 756)	(1 911)	-	-	(320)	-	(19 987)
Transport insurance	(232 102)	(89 910)	64 198	-	4 642	(195 140)	(448 312)

Fire and natural hazard insurance	(6 602 826)	(578 836)	411 050	116 118	7 381 183	(6 515 926)	(5 789 238)
Other property insurance	(16 904 038)	(1 598 970)	1 150 649	3 814 707	(366 781)	1 351 817	(12 552 617)
Land and vehicle MTPL insurance	(28 855 689)	(2 199 291)	1 114 102	14 265 458	(2 093 103)	2 099 442	(15 669 080)
Carrier liability (CRM) insurance	(2 870)	(280)	3 150	-	19 911	-	19 911
General liability insurance	(2 067 027)	(350 971)	52 806	87 611	(1 265 646)	1 224 458	(2 318 769)
Suretyship insurance	(52 749)	(23 124)	34 965	16 913	(189 743)	198 606	(15 133)
Severe financial losses	(1 033 649)	(104 140)	-	149 777	(1 296 104)	361 717	(1 922 399)
Assistance insurance	(177 377)	(198 245)	-	-	(28 545)	-	(404 167)
Total	**(98 406 676)**	**(8 180 058)**	**6 618 965**	**19 598 299**	**489 100**	**(600 359)**	**(80 480 730)**

CLAIMS SETTLEMENT EXPENSES

Items	2022	2021
Claims settlement expenses	2 117 015	1 635 174
Reclassified from general and administrative expenses	7 439 708	6 544 883
Total	**9 556 723**	**8 180 058**

NOTE 26. ACQUISITION COSTS

Items	2022	2021
Direct acquisition costs	34 012 411	27 313 628
Carried over from general and administrative expenses	14 615 051	13 040 324
Change of deferred acquisition costs	(1 819 372)	(592 630)
Total	**46 808 090**	**39 761 322**

NOTE 27. ADMINISTRATIVE EXPENSES

Items	2022	2021
Salaries	4 347 473	3 988 121
Social insurance contributions	657 372	608 318
IT expenses (external)	1 112 837	1 269 353
Depreciation and amortization (Notes 1 and 3)	740 351	892 683
Specific consulting	332 963	420 165
Rent of premises	(44 882)	(13 697)
Misc. sales costs	103 409	86 752
Advertising expenses	520 669	575 805
Business travel costs	107 538	102 649
Auditing and consulting costs	84 851	65 340
Office supplies	72 693	61 460
Misc. office operating costs	107 444	73 965
Telecommunication expenses	70 075	64 280
Taxes and duties	91 004	85 283

Employee benefits	135 619	15 980
Total	**8 439 416**	**8 296 456**

DISTRIBUTION OF ADMINISTRATIVE EXPENSES

	Administrati-ve expenses	Administrative expenses transferred to acquisition costs	Administrative expenses transferred to claims handling expenses	Administrat-ive expenses transferred to management expenses	Total
2022	8 439 416	14 615 051	7 439 708	208 630	30 702 805
2021	8 296 459	13 040 327	6 544 883	211 172	28 092 841

PAYROLL COSTS

Items	2022	2021
Remuneration	14 681 652	13 272 392
Social insurance contributions	3 432 858	3 096 086
Accrued bonuses	1 724 719	1 095 117
Bonuses		1 095 117
Vacation costs	1 757 481	1 645 415
Remuneration of Management Board	292 148	162 263
Vacation reserve costs	329 605	640 249
Sickness benefit costs	46 970	29 235
Total	**22 265 433**	**21 035 873**

NOTE 28. INVESTMENT INCOME AND EXPENSES

Items	2022	2021 (restated)
Total	**2 288 284**	**2 050 905**
Interest income from bonds classified as available for sale	2 112 927	2 124 402
Loans interest income	123 083	92 002
Dividend income	191 750	80 840
Amortization expenses	(140 478)	(248 441)
Currency exchange rate	1 002	2 102
Net profit/(losses) on disposal of the investments	**536 945**	**1 255 763**
Loss of disposal of investment	(6 394)	(14 770)
Gains on disposal of investments	543 339	1 270 533
Investment valuation and management expenses	**(2 825 092)**	**(211 329)**
Investment valuation costs, including interest	(208 640)	(211 329)
Investment impairment	(2 616 452)	

Expenses related to subordinated loan ware reclassified from investment income and expenses to Other finance income and expenses position to better reflect nature of these costs (total amount 0,3 million EUR).

NOTE 29. OTHER FINANCE INCOME AND COSTS

Items	2022	2021 (restated)
Other finance income	**31 709**	**34 105**

Other income related to currency exchange rate	11 324	5 991
Other interest income	20 385	28 114
Other finance costs	**(1 023 741)**	**(436 806)**
Subordinated Loan costs	**(865 015)**	**(392 013)**
Interest from reinsurance deposit	(105 510)	
Interest from car leasing	(567)	(599)
Currency exchange loss	(35 585)	(21 980)
Asset write-off		
Other finance costs	1 237	
Interest from right-of-use assets	(18 301)	(22 213)

Expenses related to subordinated loan ware reclassified from investment income and expenses to Other finance income and expenses position to better reflect nature of these costs (total amount 0,3 million EUR).

NOTE 30. OTHER INCOME AND EXPENSES

Items	2022	2021
Other income	**950 813**	**682 096**
Income from claims handling activities	344 401	245 610
Other income	574 162	700
Impairment result of receivables from insurance business	32 250	435 785
Other expenses	**(3 139 660)**	**(2 542 373)**
Fee for Motor Bureau and Insurance Supervisors	(1 844 852)	(1 548 610)
Other technical costs related with policy administration	(84 191)	(2 633)
Right-of-use asset amortization	(1 210 617)	(991 131)

NOTE 31. INCOME TAX AND DEFERRED INCOME TAX

The Company has calculated the deferred tax asset which as at 31 December 2022 amounts to EUR 2 294 255 (EUR 274 743 as at 31 December 2021).

Item	2022	2021
Current income tax expenses	(16 586)	(46 008)
Withholding taxes	(19 739)	(14 013)
Change in deferred tax	(83 559)	(177 080)
Total income tax expenses	**(119 884)**	**(237 101)**
Changes in deferred tax asset from AFS (OCI)	**2 103 041**	**299 870**

Deferred income tax is calculated from the following temporary differences between the carrying amounts of assets and liabilities and their values for the purpose of the calculations of corporate income tax:

	2022		2021	
	Temporary differences	Deferred tax	Temporary differences	Deferred tax
Accrued bonuses and other temporary differences	1 840 693	276 104	1 520 798	228 120
Tax losses carried forward	6 384 001	957 600	6 429 309	964 396
Revaluation of financial assets available for-sale	12 236 411	1 835 462		
Total deferred tax assets		**3 069 166**		**1 192 516**
Revaluation of financial assets available for-sale	-	-	(1 783 864)	(267 580)
Accrued regress (net)	(1 467 202)	(220 080)	(1 159 369)	(173 905)
Leases	(6 052)	(908)		

Recognized deferred tax liabilities amortization of goodwill)	(3 692 818)	(553 923)	(3 175 248)	(476 287)
Deferred tax, net	**-**	**2 294 255**	**-**	**274 744**

For the calculation of Corporate income taxes in Lithuania, the Company used accumulated tax losses in the amount of EUR 45 711 and calculated corporate income tax expense in the amount of 16 586 EUR.

At the end of 2022 the Company had deferred tax assets from accumulated losses in the amount of EUR 957 570 EUR from ordinary activities and 1.835.462 from revaluation reserve of investment allocated to Lithuania. At the end of 2021 calculated deferred tax assets from losses were 964 427. As a result of the merger, the Company recognized deferred tax assets from accumulated losses in merged companies in the amount of EUR 700 635. The Company expects to have enough profit for using the deferred tax assets according to the Company's business plan. Following Lithuanian legislation, tax losses can be carried forward for an indefinite period. Losses from investment activities can be carried forward for 5 years. As of 31 December 2022, the Company recognized deferred tax assets assuming that sufficient taxable profits will be generated based on the budget for 2023-2027. Based on the budget and the forecast, the Company plans to earn profit for covering of losses during the next 5 years. The company accounted deferred tax losses from negative revaluation reserve assuming that the biggest part of portfolio consists of bonds. Bond market values approach nominal value when maturity is reached. The company calculated that 5 years is enough to realize current losses.

Deferred tax asset/liability is not recognized in relation to branches in Latvia and Estonia for the years 2022Y and 2021Y.

Deferred income tax assets are evaluated by using the current tax rate that will apply in the year in which they are intended to cover or to pay these temporary differences, in accordance with tax rates (and tax laws) that are or will be approved by the end of the reporting period. The deferred tax assets reflect the tax consequences that the Company expects at the end of the reporting period, trying to pay and to cover its assets or liabilities.

The Company does not plan to pay dividend from Estonia and Latvia result therefore not recognized deferred tax liabilities from Latvia and Estonian branches in amount of 613 760 for 2022Y and 967 240 for 2021Y.

RECONCILIATION OF EFFECTIVE TAX RATE:

	Tax rate	2022	Tax rate	2021
Profit before taxes		**3 791 351**		**8 068 785**
Income tax applying the Company's domestic tax rate (15%)	15,00%	568 703	15,00%	1 210 318
Not deductible expenses	4,24%	160 830	0,09%	7 550
Change in unrecognized temporary difference	(2,02%)	(76 703)	(1,05%)	(84 945)
Profit taxation on distribution*	(16,19%)	(613 760)	(11,99%)	(967 240)
Utilised tax losses	1,21%	(6 857)	(1,14%)	(92 135)
Donation	(0,41%)	(15 628)	(0,34%)	(27 540)
Total tax expenses	**0,44%**	**16 586**	**0,6%**	**46 008**

*Corporate income taxes from results of branches in Estonia and Latvia are paid only when decision is made to pay dividends. Company do not plan to pay any dividends from results of branches in Estonia and Latvia for 2022Y.

NOTE 32. NON-LIFE RESULT FROM INSURANCE ACTIVITIES

NON-LIFE RESULT FROM INSURANCE ACTIVITIES IN 2022

Items	Premiums written	Premiums earned	Claims incurred	Operating expenses	Result of activities
Insurance	207 925 217	198 367 486	(130 071 686)	(58 403 618)	**9 892 182**

Inward reinsurance	700 884	729 019	(282 158)	(144 513)	**302 348**
Reinsurance	(47 182 544)	(46 144 009)	29 778 474	9 842 473	**(6 523 062)**
Total	**161 443 557**	**152 952 496**	**(100 575 370)**	**(48 705 658)**	**3 671 468**

NON-LIFE RESULT FROM INSURANCE ACTIVITIES IN 2021

Items	Premiums written	Premiums earned	Claims incurred	Operating expenses	Result of activities
Insurance	170 843 955	163 323 184	(98 379 905)	(47 249 651)	**17 693 628**
Inward reinsurance	750 359	959 099	(1 098 765)	(212 868)	**(352 533)**
Reinsurance	(41 535 715)	(37 532 730)	18 997 940	9 025 380	**(9 509 411)**
Total	**130 058 599**	**126 749 553**	**(80 480 730)**	**(38 437 139)**	**7 831 684**

NOTE 34. WAR IN UKRAINE IMPACT ASSESMENT

The impact of the Russian war in Ukraine to our core business has been mostly limited. At the time of writing, financial market volatility decreased substantially and inflation levels in the economy and for spare parts decelerated. The situation is constantly monitored, and contingency measures are in place.

ANNEX 1

List of executive and non-executive directorships and other professional activities of Supervisory Board Members

- **Harald Riener, Chairman of the Supervisory Board of the Company (elected on June 30th, 2021).**

- Member of the Managing Board of Vienna Insurance Group Wiener Versicherung Gruppe, Austria;
- Chairman of the Supervisory Board of C-Quadrat investment AG (Vienna, Austria);
Chairman of the Supervisory Board of Vienna Insurance Group Polska Sp. z o.o. (Al.
- Jerozolimskie 162A, 02-342 Warszawa, Poland);
- Chairman of the Supervisory Board of Wiener TU S.A. VIG (Wołoska 22A, 02-342 Warszawa, Poland);
- Vice-Chairman of the Supervisory Board of Compensa TU S.A. VIG (al. Jerozolimskie 162, 02-342 Warszawa, Poland);

- Vice-Chairman of the Supervisory Board of Compensa TU na Zycie S.A. VIG (al.
- Jerozolimskie 162, 02-342 Warszawa, Poland);
- Vice-Chairman of the Supervisory Board of Vienna Life TU na Życie s.A. VIG (al.
- Jerozolimskie 162, 02-342 Warszawa, Poland);
- Chairman of the Supervisory Board of InterRisk TU S.A. VIG (ul. Noakowskiego 22, 00-668 Warszawa, Poland);
- Chairman of the Supervisory Board of Beesafe Spolka z o.o. (al. Jerozolimskie 162, 02-342 Warszawa, Poland);
- Chairman of the Supervisory Board of Spoldzielnia Uslugowa VIG Ekspert w Warszawie (al. Jerozolimskie 162, 02-342 Warszawa, Poland);
- Chairman of the Supervisory Board of Benefia Ubezpieczenia Sp. z o.o. (al.
- Jerozolimskie 162 02-342 Warszawa, Poland);
- Chairman of the Supervisory Board of Compensa Life VIG SE (Narva maantee 63/ 2, 10152 Tallinn, Estonia);
- Chairman of the Supervisory Board of AAS BTA Baltic Insurance Company (Sporta 11, Riga, LV-1013, Latvia);
- Chairman of the Supervisory Board of UAB “Compensa Life Distribution, Lithuania; Chairman of the Supervisory Board of Private Joint-Stock Company Insurance
- Company Kniazha Life VIG (Kiev, Ukraine);
- Chairman of the Supervisory Board of Private Joint-Stock Company "Ukrainian Insurance company "Kniazha VIG" (44 Hlybochytska str., Kyiv, Ukraine);
- Chairman of the Supervisory Board PJSC «IC «USG» VIG (previous name PJSC “IC “Ukrainian Insurance Group” VIG) (Ukraine);
- Chairman of the Supervisory Board of VIG Services Ukraine, LLC (Ukraine);
- Chairman of the Supervisory Board GLOBAL ASSISTANCE SLOVAKIA s.r.o.;
- Chairman of the Supervisory Board SIA “Global Assistance Baltic”;
- Chairman of the Supervisory Board Global Assistance Polska Sp. z o.o.;
- Chairman of the Supervisory Board GLOBAL ASSISTANCE a.s., Chech Republic;
- Chairman of the Shareholders Committee of GLOBAL ASSISTANCE SERVICES SRL (Bucharest, Romania);
- Chairman of the Supervisory Board Global Services Bulgaria JSC;
- Chairman of the Supervisory Board Global Global Assistance LLC Serbia
- Vice-Chairman of the Presidium of Nationalpark Hohe Tauern.

- **Franz Fuchs, Deputy Chairman of the Supervisory Board of the Company (re-elected on June 30th, 2021).**

  - Vice-Chairman of the Supervisory Board of C-Quadrat investment AG (Vienna, Austria);
  - Chairman of the Management Board of Vienna Insurance Group Polska Sp. z o.o. (Al. Jerozolimskie 162A, 02-342 Warszawa, Poland);
  - Vice-Chairman of the Supervisory Board of Wiener TU S.A. VIG (Wołoska 22A, 02-342 Warszawa, Poland);
  - Vice-Chairman of the Supervisory Board of Compensa TU S.A. VIG (al. Jerozolimskie 162, 02-342 Warszawa, Poland);
  - Vice-Chairman of the Supervisory Board of Compensa TU na Zycie S.A. VIG (al. Jerozolimskie 162, 02-342 Warszawa, Poland);

- Vice-Chairman of the Supervisory Board of Vienna Life TU na Życie s.A. VIG (al. Jerozolimskie 162, 02-342 Warszawa, Poland);
- Vice-Chairman of the Supervisory Board of InterRisk TU S.A. VIG (ul. Noakowskiego 22, 00-668 Warszawa, Poland);
- Chairman of the Supervisory Board of VIG Polska Real Estate Sp. z o.o. (al. Jerozolimskie 162, 02-342 Warszawa, Poland);
- Member of the Supervisory Board of Beesafe Spolka z o.o. (al. Jerozolimskie 162, 02-342 Warszawa, Poland);
- Vice-Chairman of the Supervisory Board of Spoldzielnia Uslugowa VIG Ekspert w Warszawie (al. Jerozolimskie 162, 02-342 Warszawa, Poland);
- Member of the Supervisory Board of Benefia Ubezpieczenia Sp. z o.o. (al. Jerozolimskie 162 02-342 Warszawa, Poland);
- Deputy-Chairman of the Supervisory Board of Compensa Life VIG SE (Narva maantee 63/ 2, 10152 Tallinn, Estonia);
- Deputy-Chairman of the Supervisory Board of AAS BTA Baltic Insurance Company (Sporta 11, Riga, LV-1013, Latvia);
- Deputy-Chairman of the Supervisory Board of UAB "Compensa Life Distribution" (Lithuania);
- Vice-Chairman of the Supervisory Board of Private Joint-Stock Company Insurance Company Kniazha Life VIG (Kiev, Ukraine);
- Vice-Chairman of the Supervisory Board of Private Joint-Stock Company "Ukrainian Insurance Company "Kniazha VIG" (Hlybochytska str. 44, Kyiv, Ukraine);
- Vice-Chairman of the Supervisory Board of PJSC'IC Ukrainian Insurance Group (Ukraine);
- Vice-Chairman of the Supervisory Board of VIG Services Ukraine, LLC (Ukraine);
- Member of the Supervisory Board of Insurance Company Donaris VIG SA (Bulevardul Moscova 15/7, Chișinău, Moldova);
- Vice-Chairman of the Supervisory Board of ASIGURAREA ROMANESCA ASIROM VIG (Bulevardul Carol I 31-33, Bucharest, Romania);
- Vice-Chairman of the Supervisory Board of BCR ASIGURARI DE VIATA VIG (Strada Rabat, Bucharest, Romania);
- Vice-Chairman of the Supervisory Board of OMNIASIG VIG (Bucharest, Sector 1, Alexandru Alley, no. 51, Romania);
- Deputy-Chairman of the Shareholders Committee of VIG Management Service SRL (Bucharest, Romania);
- Deputy-Chairman of the Shareholders Committee of CLAIM EXPERT S.R.L. (Bucharest, Romania).

- **Gábor Lehel, Deputy Chairman of the Supervisory Board of the Company (elected on June 30th).**

  - Member of the Managing Board of Vienna Insurance Group Wiener Versicherung Gruppe, Austria;
  - Advisory Board (INSHIFT GmbH & Co. KG);
  - Vice-Chairman of the Supervisory Board BTA Baltic Insurance Company AAS, Latvia;
  - Vice-Chairman of the Supervisory Board Compensa Life Vienna Insurance Group SE, Estonia;

- Vice-Chairman of the Supervisory Board UAB "Compensa Life Distribution", Lithuania;
- Advisory Board (TeleDoc Holding GmbH);
- Chairman of the Board of Director’s, Wiener Osiguranje VIG a.d., Bosnia & Herzegovina;
- Chairman of the Supervisory Board, KUPALA Belarusian-Austrian CJS Insurance Company, Belarus;
- Chairman of the Supervisory Board, UNION Vienna Insurance Group Biztositó Zrt., Hungary;
- Chairman of the Supervisory Board, Insurance Company Vienna osiguranje d.d., VIG, Bosnia & Herzegovina;
- Chairman of the Supervisory Board, Joint Stock Insurance Company WINNER LIFE - VIG Skopje, North-Macedonia;
- Chairman of the Supervisory Board, Insurance Makedonija J.S.C Skopje - Vienna Insurance Group, North-Macedonia;
- Chairman of the Supervisory Board, WINNER-Vienna Insurance Group, North-Macedonia;
- Board of Director’s, Wiener Osiguranje VIG a.d.

Ireneusz Arczewski, Member of the Supervisory Board (elected on October 6th).

- Deputy of Chairman, Compensa TU S.A, Poland;
- Board member, Compensa TUnŻ S.A., Poland;
- Chairman of the Supervisory Board, Polish Green Card, Poland;
- Member of the Supervisory Board, Benefia Ubezpieczenia, Poland;
- Member of the Supervisory Board, Compensa Dystrybucja Sp.z.o.o., Poland;
- Member of the Supervisory Board, VIG Polska Real Estate Sp.z.o.o., Poland

- **Peter Höfinger, Chairman of the Supervisory Board of the Company, until June 30th, 2022**

- Member of the Managing Board of Vienna Insurance Group Wiener Versicherung Gruppe, Austria;
- Chairman of the Supervisory Board of Intersig Vienna Insurance p Sh.A. (Intersig, Ismail Qemali, Samos Tower, Kati i 2-te, ish-Bllok, Tirana, Albania);
- Chairman of the Supervisory Board of Sigma Interalbania Vienna Insurance Group Sh.A. (Rr. Komuna e Parisit, Pallati Lura, Tirana, Albania);
- Chairman of the Supervisory Board of Bulstrad Vienna Insurance Group PLC (Sofia, Bulgaria);
- Chairman of the Supervisory Board of Bulstrad Life Vienna Insurance Group Joint Stock Company (Sofia, Bulgaria);
- Chairman of the Supervisory Board of the Pension Assurance Company Doverie AD (13B Tintyava St. Sofia Bulgaria);
- Chairman of the Supervisory Board of Wiener osiguranje Vienna Insurance Group dionicko drustvo za osiguranje (Direkcija Slovenska 24, 10000 Zagreb, Croatia);
- Chairman of the Supervisory Board of the Wiener Stadtische osiguranje a.d.o. (Trešnjinog cveta 1, Beograd 11070, Serbia);

- Chairman of the Supervisory Board of Compania de Asigurari "Donaris Vienna Insurance Group" Societate pe Actiuni (Moscova Boulevard Nr. 15/7, MD 2068 Chişinău, Moldavia);
- Deputy Chairman of the Audit Committee of Compania de Asigurari "Donaris Vienna Insurance Group" Societate pe Actiuni (Moscova Boulevard Nr. 15/7, MD 2068 Chişinău, Moldavia);
- Deputy Chairman of the Supervisory Board of Global Assistance A.S. (Praha, Czech Republic);
- Member of the Supervisory Board of BTA Baltic Insurance Company AAS (Sporta st. 11, Riga, Latvia);
- Member of the Supervisory Board of Compensa Life VIG SE (Narva maantee 63/2, 10152 Tallinn, Estonia);
- Member of the Supervisory Board of UAB "Compensa Life Distribution" (Ukmergės g. 280, Vilnius, Lithuania);
- Member of the Supervisory Board of VIG RE zajištovna, a.s. (Templová 747/5, 110 01 Staré Město, Czech Republic);
- Member of the Board of Directors of the Wiener Stadtische životno osiguranje Podgorica ad, Vienna Insurance Group, (47 Rimski Trg, Podgorica, Montenegro);
- Member of the Audit Committee of Insurance JSC Bulstrad Vienna Insurance Group (Bulgaria);
- President of the Shareholders Committee of Claim Expert Services SRL (Str. Sagetii, Nr. 2, Sector 2, Bucharest, Romania);
- President of the Shareholders Committee of VIG Management Service SRL (31-33 Carol I. Blvd, District 2, Bucharest, Romania).

- **Artur Borowinski, Member of the Supervisory Board of the Company (until October 31st).**

- Member of the Supervisory Board of Compensa Life Vienna Insurance Group SE (Narva mnt 63/2, 10152 Tallinn, Estonia);
- Member of the Audit Committee of Compensa Life Vienna Insurance Group SE (Narva mnt 63/2, 10152 Tallinn, Estonia);
- Member of the Supervisory Board of BTA Vienna Insurance Group (Sporta st. 11, Riga, Latvia);
- President of the Management Board (CEO) of Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group (Al. Jerozolimskie 162, 02-342 Warsaw, Poland);
- President of the Management Board (CEO) of TU S.A. Vienna Insurance Group (Al. Jerozolimskie 162, 02-342 Warsaw, Poland);
- Member of the Board of Vienna Insurance Group Polska Sp. z o.o. (Al. Jerozolimskie 162, 02-342 Warsaw, Poland);
- Member of the Audit Committee of ADB Compensa Vienna Insurance Group (Ukmerges st. 280, Vilnius, Lithuania);
- Member of the Board of Compensa Life Distribution (Ukmerges st. 280, Vilnius, Lithuania);
  - Vice-Chairman of the Supervisory Board of Benefia Ubezpieczenia Sp. z o.o. (al. Jerozolimskie 162A 02-342 Warszawa, Poland);
  - Chairman of the Supervisory Board of Compensa Dystrybucja Sp. z o.o. (al. Jerozolimskie 162, 02-342 Warszawa, Poland);
  - Chairman of the Supervisory Board of Polisa Życie Ubezpieczenia Sp. z o.o. (al. Jerozolimskie 162A, 02-342 Warszawa, Poland);
  - Vice-Chairman of the Supervisory Board of Beesafe Spolka z o.o. (al. Jerozolimskie 162, 02-342 Warszawa, Poland);

- Member of the Supervisory Board of Risk Consult Sp. z o.o. (al. Jerozolimskie 162, 02-342 Warszawa, Poland);
- Vice-Chairman of the Supervisory Board of Spoldzielnia Uslugowa VIG Ekspert w Warszawie (al. Jerozolimskie 162, 02-342 Warszawa, Poland);
- Member of the Supervisory Board of VIG/C-Quadrat Towarzystwo Funduszy Inwestycyjnych S.A. (al. Jerozolimskie 162A, 02-342 Warszawa, Poland).

List of executive and non-executive directorships and other professional activities of Management Board Members:

- **Deividas Raipa, CEO and Chairman of the Management Board of the Company.**

- **Felix Nagode, CFO and Management Board member of the Company.**

  - Member of the Supervisory Board of SIA Global Assistance Baltic (Vienības gatve 87H, Rīga, Latvia).

- **Andri Püvi, member of the Management Board and Head of Estonian branch of the Company.**

Member of the Supervisory Board, Insurers' Association and Green Card Bureau, Estonia.

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Independent Auditor's Report

To the Shareholders of ADB Compensa Vienna Insurance Group

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ADB Compensa Vienna Insurance Group ("the Company"). The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022,
- the statement of comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. 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 those matters that, in our professional judgment, were of most significance in our audit of the financial statements of 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 an opinion on these matters. Each audit matter and our respective response are described below.

Goodwill impairment

The carrying amount of goodwill in the financial statements as at 31 December 2022 and 31 December 2021: EUR 11 million.

Reference to the financial statements: “Goodwill” on page 37 (Significant accounting policies) and Note 1”Intangible assets” on page 68 (Notes to the financial statements).

Key audit matter	How the matter was addressed in our audit
The goodwill reported in the financial statements was recognised for ADB Compensa Vienna Insurance Group cash-generating unit (“CGU”) upon the acquisition of the insurance business in Lithuania and Latvia from Compensa TU S.A. Vienna Insurance Group in 2015. Pursuant to the relevant provisions of the financial reporting standards, annual impairment testing is required for CGUs to which goodwill has been allocated. As disclosed in Note 1, based on its current year’s test, the Company did not recognize any impairment in respect of the CGU. As discussed in Note 1, the recoverable amount of the cash generating unit as at 31 December 2022 was determined using the discounted cash flows projection (value-in-use), based on the five-year financial forecasts prepared by the Management and its estimate of terminal value. The determination of recoverable amount of the CGU is a process that requires the Management to make significant judgements and assumptions, including those in respect of future operating cash flows (including the assumptions on gross premiums written, development of volume of policies sold and loss ratios), growth rates and discount rates. Complex models using forward-looking assumptions tend to be prone to greater risk of management bias, error and inconsistent application. These conditions necessitate our additional attention in the audit, in particular to address the objectivity of sources used for assumptions, and their consistent application. Due to the above factors, we considered this area to be a key audit matter.	Our audit procedures, included, among other things: • Evaluating the quality of the Company’s budgeting process by comparing the actual results for the year with original prior period forecasts, and taking these observations into consideration in the sensitivity analysis performed; • Testing the design and implementation of the Company’s selected key impairment-related internal controls; • Assisted by our own valuation specialists: — assessing the compliance of the methodology applied in the Company’s impairment model against the requirements of the relevant financial reporting standards, and checking the mathematical accuracy and internal consistency of the impairment model; — challenging the key assumptions in the model by reference to the approved budgets, as discussed above, and also by comparing the gross premiums written, development of volume of policies sold and loss ratios to historical results and to industry data, comparing the forecasted growth rates, and the discount rate to the ones used in the insurance industry; — considering the sensitivity of the outcome of the impairment model to changes in key assumptions and assessing the effects of such changes on the recoverable amount and the resulting impairment loss, if any; • Assessing impairment-related disclosures in the financial statements against the requirements of the financial reporting standards.

Measurement of technical provisions for outstanding claims

The Company's gross technical provisions for outstanding claims as at 31 December 2022 amounted to EUR 92.2 million (31 December 2021: EUR 82.4 million).

Reference to the financial statements: "Insurance technical provisions" on page 40 (Significant accounting policies) and Note 09 "Technical provisions" on page 78 (Notes to the financial statements).

Key audit matter	How the matter was addressed in our audit
Gross outstanding claims reserves ("claim reserves") for the Company, as a non-life insurance provider, constitute the most significant element of insurance contract liabilities in its statement of financial position. The most significant claim reserves are associated with the obligatory motor third party liability, motor own damage and property portfolios. The Management uses a range of complex and subjective actuarial methods to determine the best-estimate amounts of those reserves as at the reporting date, whether in respect of reported claims (i.e. RBNS), or those not yet reported (i.e. IBNR). The estimation of the amounts of claim reserves generally involves a significant degree of Management's judgment mainly in respect of the assumptions about future events and developments. Relatively insignificant changes in those assumptions may have a material effect on the estimated amounts of claim reserves. The assumptions most subject to estimation uncertainty are those in respect of loss ratios, claim frequency, average claim amounts, court settlements, discount rates, changes in the amount of future annuity payments, regress and the expected payment period. The complexity of the models applied may give rise to errors as a result of inaccurate and incomplete data inputs or the design or application of the models. Thus the completeness and accuracy of the data underlying the actuarial projections was also an area of our audit focus. Due to the above factors, we considered measurement of the non-life insurance claim reserves to be our key audit matter.	Our audit procedures, performed, where applicable, with the assistance of our own actuarial specialists, included, among others: • Testing of the design and implementation of the selected key controls related to the process of establishing and adjusting outstanding claim reserves. • Assessing the appropriateness of the actuarial methodologies applied by the Company for consistency as well as against the requirements of the financial reporting standards and market/industry practice. • Challenging key inputs and assumptions applied in estimating claim reserves, including those in respect of the loss ratios, claim frequency and average size of claims, regress, allowance for future claims inflation (including for annuities), discount rates, expected payment dates and payment period - by reference to industry trends, also considering the applicable legal and regulatory requirements and the requirements of the relevant financial reporting standards. • For significant portfolios, performing a retrospective analysis of the accuracy and completeness of the Company's gross outstanding claim reserves recognized at the end of prior year, comparing this analysis to the Company's current year's actual experience, and seeking the Management's explanations for any significant differences. • For most significant insurance contract portfolios, including obligatory motor third party liability, motor own damage, developing an independent estimate of the gross outstanding claims liability for those not yet reported, comparing our independent estimates to the Company's estimates and seeking Management's explanations for any significant differences. • Assessing the Company's provision for outstanding claims-related disclosures against the requirements of the relevant financial reporting standards.

Other Information

The other information comprises the information included in the Company‘s annual management report, including Corporate Social responsibility Report, but does not include the financial statements and our auditor’s report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report we, do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Company’s annual management report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company’s annual management report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company’s annual management report has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

It is also our responsibility check whether the Corporate Social Responsibility Report has been provided by the Management. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors' report unless law or regulation precludes public 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

Under decision of the general shareholders' meeting we were appointed on 15 September 2015 for the first time to audit the Company's financial statements. Our appointment to audit the Company's financial statements is renewed every two years under decision of the general shareholders' meeting, and the total uninterrupted period of engagement is 8 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report presented to the Company and its Audit Committee together with this independent auditor's report.

We confirm that in light of our knowledge and belief, services provided to the Company are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In addition to the statutory audit services we provided to the Company, there were no services, which would not have been disclosed in the financial statements.

On behalf of KPMG Baltics, UAB

Toma Jensen
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
29 March 2023