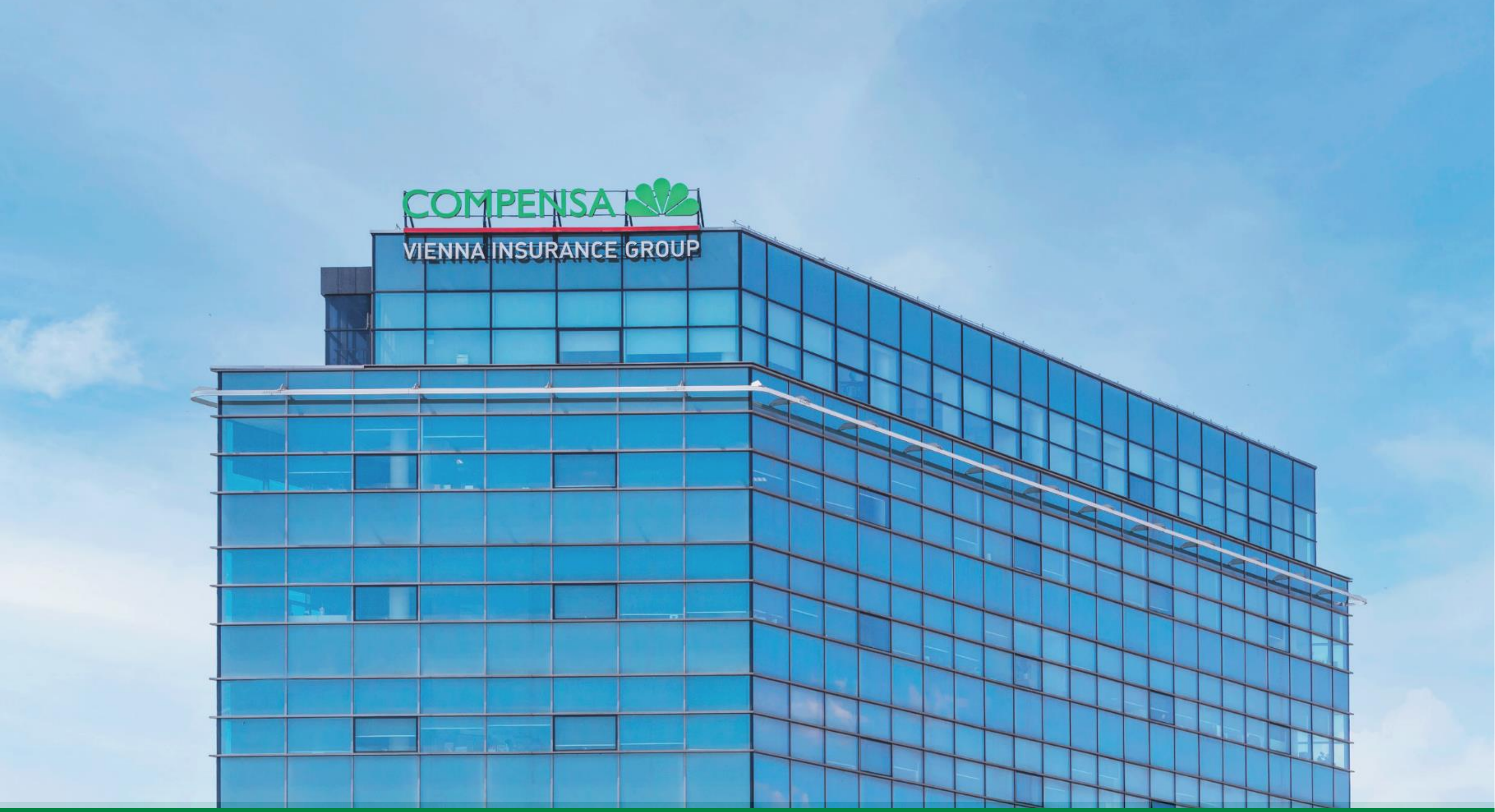


ANNUAL REPORT 2021

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

PROTECTING
WHAT
MATTERS

COMPENSA
VIENNA INSURANCE GROUP
2021 FINANCIAL SECTOR LEADER IN LITHUANIA
Verslo žinios

CONTENTS

COMPANY DETAILS

ADB COMPENSA VIENNA INSURANCE GROUP

Phone:	*+370 5 224 4444*
Email:	*info@compensa.lt*
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	*Artur Borowiński*
Supervisory Board member	*Peter Höfinger*

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

KPMG Baltics, UAB
Lvivo str. 101
LT 08104 Vilnius
Lithuania

+370 5 2102600
vilnius@kpmg.lt
home.kpmg/lt

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 2021,
- 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 2021, 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 2021 and 31 December 2020: EUR 11 million. Reference to the financial statements: “Goodwill” on page 44 (Significant accounting policies) and Note 1” Intangible assets” on page 73 (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 2021 was determined using the discounted cash flows projection (value-in-use), based on the five-year financial forecasts prepared by the Management Board and its estimate of terminal value. The determination of recoverable amount of the CGU is a process that requires the Management Board 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 including those over the review of approval of the model assumptions and outcome; • 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 2021 amounted to EUR 82.4 million (31 December 2020: EUR 75.8 million).

Reference to the financial statements: "Insurance technical provisions" on page 47 (Significant accounting policies) and Note 9 "Technical provisions" on page 83 (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 Board 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 Board'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 Board's explanations for any significant differences. ● For most significant insurance contract portfolios, including obligatory motor third party liability, motor own damage and property, 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 Board'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, 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.

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 28 September 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 6 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

Rokas Kasperavičius
Partner

Certified Auditor

Vilnius, the Republic of Lithuania
22 March 2022

The electronic auditor‘s signature applies only to the Independent Auditor‘s Report on pages 5 to 10 of this document.

ANNUAL MANAGEMENT REPORT

We focus on providing our customers in CEE with custom products and services tailored to their needs. Our strategy is geared towards long-term profitability and steady earnings growth, making us a reliable partner in rapidly changing times.

ABOUT VIENNA INSURANCE GROUP

Over 25,000 employees work for Vienna Insurance Group, at around 50 companies in 30 countries. We develop insurance solutions in line with personal and local needs, which has made usthe leader in the insurance industry in Central and Eastern Europe (CEE).

EXPERTISE AND STABILITY

Vienna Insurance Group is an international insurance group headquartered in the Austrian capital. After the fall of the Iron Curtain in 1989, the Group expanded rapidly from a purely Austrian business into an international group. Vienna Insurance Group is synonymous with stability andexpertise in providing financial protection against risks. Experience coupled with a focus on ourcore competence of providing insurance coverage, forms a solid and secure basis for the Group's 22 million-plus customers.

FOCUS ON CENTRAL AND EASTERN EUROPE

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. The Group generates more than half of its total business volume in CEE and still sees scope for considerable growth in this region. The economic growth in CEE was on average twice as high as in Western Europe and the insurance density is still far below the EU average.

LOCAL MARKET PRESENCE

For Vienna Insurance Group, protecting customers financially against risk is a responsibility. The Group pursues a local multi-brand strategy based on established local brands as well as local management. Ultimately, the Group's success and closeness to its customers is down to the strengths of each individual brand and local know-how.

STRONG FINANCES AND CREDIT RATING

Vienna Insurance Group has an A+ rating with stable outlook from the well-known rating agency Standard & Poor's. The Vienna Insurance Group is listed in both Vienna and Prague. 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
BULSTRAD Life – VIENNA INSURANCE GROUP
DOVERIE – VIENNA INSURANCE GROUP

CROATIA
WIENER OSIGURANJE – VIENNA INSURANCE GROUP

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

DENMARK
VIG – VIENNA INSURANCE GROUP

ESTONIA
bta – VIENNA INSURANCE GROUP
COMPENSA – VIENNA INSURANCE GROUP
Seesam – VIENNA INSURANCE GROUP

FRANCE
VIG Re

GEORGIA
GPI – VIENNA INSURANCE GROUP
IRAO – VIENNA INSURANCE GROUP

GERMANY
InterRisk – VIENNA INSURANCE GROUP
VIG Re

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
WINNER Life – 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

TURKEY
RAY SIGORTA – VIENNA INSURANCE GROUP

UKRAINE
КНЯЖА – VIENNA INSURANCE GROUP
life КНЯЖА – VIENNA INSURANCE GROUP
USG – VIENNA INSURANCE GROUP

Status: January 2022

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 (ABD Compensa Vienna Insurance Group; hereinafter – the Company). In 2019, the authorized capital of the Company was EUR 15.8 million (158 000 shares). At the end of 2020 the share capital of the Company was 188 000 with a nominal value of EUR 100. During the year 2021 there were no changes in the Company's capital.

MANAGEMENT BODIES

The management bodies of the Company comprise of the Shareholders' meeting, the Supervisory Board and the Management Board.
The Supervisory Board consists of five Supervisory Board members, who were (re-)elected as of June 30th, 2021:

- 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;
- Peter Höfinger, Member of the Supervisory Board (Chairman of the Supervisory Board of the Company until 30 June 2021);
- Artur Borowiński, Member of the Supervisory Board of the Company.

Elisabeth Stadler and Sabine Berg 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, as of March 16th, 2021

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

All Board Members were re-elected on August 24th, 2021. Nicolas Mucherl stepped down from the Company's Management Board on March 15th, 2021.

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 licensein March 2017, the Company has the right to carry out all non-life insurance activities.

STRUCTURE

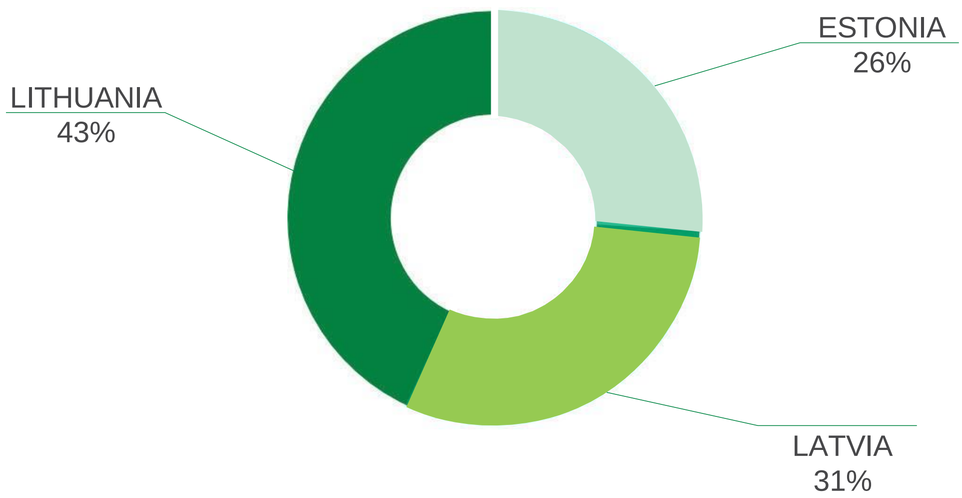
The Company is headquartered in Vilnius, Lithuania and has branch offices in Riga, Latvia and in Tallinn, Estonia. The organization is managed via a Pan-Baltic matrix structure, combining local market know-how and functional best practices. The Company follows a multi-channel distribution approach in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

RESULTS FROM OPERATIONS

GROSS WRITTEN PREMIUMS **171.6** million

In 2021, the Company's gross written premium amounted to EUR 171.6 million. The largest share of insurance portfolio is comprised of property insurance 38% (2020: 39%); motor own damage insurance (Casco) – 26% (2020: 24%) and motor third party liability insurance – 24% (2020: 30%). During the year, the biggest part – 43% of total gross written premiums were written in Lithuania; 31% – in Latvia; 26% – in Estonia.

GROSS WRITTEN PREMIUMS



Compared to the merger year 2020, the profitability significantly improved in the year 2021 – the Company achieved a profit before taxes in the amount of EUR 8.1 million (2020: profit of EUR 2.2 million). The Company generated net earned premiums of EUR 126.7 million. Claims incurred amounted to EUR 80.5 million and net operating expenses to EUR 41.1 million.

PROFIT BEFORE TAXES **8.1** million

The Company had a Net Combined Ratio of 95.9% - a significant improvement compared to a 2020 (99.8%). 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 **95.9%**

Net investment income, amounting to EUR 2.7 million, consists of interest income (2.05 million), disposal gains (EUR 1.26 million) as well as management and interest expenses (-0.60 million). At the end of the year, investment assets amounted to EUR 184.6 million (end of 2020: EUR 179.6 million). Assets are split between fixed income securities 92% (2020: 97%); loans 2% (2020: 1%); shares 6% (2020: 2%).

At the end of 2021, the shareholder's equity amounted to EUR 86.3 million (2020: EUR 88.2 million), insurance technical provisions to EUR 158.0 million (2020: EUR 151.2 million) and liabilities to EUR 71.3 million (2020: EUR 63.3 million).

At the end of 2021, ADB Compensa VIG had total assets of EUR 329.2 million (2020: EUR 317.8 million).

TOTAL ASSETS **329.2** million

STRATEGY AND DEVELOPMENT IN 2021

During the summer of 2021 the new strategy process “Compensa 24” was initiated. Balancing opportunities (e.g., economic growth, protection gaps, increased risk awareness, the digital era) and challenges (e.g. COVID-19 effects; inflation, low interest environment, competition), the new strategy program will stand on three pillars:

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

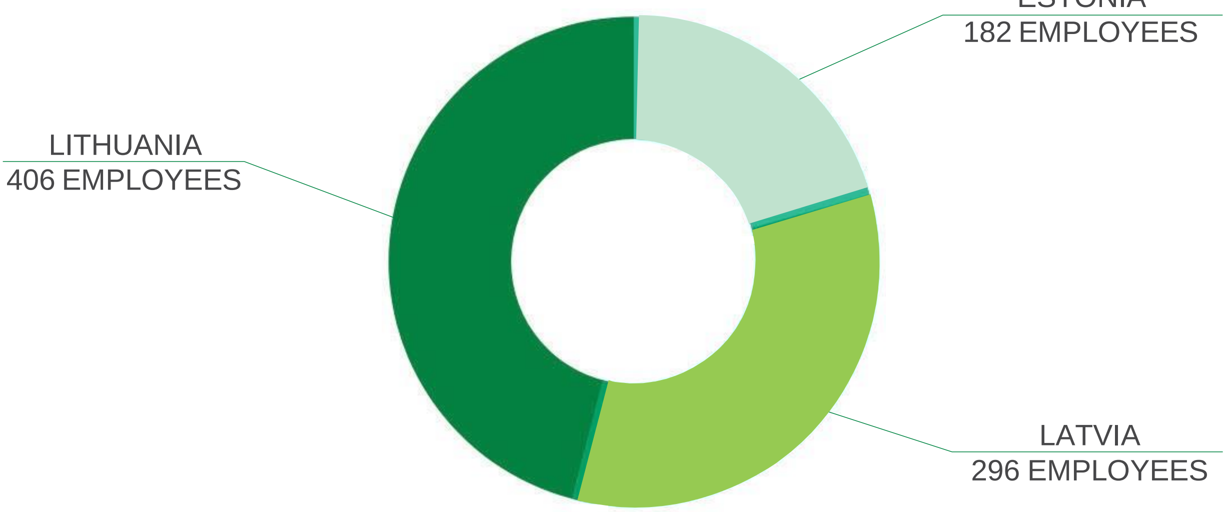
PROTECT	Technical excellence and further improvement in pricing and risk selection will be tackled. Furthermore, activities to protect against claim inflation and to react upon the low interest environment are launched.
ATTACK	We will expand the retail and corporate ecosystems, as well as drive a set of initiatives that will additionally support the effectiveness of our sales teams.
AMEND	Process efficiency improvements e.g., in claims or the Finance and Risk area are planned. Also, to facilitate our digital agenda, the building of supporting digital capabilities in-house will be pursued. Attracting and retaining talent is key and respective initiatives were added in the project pipeline. Furthermore, the development of our ESG roadmap is planned.

HUMAN RESOURCES

884 EMPLOYEES

At the end of 2021 the Company had overall 884 employees (2020: 872), 406 of whom worked in Lithuania, 296 in Latvia and 182 in Estonia.

EMPLOYEES (2020: 872)



People are essential to the Company's success. 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 2021 and as the first step of the strategic process the purpose and values of Compensa were crystallized. In a post-merger setting this effort was and is deemed crucial to shape the Company for the years to come. The initiative was performed with broad involvement of our employees across regions, departments and career tenures.

As a result, Compensa's purpose statement was formulated "We deliver protection for your prosperity".

We deliver protection for your prosperity

It represents the following implications for all our stakeholders:

CUSTOMERS	Reliability and safety; the company is delivering simple, innovative and sustainable solutions to protect what matters;
EMPLOYEES	The Company delivers respect and opportunity to grow. Compensa brings diverse knowledge with the strong team, who is dedicated to go beyond the expected;
PARTNERS	Sustainable collaboration for mutual benefit;
COMMUNITY	Compensa educates the community and takes responsibility for a better future;
SHAREHOLDERS	Increasing value sustainably.

In addition, the following Company values were formulated:

BEING TRUSTWORTHY

We keep our promises.

Build trust through fair and objective behaviour.

Our decisions are transparent.

We are responsible for the truthfulness of our words and actions.

GOING EXTRA MILE

We overcome obstacles, find solutions and deliver exceptional results.

Build a culture that embraces high standards and continuous improvement.

Have a strong and dedicated team with a mindset to go the extra mile.

Enable our employees to grow.

DRIVING INNOVATION

We are looking for new ways to make the customer experience easier and more convenient.

Encourage employee involvement and implement innovativeideas.

Shape the trends and we are proactive.

Sharing best practices and experience between VIG companies.

BRINGING SIMPLICITY

We make insurance simple, understandable and accessible.

Use our experience, know-how and diversity to be closer to our customer.

Understand our customers and take action to meet their needs, resolve concerns and support their success.

Educate the community to grow together.

Operating in the “VIG fleet” and in fully line with our purpose and values, the Company will use the slogan of VIG “Protecting what matters” in external communications going forward. This also emphasizes our belonging to the Group as well as the strength and knowledge it resembles.

RISK AND RISK MANAGEMENT

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

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, 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 also general risks, such as the counterparty default risk, concentration risk, operational risk or reputational risk. An ESG risk assessment is included in the annual risk inventory. This and other ESG related matters and regulations are closely aligned with VIG Holding.

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 has to 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 the area of 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 are Vienna Insurance Group (Austria), VIG Re (the Czech Republic) and Swiss Re (Switzerland).

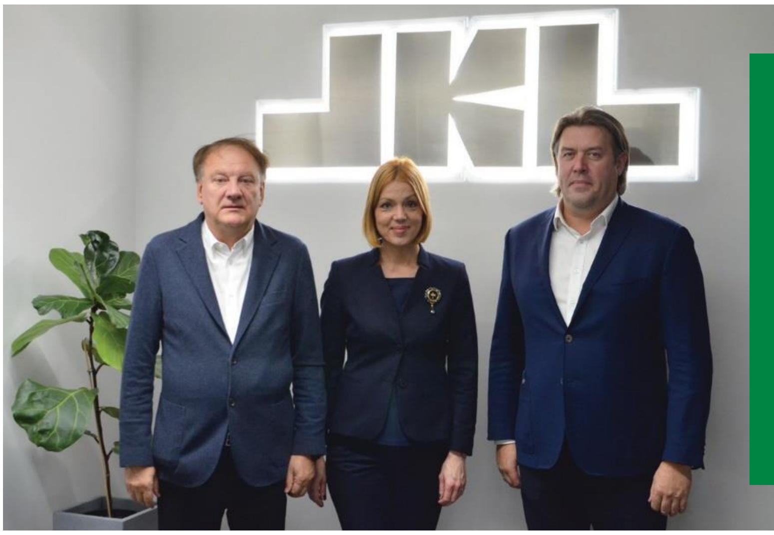
MARKETING AND SOCIAL ACTIVITIES

Lithuania

Firstly, the Lithuanian business newspaper “Verslo žinios” announced that Compensa VIG has become the leading company in this year’s financial sector raking in Lithuania.

COMPENSA
VIENNA INSURANCE GROUP

2021 FINANCIAL
SECTOR LEADER
verslo žinios
IN LITHUANIA



Talking about Brand awareness increase, the Company remained the main sponsor of the National organization “Lithuanian basketball league”. Compensa continued the sponsorship tradition with a briefbreak for the 9th time.

Also, sponsoring of art and cultural projects remained one of the areas where Compensa was still active (for example, by giving the name to one of concert halls in Vilnius).

Furthermore, Compensa was launching various product promotion campaigns in order to achieve sales targets e.g., in Motor Own Damage, Household and Personal Accident. This included product benefits communication, lead campaigns in social media as well as incentives for employees and partners.

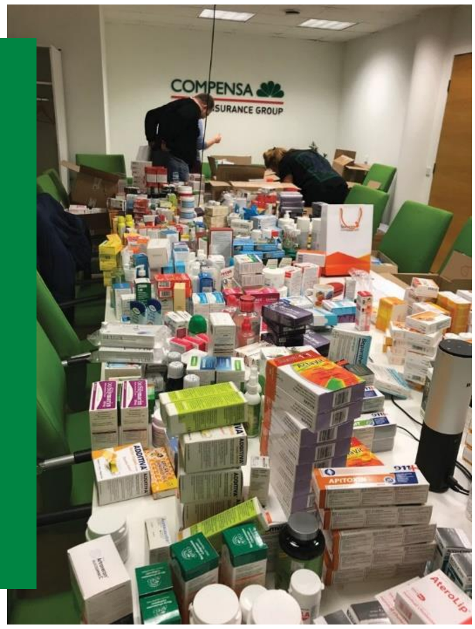
Mr.Edvinas Demidavičius, expert in the Claims Inspection Division, was the winner of the Award in Recognition of Commitment to Voluntary Activities in 2021.Since 2009, Edvinas has been working as a local police sponsor.

Latvia

In Latvia, Compensa was as well launching various product promotion campaigns to support our sales teams. These included Cross-sales campaigns, Personal Accident Promotions for children, Golden MTPL, a campaign with publishing house Rigas Vilni for Health insurance, a campaign with the kiosk chain Narvesen for Personal Accident, Google ads and Facebook lead generation campaigns for Golden MTPL, Motor Own Damage, Household, Personal Accident.

We continued sponsoring of Compensa Golf tournament. Furthermore, the company organized several events for partners and brokers.

At the end of the year, an innovative social project "We give from the heart" was implemented. More than ¼ (26%) of Compensa employees participated – prepared and delivered gifts to socially vulnerable people: people with chronic illnesses, families with three and more children, the disabled, single-parent families, single pensioners. In total, more than 5,000 items were donated, of which 2,200 items were wrapped as individual gifts; 2,800 items were donated to social care centers inLatvia, as well as to the crisis center MARTA, which isthe only women's rights advocacy organization in Latvia. In total, Compensa employees spent more than 600 man-hours for social work.



Estonia

Merike Värik, Sales Account Manager in the Estonia branch, was announced the winner of Award in Recognition of Commitment to Voluntary Activities in 2021. Merike was awarded because of her continued volunteer work in raising awareness about breast cancer and creating better treatment options for cancer patients.

In line with VIG's social responsibility initiatives, the team of Compensa Estonia branch organized the 2021 Social Active Day in a care home. As the situation isstill complicated due to the Covid virus, activities were organized outside the building of Iru Care Home. Compensa employees contributed to the creation of a garden for patients with dementia.

Throughout the year, Compensa's Estonian branch made efforts to become an opinion leader in health insurance market. Several different sales support activities were rolled out during the year, including marketing campaigns combined with PR efforts. Own sales force was given additional training and mobilized to approach potential companies through telemarketing. Health insurance self-service and claims adjustment process was improved and also the health insurance app was launched for added customer convenience. Compensa also became known for its communication on workplace burnout and protecting mental health of employees.

As online sales and overall consumption of e-services in the Estonian market is on the steady rise, Compensa team was focused on advancing the e-shop performance. One direction was to include additional segments. Compensa had e-sales and self-service developed for local Russian speaking clients and in the summer of 2021 launched a targeted marketing campaign. The campaign was preceded by e-shopping behaviour analysis of the segment. Visual materials were created with local Russian young adults and combined with targeted communication. The campaign was warmly received and will be continued also in following year.
Full social responsibility report is available on company's web site:
https://www.compensa.lt/finansine-informacija/

D. Raipa
Chief Executive Officer and Chairman of the Management Board
22 March 2022

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME (EUR)

Items	Note	Financial year	Previous financial year
INSURANCE INCOME			
NET PREMIUMS EARNED	**24**	**126 749 553**	**90 613 291**
Net written premiums		**130 058 599**	**95 418 897**
Gross written premiums	23	171 594 314	122 347 086
Reinsurer's share in premiums	23	(41 535 715)	(26 928 189)
Change in provision for unearned premiums		**(3 309 046)**	**(4 805 606)**
Change in gross provision for unearned premiums	9	(7 312 030)	1 392 853
Change in provision for unearned premiums, reinsurer's share	9	4 002 984	(6 198 459)
Other technical income		-	-
INSURANCE EXPENSES			
Net claims paid		**(80 369 471)**	**(52 789 046)**
Gross claims paid	25	(98 406 676)	(70 319 324)
Claims settlement expense	25	(8 180 058)	(5 557 562)
Recovered losses	25	6 618 965	3 230 934
Reinsurer's share	25	19 598 299	19 856 906
Change in outstanding claim technical reserve		**(111 259)**	**(2 516 509)**
Change in gross provision for claims	25	489 100	(135 931)
Change in provision for claims, reinsurer's share	25	(600 359)	(2 380 578)
NET INCURRED CLAIMS	**25**	(80 480 730)	(55 305 554)
Operating expenses		**(39 032 398)**	**(32 939 222)**
Acquisition costs	26	(39 761 322)	(31 298 189)
Administrative expenses	27	(8 296 456)	(10 109 681)
Reinsurance commission income and profit share		9 025 380	8 468 648
Other technical result		**832 359**	**(172 145)**
Interest income	28	2 050 905	1 344 874
Net profit / loss of financial assets	28	1 255 763	1 083 824
Investment valuation and management expenses	28	(603 343)	(539 705)
Other finance income	29	34 105	69 405
Other finance expenses	29	(44 793)	(97 789)
Other income	30	682 096	163 522
Other expenses	30	(2 542 373)	(2 196 276)
PROFIT / (LOSS) BEFORE TAXES		**8 068 785**	**2 196 370**
INCOME TAX EXPENSES	31	(237 101)	(119 841)
PROFIT / (LOSS) OF THE YEAR		7 831 685	2 076 529
Other comprehensive income	13	**(4 714 507)**	**4 229 235**
Revaluation of available for sale instruments that are or may be reclassified to profit or loss		**(4 714 507)**	**4 229 235**
Items that will not be reclassified to profit or loss			
Total comprehensive profit / (loss) for the reporting year		**3 117 177**	**6 305 764**

D. Raipa	Ž. Kramarauskaitė	L. Petrošienė
General Manager	Chief Accountant	Chief Actuary
22 March 2022	22 March 2022	22 March 2022

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION (EUR)

Items	Note	Financial year	Previous financial year
ASSETS			
Intangible assets	1	14 954 980	14 514 968
Right-of-use assets	2	2 998 220	3 295 047
Property and equipment	3	1 384 936	1 426 582
Investments in subsidiaries	7	-	-
Other investments		135 000	135 000
Financial assets available for sale	4	180 793 722	176 967 043
Loans and deposits	6	4 224 674	2 526 594
Total investment		**185 153 396**	**179 628 637**
Amounts receivable from policy holders		**24 277 415**	**19 151 127**
Amounts receivable from intermediaries		5 356 983	6 177 812
Total receivables from direct insurance activities	8	**29 634 398**	**25 328 939**
Receivable from reinsurance activities		8 575 154	6 770 486
Other receivables		2 088 447	1 210 705
Total amounts receivable	8	**40 297 999**	**33 310 130**
Deferred tax assets	31	**274 743**	**151 952**
Provision for unearned premiums, reinsurer's share	9	15 895 339	11 892 354
Outstanding claims technical provision, reinsurer's share	9	25 379 246	25 979 606
Total reinsurance assets		**41 274 586**	**37 871 960**
Accrued interest and rental income	10	913 390	930 048
Deferred acquisition costs	10	12 141 407	11 548 778
Other accrued income and deferred costs	10	16 057 978	16 583 586
Total accrued income and deferred costs	10	**29 112 775**	**29 062 412**
Cash at bank and cash in hand	11	**13 763 892**	**18 575 196**
Total assets		**329 215 526**	**317 836 884**

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		17 045 774	17 045 774
Revaluation reserve	13	4 030 100	8 744 607
Legal reserve	13	1 880 000	1 387 286
Retained earnings		36 749 889	40 166 074
Profit (loss) of the reporting year		7 831 685	2 076 529
Total equity		**86 337 772**	**88 220 270**
Liabilities			
Subordinated loan	6	**7 596 814**	**7 596 814**
Technical reserves			
Technical provision for unearned premiums	9	82 432 111	75 229 829
Technical provision for outstanding claims	9	75 314 267	75 803 429
Unexpired risk technical provisions		252 083	142 334
Insurance rebates technical provision		4 474	4 412
Total insurance liabilities		**158 002 935**	**151 180 004**
Provisions	14	**1 710 732**	**2 303 528**
Creditors			
Direct Insurance creditors			
Liabilities to insured		6 430 001	5 037 373
Liabilities to intermediaries		20 831 327	19 990 254
Total direct Insurance creditors	16	**27 261 328**	**25 027 627**
Liabilities to reinsurers	17	11 774 695	10 249 622
Deposits of reinsurer	15	22 314 451	19 085 903
Debts to credit institutions	18	35 192	44 236
Lease liabilities	2	3 020 859	3 318 812
Taxes and social insurance contributions	19	321 602	208 533
Other liabilities	20	6 544 164	5 409 666
Total creditors		**71 272 290**	**63 344 399**
Accrued liabilities	22	**3 341 562**	**4 732 446**
Deferred income		**953 746**	**459 423**
Total equity and liabilities		**329 215 526**	**317 836 884**

D. Raipa
General Manager
22 March 2022

Ž. Kramarauskaitė
Chief Accountant
22 March 2022

L. Petrošienė
Chief Actuary
22 March 2022

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 2019	**15 300 000**	**17 045 744**	**1668 425**	**-**	**377 400**	**34 891 599**
Profit / (loss) of the year	-	-	-	-	2 076 529	**2 076 529**
Other comprehensive income (Note 13)	-	-	4 229 235	-	-	**4 229 235**
Transactions with owners of the Company						
Reorganization effect	3 000 000	-	2 846 947	1 009 886	40 166 074	**47 022 907**
Creation of mandatory reserves	-	-	-	377 400	(377 400)	-
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)	-
Payment of dividends					(5 000 000)	(5 000 000)
Balance as at 31 December 2021	**18 800 000**	**17 045 774**	**4 030 099**	**1 880 001**	**44 581 574**	**86 337 448**

D. Raipa
General Manager
22 March 2022

Ž. Kramarauskaitė
Chief Accountant
22 March 2022

L. Petrošienė
Chief Actuary
22 March 2022

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		157 157 441	116 681 956
Claims paid for direct insurance		(93 620 830)	(67 139 745)
Payments received from ceded reinsurance		-	-
Payments made for ceded reinsurance		(8 583 345)	(1 051 106)
Operating expenses paid		(45 784 141)	(33 198 663)
Taxes paid on ordinary activities		(3 400 959)	(6 196 035)
Amounts paid on other operating activities of insurance		1 544 734	(251 977)
Net cash from / (used in) operating activities		**7 312 899**	**8 844 430**
Cash flows from investing activities			
Acquisition of subsidiaries and associates	7	-	(100 000)
Disposal of the investments		30 843 884	30 865 877
Acquisition of the investments		(35 934 406)	(31 827 966)
Loans	6	(1 716 393)	(12 684)
Interest received from shares, debt and other non-current assets	6	68 115	309 291
Amounts from other investing activities		6 582	61 380
Net cash flows from / (used in) investing activities		**(6 732 217)**	**(704 103)**
Cash flows from financing activities			
Amounts received on issue of ordinary shares		-	-
Interest from loans	6	(391 986)	(391 986)
Reorganization effect		-	5 657 736
Paid dividends		(5 000 000)	-
Net cash flows from / (used in) financing activities		**(5 391 986)**	**5 265 749**
Net increase / (decrease) in cash and cash equivalents		**(4 811 304)**	**13 406 076**
Cash and cash equivalents at the beginning of reporting year		**18 575 197**	**5 169 121**
Cash and cash equivalents at the end of reporting year		**13 763 892**	**18 575 197**

D. Raipa
General Manager
22 March 2022

Ž. Kramarauskaitė
Chief Accountant
22 March 2022

L. Petrošienė
Chief Actuary
22 March 2022

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 2021 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 2021 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 2021, the Company had 875 full-time employees (at 31 December 2020: 860), 404 of them work in Lithuania, 289 in Latvia and 182 in Estonia.

Country	**31/12/2021**	**31/12/2020**
Lithuania	404	386
Latvia	289	298
Estonia	182	176
Total	**875**	**860**

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 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 2021 the Company did not have subsidiaries. During cross-border merger which took effect as at 1 July 2020, companies UAB Compensa Services (Lithuania) and SIA Compensa Services (Latvia) were merged to the Company ADB Compensa Vienna Insurance group.

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 25 March 2022.

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 2021 The financial statements were presented for authorization to management on 22 March 2022. 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. Insurance technical provisions are calculated according to Bank of Lithuania Resolution No 03-158 of 29 October 2015 Regarding Methodology for Calculation of Insurance Technical Provisions

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 and estimation of insurance provisions.

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 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 bankloans. 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 provided that 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 provided that 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 2021 and 2020 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: 0.234%,
  - Latvia: 0.232%, MTPL 0.164%
  - 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: 0.02% and EUR 0.41 per insurance contract, fixed monthly fee EUR 3 214,
  - Estonia 2.65% 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	5-10
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. Subsequent 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. The Company has no financial assets in this category.

Financial assets are derecognized when the rights to receive cash flows 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.

Investment into equity

Investment into equity securities is 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. In the event the fair value of the investments may not be reliably assessed, they are evaluated at the acquisition cost less impairment loss. Changes in the fair value of investment into equity securities are reflected in other comprehensive income and reserves.

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 acquisitioncost 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 life time 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 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 in order 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 it 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 recognized as expenses overthe 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 the course of loss adjusting including expected claim amount and loss adjusting expenses for each event. No discounting is applied, except for reported but not settled annuity claims.

Reported, but not settled annuities are discounted using risk-free rate curve.

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 2021Y as compared to 2020Y.

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

Changes in accounting policies

Standards adopted by the EU for annual periods beginning on or after 1 January 2021:

(i) Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform, Phase 1

The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. The amendments did not have an impact on the Company's financial statements.

(ii) Amendments to IFRS 16 – payment modifications due to the COVID – 19 pandemics

This amendment permits a lessee to treat all changes in lease payments arising from facilities as if they did not constitute a modification of lease, without making the judgments required by the standard. The payment modifications in question must be a direct consequence of the COVID – 19 pandemics. The amendments did not have a material impact on the Company's financial statements.

New Standards and Interpretations not yet adopted

Some new standards, amendments to standards and clarifications for annual periods beginning after 1 January 2021 have not yet been effective and have not been applied in preparing these financial statements in advance.

(i) IFRS 9 Financial Instruments (2014) (Effective for annual periods beginning on or after 1 January 2018, to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.)

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

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 significantly 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.

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.

The Company meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2023, applying the temporary exemption from applying IFRS 9 as introduced by the amendments IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*.

Main approach is to use FVtOCI for fixed income instruments (passing SPPI tests) and real estate participations.

For loans amortized costs approach will be used.

As of 31.12.2021 transition of investment portfolio to IFRS 9 regime would have impact is 0,2m€ in total (change in OCI and retained earnings). Impact of transition to retained earnings is +0.3m€. Impact to OCI is -0.1m€: revaluation reserve will reduce due to accounting of Funds and some bonds (which not passing SPPI test) and creation of Credit loss allowance (+0.1m€).

(ii) IFRS 17 Insurance Contracts (Effective for annual periods beginning on or after 1 January 2023; to be applied prospectively. Early application is permitted. This pronouncement is not yet endorsed by the EU.)

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

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

The new standard defines insurance contract as a contract under which one entity accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The standard introduces a definition of contract boundary, defining its beginning as the beginning of coverage, the date when first premium becomes due, the moment when facts and circumstances indicate that the contract belongs to the group of onerous contracts - whichever is earliest. The end of the contract boundary occurs when the insurer has the right or practical ability to reassess the risk for a particular policyholder or a policy group, and the premium measurement does not cover the risk related to future periods.

In accordance with IFRS 17, contracts will be measured by one of the following methods:

- General Measurement Model (further – GMM) – the basic measurement model, wherein the total value of the insurance liability is calculated as the sum of discounted value of the best estimate of future cash flows, risk adjustment (further- RA) and contractual service margin (further - CSM);

- Premium allocation approach (further – PAA) – a simplified model which can be applied to measurement of insurance contracts with the coverage period below 1 year or where its application does not lead to significant changes in relation to GMM. In this model, liability for remaining coverage is analogous to the provision for unearned premiums mechanism, without separate presentation of RA and CSM, while the liability for incurred claims is measured using the GMM (without calculating CSM).

- Variable fee approach (further – VFA) – model used for insurance contracts with direct profit sharing. The liability value is calculated in the same manner as in the GMM, the CSM value is additionally sensitive to changes in economic assumptions.

The Company currently evaluates the possible impact from adoption of IFRS 17 on its financial statements. In 2021 Company was working on preparation of IFRS 17 implementation and dry-run data delivery in early 2022. Key focus of the Company is to be ready with the transition from IFRS 4 to IFRS 17. For successful standard implementation Compensa has established local Project team and Steering committee, which communicates project progress status to the local management and stakeholders, informs about the achieved milestones and open issues. Being part of Vienna Insurance Group allows Compensa to acquire best practice VIG gathered from all Solo companies during the project development phase. VIG is leading IFRS 17 projects for all group companies, facilitating and granting successful implementation of the new standard, by organizing extensive training to employees, by providing guidelines to accounting and actuarial policy and methodology documents, by supporting with IT system infrastructure and solutions, by drafting financial statements to comply with disclosure requirements. Compensa has evaluated its technical and HR resources to ensure parallel run of both standards during 2022. In accordance with VIG and Compensa project timeline, Company will achieve the readiness for IFRS 17 opening balance by mid of April and sign-off of IFRS 17 results by local management in May. First comparative period reporting is intended for Closing of Q2 2022, which will be performed by the end of August.

(iii) Annual Improvements to IFRS 2018-2020 Cycle (issued on 14 May 2020. Effective for annual periods beginning on or after 1 January 2022. These annual improvements are not yet endorsed by the EU.)

The amendments pertain to:

- IFRS 1 - the amendment permits a subsidiary that adopts IFRS for application later than its parent and applies paragraph D16(a) of IFRS 1 to measure cumulative foreign exchange differences using the amounts reported in the parent's consolidated financial statements based on the date of the parent's transition to IFRS;

- IFRS 9 – the amendment clarifies that for the purposes of the “10 percent” test, only fees paid or received between the borrower and the lender, including fees paid or received by the borrower or lender on behalf of the other party, should be considered in making a decision on the possible derecognition of a financial liability;

- IFRS 16 – the amendment has removed the example concerning the reimbursement of lease improvements by the lessor (due to related uncertainties);

- IAS 41 – to ensure consistency with IFRS 13, the amendment has removed the requirement from paragraph 22 of IAS 41 according to which reporting entities should exclude cash flows from taxation when measuring the fair value of a biological asset using the present value method.

The Company does not expect any material impact of these changes on the financial statements.

(iv) 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) (not yet endorsed by EU);
- 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 favourable 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 and business strategy. The risk strategy describes risks the Company is taking, principles of risk management and defines limit for minimum solvency ratio at 125%, that serves as additional solvency buffer to ensure the solvency position is not threated even under less favourable conditions and is the main indicator of financial strength of the Company. 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 also general risks such as the counterparty default risk, concentration risk, operational risk or reputational risk.

The Company defines ten risk categories. It is assumed that these risk categories are complete and do cover all possible sources of risk (including environmental, social and governance risks). The risk categories are further split into sub categories 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, sufficient to withstand 1 in 200 years catastrophic loss. 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 process 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.

In order 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.

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. The own funds have to represent at least 125% of its solvency capital requirement at any time throughout the whole planning period.

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 analysing 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 a minimum solvency ratio of 125% throughout the planning period or, where this minimum capitalization is not sustainable, 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.

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 PLN (1 045 198) EUR (resulting from liabilities) and DDK 5 854 186 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 2021 is following

	EUR	GBP	USD	SEK	NOK	JEN	DKK	PLN	Total
Assets									
Financial assets available for sale	174 791 878						6 001 845		180 793 723
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	**257 685 670**	**309 827**	**-**	**67 343**	**21 400**		**6 257 511**	**117 785**	**264 459 535**
Equity and liabilities									
Outstanding claim technical reserve	72 451 199	603 235	129 048	329 928	135 413	103 752	403 325	1 158 368	75 314 267
Provisions (Note14)	1 710 732								1 710 732
Creditor	48 953 225							4 614	48 957 839
Total equity	**123 115 156**	**603 235**	**129 048**	**329 928**	**135 413**	**103 752**	**403 325**	**1 162 982**	125 982 839
Open currency position	**134 570 515**	**(293 409)**	**(129 048)**	**(262 585)**	**(114 014)**	**(103 752)**	**5 854 186**	**(1 045 198)**	**138 476 696**

Split of assets and liabilities of currencies at the end of the year 2020 is following

	EUR	GBP	USD	SEK	NOK	RUB	DKK	PLN	Total
Assets									
Financial assets available for sale	174 056 661						2 910 382		176 967 043
Total amounts receivable (Note 8)	33 310 131								33 310 131
Outstanding claims technical provision, reinsurer's share	25 356 980	338 515		101 177	104 730	5 188	4 644	68 372	25 979 606
Loans and Deposits	2 526 595								2 526 595
Cash and Cash equivalents	18 575 196								18 575 196
Total assets	**253 825 562**	**338 515**	**-**	**101 177**	**104 730**	**5 188**	**2 915 026**	**68 371**	**257 358 569**
Equity and liabilities									
Outstanding claim technical reserve	73 681 794	830 040	177 175	445 143	356 990	24 116	62 414	225 757	75 803 429
Provisions (Note 14)	2 303 528								2 303 528
Creditors	43 960 520							297 977	44 258 497
Total equity and liabilities	**119 945 842**	**830 040**	**177 175**	**445 143**	**356 990**	**24 116**	**62 414**	**523 734**	**122 365 454**
Open currency position	**133 879 720**	**(491 525)**	**(177 175)**	**(343 965)**	**(252 261)**	**(18 928)**	**2 852 612**	**(455 362)**	**134 993 115**

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 for deposits is calculated according to EURIBOR 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 and loans).

Change	**2021**	**2020**
+ 100 bp	(11 554 179)	(11 846 400)
- 100 bp	12 198 176	13 202 693

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

The average yield for investment portfolio is presented below:

Type of investment	**2021**	**2020**
Corporate bonds	1.24%	1.52%
Government bonds	0.66%	0.78%

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:

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

In order 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 Funds, to not listed bonds, shares, loans and cash held in banks.

Investment splits according to ratings as at 31 December

	Currency					
Rating	**EUR**	**DKK**	**31/12/2021**	**EUR**	**DKK**	**31/12/2020**
AAA	13 128 193	6 001 845	19 130 037	11 661 717	2 910 382	14 572 099
AA+	3 658 175	-	3 658 175	1 649 465	-	1 649 465
AA	5 619 640	-	5 619 640	8 900 646	-	8 900 646
AA-	10 450 834	-	10 450 834	4 848 840	-	4 848 840
A	61 330 609	-	61 330 609	62 210 933	-	62 210 933
A+	7 186 640	-	7 186 640	15 140 433	-	15 140 433
A-	18 876 878	-	18 876 878	17 318 301	-	17 318 301
BBB+	21 960 764	-	21 960 764	17 903 482	-	17 903 482
BBB	24 181 640	-	24 181 640	25 053 980	-	25 053 980
BBB-	9 868 699	-	9 868 699	6 947 331	-	6 947 331
BB-	3 369 054	-	3 369 054	3 603 656	-	3 603 656
Not rated	13 284 318	-	13 284 318	20 054 667	-	20 054 667
Total	**192 915 443**	**6 001 845**	**198 917 288**	**195 293 451**	**2 910 382**	**198 203 833**

More than 85% 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 and investment to subsidiaries.

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

Counterparty	**2021**	**2020**
Nordea Kredit (AAA)	104 305	176 988
Realkredit Danmark A/S (AAA)	200 212	313 793
BRF kredit (AAA)	116 845	263 839
Nykredit Real (AAA)	5 580 482	2 155 763
Nykredit (AAA)	-	-
BNG Bank (AAA)	-	-
Republic of Italy (BBB)	-	-
BNP Paribas (A+)	1 066 720	2 146 280
BNP Paribas (A-)	315 078	326 379
BNP Paribas (BBB+)	1 502 775	1 524 555
Goldman Sachs Group Inc. (A-)	3 874 691	823 548
Air Baltic Corporation (BB-)	-	-
Johnson & Johnson (AAA)	771 371	801 836
Republic of Austria (AA+)	530 355	548 235
State of North Rhine-Westphalia Germany (AA+)	1 059 360	1 101 230
SNFC Reseau EPIC (AA)	1 062 550	1 093 350
Cooperatieve Rabobank (AA-)	507 832	518 500
Shell International Finance BV (AA-)	519 361	538 430
Westpac Banking (AA-)	525 316	545 241
Erste bank Cash (A)	2 150 967	5 304 996
Republic of Latvia (A-)	3 612 525	9 533 324
Altum Attistibas Finansu (BBB+)	1 446 900	1 434 650

Counterparty	2021	2020
Kingdom of Spain (A-)	-	-
Republic of Poland (A-)	2 116 340	2 176 120
Bank Gospodarstwa Krajowego (A-)	2 138 600	2 753 200
Republic of Lithuania (A)	44 517 834	46 272 517
Republic of Greece (BB-)	1 021 050	1 080 460
Hungary (BBB)	2 946 780	2 982 270
State of Israel (A+)	1 634 685	1 662 810
United Mexican States (BBB)	2 208 312	2 107 860
People's Republic of China (A+)	1 961 780	2 017 840
Republic of Estonia (AA-)	997 460	1 032 210
Russian Federation (BBB-)	1 990 800	2 020 560
Republic of Slovenia (A)	2 151 720	2 237 900
Societe du Grand paris (AA)	-	2 521 376
Pozavarovalnica SAVA D.D. (BBB+)	520 000	504 000
Munich Re (A)	2 960 700	725 914
S Immobilien AG (BBB)	3 210 819	2 228 340
LHV Group AS (unrated)	175 905	183 431
Erste Group Bank AG (BBB+)	2 035 290	2 053 690
Oberbank AG (A)	1 516 950	1 517 730
Daimler AG (BBB+)	2 099 640	3 726 215
Deutche Bank AG (BBB)	3 539 005	2 621 225
CEZ AS (A-)	1 141 040	1 177 540
Berkshire Hathaway INC (AA)	1 569 780	1 604 910
Telekom Finanzmanagement (BBB+)	852 280	873 032
Banco Santander SA (BBB)	2 467 012	2 554 532
Morgan Stanley (A)	1 073 980	1 113 320
Gazprom (GAZ Capital SA) (BBB)	-	1 043 210
BK Nederlandse Gemeenten (AAA)	779 114	805 934
Mbank Hipotecny (AA)	2 068 460	2 102 740
Bayer Capital Corp BV (BBB+)	2 199 040	2 290 800
National Australia Bank (AA-)	2 127 120	2 214 460
Cloverie PLC Zurich INS (A+)	2 136 740	2 238 280
ABN AMRO NL (A+)	-	2 066 440
Sydbank A/S (A+)	-	2 031 140
Sparebanken Sor Boligkre (AAA)	1 429 204	1 462 538
Commonwealth Bank Austt (AAA)	3 139 560	3 259 170
Achmea Hypotheebank NV (AAA)	3 059 550	3 130 800
Siemens Financieringsmat (A+)	-	2 260 840
Banco BilbaoVizcoya ARG (BBB+)	-	1 033 480
Wells Fargo Company (A)	1 820 232	1 827 216
Temasek Financial I LTD (AAA)	2 116 350	2 201 440
Koninklijke Philips NV (BBB+)	-	516 317
Unilever NV (A+)	703 223	716 803
Bank of America Corp (A)	3 081 200	3 211 340
Raiffeisen Bank INTL (BB-)	1 541 876	2 523 196
CESKE DRAHY (BBB)	1 825 775	1 806 613
BAWAG GROUP AG (BBB)	2 040 060	2 018 040
OMV AG (A-)	500 710	528 190
BANCA INTESA SANPAOLO (BBB)	1 059 040	1 093 380
CK HUTCHISON GROUP TELECOM FINANCE S.A. (BBB+)	1 017 270	1 076 270
ING GROEP NV (BBB)	1 004 790	1 013 290
UNICREDITO ITALIANO (BBB-)	2 775 195	2 832 111
EXXON MOBIL CORP (AA)	3 368 085	1 578 270
IMMOFINANZ AG (BBB-)	2 093 740	2 094 660
SOCIETE GENERALE SA (BBB)	-	1 557 660
LA BANQUE POSTALE SA (BBB)	1 155 979	1 205 721
UNIBAIL-RODAMCO-WESTFIELD (BBB+)	2 052 500	2 015 380

Counterparty	2021	2020
Lietuvos Energija UAB (BBB+)	834 038	855 453
Luminor bank AS Estonia (BBB)	1 763 958	2 821 840
BAYER AG (BBB)	944 050	-
UBS Group AG (A-)	2 916 150	-
Raiffeisenlandesbank VLBG (AAA)	1 833 044	-
Russian Railways via RZD CAP (BBB)	3 016 522	-
MDGH GMTN RSC LTD (AA)	2 987 310	-
Raiffeisen Bank INTL (BBB-)	993 050	-
Portugal republic (BBB-)	-	-
Investment funds (unrated)	3 804 235	557 193
Strategic participation (Unrated)	1 817 503	135 000
Loans (BBB-)	1 852 985	-
Loans (Unrated)	2 371 689	2 526 595
Cash and deposits	11 612 925	13 270 200
VIG Fun Units	5 279 610	3 381 887
Credit risk	**198 917 288**	**198 203 833**

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

In order to manage risk, the Company has 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 2021	Reinsurance receivables 2020
Vienna Insurance Group	A+	1 792 517	-
VIG RE zajist'ovna, A.S.	A+	-	1 072 826
Hannover rueckversicherung ag	AA-	141 666	187 569
Ace European Group limited	AA-	100 549	100 549
Mapfre re compania de reaseguros, S.A.	A	142 666	211 423
Scor Global P&C SE	AA-	256 201	317 076
Polskie towarzystwo reasekuracji SA	A-	262 621	391 966
R+v Versicherung AG	AA-	555 186	605 314
Swiss Re Europe S.A.	AA-	3 236 880	2 759 759
Not rated		2 086 867	1 124 006
Total		**8 575 154**	**6 770 486**

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 180,9 ml and cash at bank in amount of 13,7 ml 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 into the repurchase agreement. Liquidity risk management involves determination of the level of mismatch between cash inflows and outflows, taking into account the cash flows associated with both assets and liabilities. The investment limits are settaking into consideration the liquidity structure of liabilities and cash demand for other needs.

Liquidity risk assessment as at 31 December 2021

	Contractual undiscounted cash flows				
Items	**Non-fixed term up to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**	**Carrying amount**
Financial assets available for sale	-	43 457 052	137 471 670	180 928 722	**180 928 722**
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**	**52 071 428**	**155 216 826**	**263 521 344**	**241 296 083**

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	9 921 490	**9 921 816**
Total liabilities	**145 783 125**	**12 478**	**17 514 354**	**175 775 864**	**173 282 003**

Liquidity risk assessment as at 31 December 2020

	Contractual undiscounted cash flows				
Items	**Non-fixed term up to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**	**Carrying amount**
Financial assets available for sale	2 600 247	50 052 274	140 743 027	193 395 548	**176 967 043**
Accrued interest	930 048			930 048	**930 048**
Loans and deposits (Note 6)	123 589	495 469	2 309 876	2 928 934	**2 526 595**
Cash at bank	18 575 196			18 575 196	**18 575 196**
Total amounts receivable (Note 8)	33 310 131			33 310 131	**33 310 131**
Total assets	**55 593 210**	**50 547 743**	**143 052 903**	**249 139 856**	**232 309 012**

Items	Non-fixed term up to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
Technical provision (net)	89 093 642	17 497 971	6 716 432	113 308 045	**113 308 045**
Insurance creditors (Note 16)	5 676 363			5 676 363	**5 676 363**
Liabilities to reinsurers (Note 17)	10 249 622			10 249 622	**10 249 622**
Subordinated loan	395 000	1 580 000	8 510 000	10 485 000	**7 596 814**
Other creditors	6 459 662	1 843 363	745 073	9 048 098	**8 981 248**
Total liabilities	**111 874 289**	**20 921 334**	**15 971 505**	**148 767 127**	**145 812 091**

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 colour 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 behaviour, 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 per one event at the end of relevant year:

Net retained parts of risk	2021	2020
Personal accident	100 000 €	200 000 €
Travel medical expense	100 000 €	200 000 €
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	300 000 €	300 000 €

- Potential impact of catastrophic events. Natural and man-made catastrophe events could potentially result in significant losses and are taken into account 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 number 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, taking into account 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 at 31 December 2021

Line of insurance	**Impact if loss ratio 5 percent higher than used in IBNR estimates for attritional and large losses**	**Impact if loss ratio 5 percent lower than used in IBNR estimates for attritional 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)

Impact to technical result and equity is shown below

	Impact if loss ratio 5 percent higher than used in IBNR estimates for attrition and large losses	**Impact if loss ratio 5 percent lower than used in IBNR estimates for attrition and large losses**
Impact to technical result	(5 010 315)	4 338 861

Higher than expected LR by 5 percent would decrease technical result by 62%, while lower than expected LR by 5 percent would improve technical result by 54%.

Sensitivity analysis for claims provision as at 31 December 2020

Line of insurance	**Impact if loss ratio 5 percent higher than used in IBNR estimates for attritional and large losses**	**Impact if loss ratio 5 percentlower than used in IBNR estimates for attritional and large losses**
MTPL	1 824 525	(1 665 963)
Property	2 351 007	(2 269 041)
Liability	486 863	(481 723)
MOD	28 141	(28 141)

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 at 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)**

Sensitivity analysis for reported annuities as at 31 December 2020

Policy country	+1%	-1%
Estonia	558 135	(449 648)
Lithuania	262 695	(213 123)
Latvia	291 094	(238 578)
Total	**1 111 924**	**(901 348)**

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 ofrisk. 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 taken into account. 252 083 EUR unexpired risk reserve was formed as at 31 December 2021 for business line Health insurance and Land and vehicle MTPL insurance (142 334 EUR as at 31 December 2020 was formed for business like health insurance).

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)	2015	2016	2017	2018	2019	2020	2021
2010		(509)	206	(314)	(266)	1 081 873	74 112
2011		60 838	21 185	16 709	89	(11 682)	34 204
2012		443 472	54 859	21 266	102 837	(71)	104 972
2013		344 157	354 433	46 199	3 625	9 936	(21 895)
2014		873 943	1 220 422	139 275	(125 664)	12 733	7 755
2015		5 786 504	2 117 086	202 291	106 529	58 208	55 336
2016		17 114 672	8 473 554	675 273	564 564	920 062	171 585
2017		-	23 448 814	5 277 596	490 821	819 774	380 944
2018		-	-	25 594 140	10 089 250	1 298 996	697 712
2019		-	-	-	32 215 469	10 809 518	1 186 577
2020		-	-	-	-	57 646 604 *	13 662 443
2021		-	-	-	-	-	83 614 022
Total	**0**	**24 623 076**	**35 690 558**	**31 972 436**	**43 447 254**	**72 645 952**	**99 967 769**

Claims reserve as at 31 December (gross)	2015	2016	2017	2018	2019	2020	2021
2010	1 105	1 586	1 464	1 490	-	5 583 779	5 965 949
2011	211 979	208 900	62 161	36 236	37 800	288 991	437 758
2012	753 668	437 578	185 613	308 384	102 917	458 281	430 883
2013	1 479 524	1 070 475	644 668	578 893	511 335	760 018	687 384
2014	4 744 198	3 128 021	436 717	320 036	184 932	638 409	190 534
2015	10 718 149	4 490 000	687 135	612 085	594 052	1 248 413	747 959
2016	-	14 161 259	1 847 184	1 796 405	1 463 690	3 854 722	3 269 886
2017	-	-	8 458 209	1 874 898	1 206 453	3 488 960	2 631 039
2018	-	-	-	15 301 555	4 017 836	13 178 834	3 837 930
2019	-	-	-	-	16 764 153	12 992 592	6 866 038
	-	-	-	-	-	33 310 430*	12 477 439
2020	-	-	-	-	-	-	37 771 468
Total	**17 908 624**	**23 497 820**	**12 323 150**	**20 829 982**	**24 883 168**	**75 803 429**	**75 314 268**

* 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. The own funds have to represent at least 125 % of its solvency capital requirement at any time throughout the whole planning period. 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 for each company by aggregating limit breaches. The overall status is displayed in a three-color scheme (red, yellow, green). During 2021 each quarter limits stayed within green area. 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:

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

2) 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 a minimum solvency ratio of 125% throughout the planning period or, where this minimum capitalization is not sustainable, determines possible capital deficiencies and quantifies future capital requirements at an early stage.

1) **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.

In order 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
Balance at the end of 2019	**10 545 526**	**1 844 639**	**1 053**	**12 391 288**
Balance at 2020.01	10 545 526	1 844 639	**1 053**	**12 391 288**
Acquisition	**-**	1 404 228	-	**1 404 228**
Reorganization effect	180 272	2 987 103		**3 167 375**
Written off	-	(48 533)	-	**(48 533)**
Amortization for intangible assets written-off	-	3 510	-	**3 510**
Amortization charge	-	(2 401 997)	(842)	**(2 402 839)**
Closing net book amount 2020.12	**10 545 526**	**3 788 949**	**211**	**14 392 617**
Balance at 2021.01	**10 545 526**	**3 788 949**	**211**	**14 392 617**
Acquired assets	-	1 571 662	64 648	**1 636 311**
Reclassification	-	(102 825)	102 825	**-**
Written off	-	(21 221)	-	**(21 221)**
Amortization charge	-	(1 112 630)	(62 448)	**(1 175 078)**
Closing net book amount	**-**	**4 123 935**	**105 237**	**14 954 980**
Accumulated depreciation				
As at 31 December 2020				
Acquisition cost	10 725 808	6 970 060	4 209	**17 700 077**
Accumulated amortization	-	(3 181 111)	(3 998)	**(3 185 109)**
Net book amount	**10 725 808**	**3 788 949**	**211**	**14 392 617**
As at 31 December 2021				
Acquisition cost	10 725 808	8 417 676	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**

The amortization expenses of intangible assets for the year 2021 was booked as administrative expenses in the amount of EUR 1 175 078 (in 2020: EUR 2 401 997). The increase in amortization expenses in 2020Y was due to the replacement of useful life programs that were decided to be discontinued after reorganization.
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 2021. 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 at 31 December 2021 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 2021 and 2020 are described further.

In current year impairment model, gross written premiums are forecasted to grow at compound average growth rate (CAGR) 13% for 2021 (7.5%) over the next five years. Net earned premiums are forecasted to grow at compound average growth rate CAGR) 13% for 2020 (7.5%) 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 60.8%-61.1% and net loss ratio is forecast at 63,9%-64,2% 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 9,79% in 2021 and 8.81% % in 2020.

The assessment of the recoverable amount of the cash generating unit as at 31 December 2021 resulted in no impairment of goodwill at the end of 2021.

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 2021:

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

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 2 998 220. For the calculation of lease liabilities, the Company used discount rates that depend on life time of contract which a varies from 0.123% to 2.96%.

RIGHT-OF-USE ASSET

in thousands of euros	Land and buildings	Cars	Total
2021			
Balance at 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 at 31 December	**2 960 788**	**37 432**	**2 998 220**

in thousands of euros	Land and buildings	Cars	Total
2020			
Balance at 1 January	494 024	14 618	508 641
Reorganization effect	3 358 580	65 863	3 424 443
Depreciation charge for the year	(620 628)	(24 610)	(645 238)
Additions to right-of-use assets	7 200	-	7 200
Balance at 31 December	**3 239 176**	**55 871**	**3 295 047**

LEASE LIABILITIES

Operating leases under IFRS 16	2021	2020
Less than one year	790 157	821 449
One to two years	1 781 590	1 758 822
Two to three years	449 112	738 541
Four to five		-
Total	**3 020 859**	**3 318 812**

Rights of Use liabilities changes

	2021
Balance at 1 January	**3 318 812**
Lease labilities acquisition	716 823
Lease liabilities payment	(992 563)
Interest	(22 213)
Balance at 31 December	**3 020 859**

	2020
Balance at 1 January	509 916
Reorganization effect	3 429 202
Lease labilities acquisition	620 281
Lease liabilities payment	(1 203 773)
Interest	(36 815)
Balance at 31 December	**3 318 812**

Leases as lessee (IFRS 16)

The Company paid lease expenses for right-of-use assets for the total amount of EUR 645 thousand during 2021, which are attributed to the item “other income and expenses”. Right-of-use assets interest is attributed to the statement of comprehensive income, item “Financial income and expense”.

IFRS 16 lease liabilities are classified in the statement of financial position under “Lease liabilities”.

The Company has opted for exemptions from the IRFS 16 requirements for short-term contracts and low value leases, that is, recognizing the cost of such leases as operating leases.

To operating leases expenses for agreements where exception was used recognized losses in Profit loss report is in amount of 36 387 EUR for 2021Y and in amount 34 033 EUR for 2020Y.

Over 88 customer service centres 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**
Balance at end of 2019	228 727	93 243		321 970
Balance at 01/01/2020	228 727	93 243		321 970
Adjusted balance at 01/01/2020				
Acquired assets	113 876	-	-	**113 876**
Reorganization effect	1 346 965	117 359	-	**1 464 324**
Written-off	(4 747)	(11 516)	-	**(16 263)**
Depreciation for tangible assets written-off	2 119	8 649	-	**10 768**
Depreciation charge	(426 691)	(41 402)	-	**(468 093)**
As at end of December 2020	**1 260 250**	**166 333**	**-**	**1 426 582**
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**
Reconciliation	(1 516)	1 516		**-**
Written-off	(31 005)	-	-	**(31 005)**
Depreciation for property and equipment written-off	26 631	-		**26 631**
Depreciation charge	(530 134)	(54 872)	-	**(585 006)**
As at end of December 2021	**1 265 520**	**119 417**	**-**	**1 384 936**
Accumulated depreciation As at end of December 2020				
Acquisition cost	2 150 021	249 479	-	2 399 499
Accumulated depreciation	(889 772)	(83 145)		**(972 917)**
Net book amount	**1 260 250**	**166 333**		**1 426 582**
Accumulated depreciation As at end of December 2021				
Acquisition cost	2 658 795	257 434	-	**2 916 229**
Accumulated depreciation	(1 393 275)	(138 017)	-	**(1 531 292)**
Net book amount	**1 265 520**	**119 417**	**-**	**1 384 936**

The depreciation expenses of property and equipment of the year 2021 were booked as administrative expenses (Note 28) in the amount of EUR 585 006 (in the year 2020 – respectively EUR 468 093).

As at 31 December 2021, the Company had fully depreciated property and equipment which were still used in activity.

Office and other equipment:

Items	**2021**	**2020**
Acquisition price	516 729	97 613

NOTE 4. FINANCIAL ASSETS AVAILABLE FOR SALE (EUR)

FINANCIAL ASSETS AVAILABLE FOR SALE

	2021	2020
At the beginning of the reporting year	**176 967 043**	**65 052 484**
Purchases	37 591 181	31 766 829
Reorganization effect	-	104 283 304
Maturities	(2 876 349)	(1 370 155)
Disposals	(25 627 405)	(26 929 975)
Fair value Gain/(Loss) recorded in OCI	(5 014 409)	4 486 497
Amortization adjustment	(248 441)	(331 688)
Foreign currency exchange adjustments	2 102	9 747
At the end of the reporting year	**180 793 722**	**176 967 043**

FAIR VALUE OF THE FINANCIAL ASSETS

31 December 2021	**2021**	**2020**
Government Bonds at FVOCI	66 749 002	78 729 362
Corporate Bonds at FVOCI	103 278 373	94 298 600
Equity at FVOCI	6 962 112	3 381 887
Fund certificates	3 804 235	557 193
Equity at costs	135 000	135 000
Total	**180 928 722**	**177 102 043**

Items	**2021**		**2020**	
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
Republic of Lithuania	43 349 160	44 517 835	44 013 082	46 272 518
Republic of Latvia	3 517 282	3 612 525	10 395 180	10 967 974
Russian Federation	2 017 450	1 990 800	2 018 896	2 020 560
Republic of Estonia	990 846	997 460	989 774	1 032 210
Republic of France	-	-	2 177 827	2 521 376
Republic of Slovenia	2 034 289	2 151 720	2 038 874	2 237 900
Republic of Mexico	2 131 469	2 208 312	2 084 127	2 107 860
People's Republic of China	1 981 083	1 961 780	1 979 227	2 017 840
Republic of Germany	1 012 050	1 059 360	1 013 943	1 101 230
Republic of Greece	994 620	1 021 050	994 032	1 080 460
Republic of Hungary	2 963 584	2 946 780	2 959 613	2 982 270
Israel	1 527 143	1 634 685	1 530 810	1 662 810
Republic of Poland	2 015 720	2 116 340	2 017 952	2 176 120
Republic of Austria	501 507	530 355	501 746	548 235
Corporate bonds	104 587 904	107 082 608	89 752 712	94 855 793
VIG Fund shares	6 881 782	6 962 112	3 183 904	3 381 887
Total	**176 505 888**	**180 793 722**	**167 651 698**	**176 967 043**

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 VIG Fund shares).

Revaluation effect for financial investments available for sale that in 2021 was recognized in other comprehensive income was EUR (4 714 507) (in 2020: EUR 4 229 235).

NOTE 5. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASURUMENT 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 at 2021

	Level 1	Level 2	Level 3	Total
Bonds	117 950 457	52 076 918	-	170 027 375
Investment fund				
FUND shares	1 917 000		8 984 347	10 901 347
Total	**119 867 457**	**52 076 918**	**8 984 347**	**185 153 396**

Hierarchy as at 2020

	Level 1	Level 2	Level 3	Total
Bonds	121 721 777	51 306 185	-	173 027 962
Investment fund			557 193	557 193
FUND shares	-	-	3 381 887	3 381 887
Total	**121 721 777**	**51 306 185**	**3 939 080**	**179 493 637**

Sensitivities for the fair value of fund certificates is presented in table below

2021	OCI, net of tax	
	Increase	Decrease
Fund shares Change in cash flow by 5% resulting in changes of NAV by 5%	433 170	(433 170)

2020	OCI, net of tax	
	Increase	Decrease
Fund shares Change in cash flow by 5% resulting in changes of NAV by 5%	196 954	(196 954)

In the reporting period was not recognized any movements between Level 1 and 2 or 3.
Table below show reconciliation of level 3 from the opening balances to the closing balances.

Financial assets Level 3 as at 31 December 2019	**3 183 904**
Purchased	557 193
Gain included in OCI	197 983
Sold	-
Financial assets Level 3 as at 31 December 2020	**3 939 080**
Purchased	4 613 612
Gain included in OCI	318 675
Sold	(22 020)
Financial assets Level 3 as at 31 December 2021	**8 849 347**

In the reporting period the Company acquired corporate shares. The value of these shares is determined by reference to the Net Asset Value of the Investee as at the reporting date, where the value of assets is measured using valuation reports prepared by appraisers.

VIG fund shares are originally valued at their acquisitions cost and subsequently revaluated at fair value. The preparation of the appraisals is based on other observable inputs such as applied (level 3 of fair value hierarchy). For the determination of the fair value of the investment the adjusted net asset method was applied. VIG fund share value is related to invested property and a change in the underlying inputs can therefore lead to fluctuations in the value of property. Based on management estimate, an increase of rental income by 2.5% and 5%, respectively, with yield remaining constant, will lead to increase in the value of shares by EUR 131thz and 264thz.

NOTE 6. LOANS AND BORROWINGS

A. LOANS GRANTED

During 2021, the Company did not grant additional loans.

For the year ended 31 December 2021, the Company has not recorded any impairment of loans relating to amounts owed by related parties. No amounts where overdue as at 31 December 2021.

LOAN AND INTEREST AMOUNTS RECEIVABLE

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

Items	2021		2020	
	Loans	Future interest	Loans	Future interest
Within 1 year	90 402	95 823	70 368	53 221
Within 2-5 years	748 234	357 878	292 245	203 224
Within 5-10 years	3 386 038	338 575	2 163 981	145 895
After 10 years	-	-	-	-
Total	**4 224 674**	**792 277**	**2 526 594**	**402 340**

Loan amount as at 31 December 2021 and 2020

Items	2021	2020
Loans at the beginning of reporting year	**2 526 595**	**4 274 482**
Loans granted	2 380 952	-
Reorganization effect	-	(1 500 000)
Loans repayment	(682 874)	(247 887)
Loans at the end of reporting year	**4 224 674**	**2 526 595**

Loans was granted to companies: VIG FUND, Gertrudes, Artilerijas, Alauska CTP and Artrium Tower Sp.z.o.o. During the 2021 Y was not recognized any impairment of granted loan.

B. LOANS RECEIVED

At the end of 2021 and 2020 the Company had subordinated loans in the amount of EUR 7 500 000 from the Company's shareholder Vienna Insurance Group AG Wiener Versicherung Gruppe. Interest rates are 5.5% and 5%. Maturity of the loan is set to 10 years.

LOAN AND INTEREST AMOUNTS PAYABLE

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

Items	2021		2020	
	Loans	Future interest	Loans	Future interest
Within 1 year	-	395 000	-	395 000
Within 2-5 years	-	1 580 000	-	1 580 000
Within 5-10 years	(7 500 000)	615 000	(7 500 000)	1 010 000
After 10 years	-	-	-	-
Total	**(7 500 000)**	**2 590 000**	**(7 500 000)**	**2 985 000**

LOAN AMOUNT AS AT 31 DECEMBER 2021

Items	2021	2020
Loans at the beginning of reporting year	**(7 596 814)**	**(7 596 814)**
Loans received	-	-
Accrued interest	391 987	391 987
Loans repayment	(391 987)	(391 987)
Loans at the end of reporting year	**(7 596 814)**	**(7 596 814)**

NOTE 7. INVESTMENT TO EQUITY INSTRUMENTS

On 2 December 2020 the Company concluded an agreement regarding purchase of SIA Global Assistance Baltic. The Company has acquired 33% of the shares of the entity.

During the merger, shares of AS EGCC were transferred to the Company. The Company has D and C class shares in this entity.

Since the business volume of Global Assistance Baltic SIA is insignificant compared to the total assets and revenue of Compensa Vienna Insurance Group, in the financial statements as at 31 December 2021 the investment is accounted using the cost method.

ACQUISITION PRICE OF SHARES

			Acquisition price	
Company name	**Shares, %**	**Number of shares 2021**	**2021**	**2020**
SIA Global Assistance Baltic	33%	100 000	100 000	100 000
AS EGCC	D&C class shares	35 000	35 000	35 000
Total			**135 000**	**135 000**

The equity and total assets as at 31 December 2021 and result for the financial year then ended of the subsidiaries could be presented as follows:

Company name	Equity	Result for the year	Assets
SIA Global Assistance Baltic	277 108	(22 893)	500 250

NOTE 8. AMOUNTS RECEIVABLE (EUR)

Items	2021	2020
Receivable from direct insurance activities	**29 634 398**	**25 328 939**
Receivable from insured	24 604 115	19 639 907
Receivable from intermediaries	5 422 517	6 357 237
Impairment for receivables from direct insurance operations	(333 706)	(646 091)
Impairment for the amount’s receivable from insurance activities	(58 528)	(22 114)
Receivable from reinsurance activities	**8 575 154**	**6 770 486**
Receivable from reinsurance activities	8 575 154	6 770 486
Other amounts receivable	**2 088 447**	**1 210 705**
Other amounts receivable	2 088 447	1 210 705
Total	**40 297 999**	**33 310 131**

Aging of receivables from direct insurance operations

Term	2021			2020		
	Gross	Impairment	Total amounts receivable	Gross	Impairment	Total amounts receivable
Not past due	26 166 741	12 879	**26 153 862**	21 147 301	157 438	**20 989 864**
Overdue 0-30 days	2 556 280	6 841	**2 549 439**	2 864 794	27 551	**2 837 243**
Overdue 31-90 days	662 321	26 140	**636 181**	964 700	48 879	**915 821**
Overdue 91-180 days	93 338	46 136	**47 202**	335 213	142 759	**192 454**
Overdue 181-365 days	99 110	95 199	**3 911**	418 480	104 358	**314 122**
Overdue more than 365 days	390 314	146 510	**243 804**	244 541	165 106	**79 435**
Total	**29 968 103**	**333 705**	**29 634 398**	**25 975 029**	**646 091**	**25 328 939**

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 2021, no advances were paid to the administrative, management and supervisory bodies.

NOTE 9. 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		Technical provision reinsurance part		Change of provision	Change of provision
	2021	2020	2021	2020	Gross of reinsurance	Reinsura-nce part
Accident insurance	2 378 084	2 276 377	1 189 043	-	101 707	1 189 043
Health insurance	6 650 478	4 773 756	705 498	141 161	1 876 722	564 337
Land and vehicle casco insurance	23 421 946	20 038 123	-	-	3 383 823	-
Marine insurance	23 373	18 176	-	-	5 197	-
Transport insurance	472 818	488 809	-	13 604	(15 991)	(13 604)
Fire and natural hazard insurance	4 913 185	5 242 616	40 869	72 707	(329 430)	(31 838)
Other property insurance	20 671 124	18 503 167	3 382 274	1 464 776	2 167 958	1 917 498
Land and vehicle MTPL insurance	17 156 960	17 708 105	8 578 480	8 677 774	(551 145)	(99 294)
Carrier liability (CRM)insurance	146 153	108 412	-	-	37 742	-
General liability insurance	4 396 078	3 673 503	1 053 259	760 125	722 575	293 135
Suretyship insurance	983 771	833 286	905 153	719 919	150 486	185 234
Severe financial losses	982 849	749 211	40 761	42 288	233 638	(1 527)
Assistance insurance	235 292	816 291	-	-	(580 999)	-
Total	**82 432 111**	**75 229 829**	**15 895 339**	**11 892 354**	**7 202 282**	**4 002 984**

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
	2021	2020	2021	2020		
Health Insurance	97 702	142 334	-	-	(44 633)	-
Land and vehicle MTPL Insurance	154 381		-	-	154 382	-
Total	**252 083**	**142 334**	**-**	**-**	**109 749**	**-**

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	
	2021	2020	2021	2020		
Accident insurance	811 046	808 856	333 486	-	2 190	333 486
Health insurance	1 864 055	932 305	550 279	9 036	931 749	541 243
Land and vehicle casco insurance	6 677 788	5 937 033	34 863	34 821	740 755	42
Railway rolling stock insurance	57	-	-	-	57	-
Marine insurance	24 533	24 213	-	-	320	-
Transport insurance	669 474	674 116	106 760	301 900	(4 642)	(195 140)
Fire and natural hazard insurance	5 994 191	13 378 278	1 540 863	8 057 288	(7 384 086)	(6 516 425)
Other property insurance	10 699 333	10 341 346	2 030 894	678 579	357 987	1 352 315
Land and vehicle MTPL insurance	36 248 561	34 234 223	17 033 001	14 933 664	2 014 399	2 099 337
Carrier liability (CRM)	489 356	407 478	-	-	81 878	-
General liability insurance	8 260 982	7 004 101	2 140 019	915 561	1 256 881	1 224 458
Suretyship insurance	1 323 730	1 133 987	1 130 965	932 359	189 743	198 606
Severe financial losses	2 221 237	926 155	478 115	116 398	1 295 082	361 717
Assistance insurance	29 925	1 338	-	-	28 587	-
Total	**75 314 268**	**75 803 429**	**25 379 246**	**25 979 606**	**(489 101)**	**(600 359)**

STRUCTURE OF GROSS TECHNICAL PROVISION FOR OUTSTANDING CLAIMS

	2021	2020
Amount of claims reported but not settled (RBNS)	54 079 600	50 864 974
Reserve for the recoveries	(1 305 687)	(838 523)
Amounts of claims incurred but not reported (IBNR)	19 896 479	23 203 772
Amount of claims settlement costs	2 643 934	2 573 206
Total	**75 314 326**	**75 803 429**

STRUCTURE OF REINSURANCE SHARE IN TECHNICAL PROVISION FOR OUTSTANDING CLAIMS

	2021	2020
Amount of claims reported but not settled (RBNS)	19 368 218	19 775 358
Reserve of the recourse	(196 191)	(153 221)
Amounts of claims incurred but not reported (IBNR)	6 207 219	6 257 146
Amount of claims settlement costs	-	100 323
Total	**25 379 246**	**25 979 606**

NOTE 10. ACCRUED INCOME AND DEFERRED COSTS

Items	2021	2020
Deferred acquisition costs	**12 141 407**	**11 548 778**
Deferred acquisition costs	12 141 407	11 548 778
Other accrued income and deferred costs	**16 057 978**	**16 583 585**
Accruals for estimated recourses	2 559 541	2 753 152
Prepaid expenses/deferred costs	13 498 436	13 830 434
Accrued interest and rent income	**913 390**	**930 048**
Accrued interest from bonds available for sale	913 390	930 048
Total	**29 112 775**	**29 062 411**

As at 31 December 2021, deferred acquisition costs amounted to EUR 29.1 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 2.5 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 13.4 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	2021	2020
Deferred acquisition costs at the beginning of the year	**11 548 778**	**10 170 484**
Additions	27 313 628	25 985 756
Reorganization effect	-	780 696
Used and reversed	(26 720 998)	(25 388 158)
Deferred acquisition costs at the end of the year	**12 141 408**	**11 548 778**

NOTE 11. CASH IN HAND AND AT BANK

Items	2021	2020
Cash in bank	13 756 701	18 570 296
Cash in hand	7 191	4 900
Total	**13 763 892**	**18 575 196**

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 2021, the authorized share capital of the Company was EUR 18 800 000 (as at 31 December 2020: 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	2021 Number of shares	2021 Value	2020 Number of shares	2020 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.

2021		2020	
Number of shares	% of share capital	Number of shares	% of share capital
188 000	100	188 000	100

NOTE 13. RESERVES

The Company's shareholders made a decision to transfer profit for the year 2020 in the amount of EUR 492 714 to mandatory reserves and paid 5 000 000 dividends 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 2021, the Company recognized revaluation reserve for financial assets in the amount of EUR 4 030 100 which is net of deferred taxes of EUR (267 580).

At the end of 2020 revaluation reserve for financial assets was (EUR 8 744 607) which was net of deferred taxes of EUR (567 450). 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	2021	2020
Balance at the beginning of the year	**8 744 607**	**1 668 425**
Reorganization effect	-	2 846 947
Fair value Gain/(Loss) recorded in OCI	4 714 507	4 262 645
Balance at the end of the year	**4 030 100**	**8 744 607**

Profit distribution

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

NOTE 14. PROVISIONS

Items	2021	2020
Provisions at the beginning of reporting year	**2 303 528**	**906 046**
Reserve created	1 371 116	1 424 656
Reorganization effect	-	878 873
Reserve used	(1 963 913)	(906 046)
Provisions at the end of reporting year	**1 710 731**	**2 303 528**

For the year 2021 provisions in the amount EUR 1.7 million were created for estimated staff-related bonus provisions.

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	2021	2020
Unearned premium technical provisions	10 204 757	8 681 549
Outstanding claims technical provisions	12 109 694	10 404 354
Total	**22 314 451**	**19 085 903**

NOTE 16. LIABILITIES TO INSURED AND INTERMEDIARIES

Items	2021	2020
Liabilities to policyholders	5 727 381	4 612 232
Payable commission to intermediaries	2 249 455	1 064 130
Payable commission to related parties	-	-
Money received before insurance policies became effective	19 284 493	19 351 264
Total	**27 261 328**	**25 027 627**

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	2021	2020
Reinsurance liabilities to related companies	615 821	3 155 792
Liabilities to other reinsurers	11 158 874	7 093 830
Total	**11 774 695**	**10 249 622**

NOTE 18. DEBTS TO CREDIT INSTITUTIONS

DEBTS TO CREDIT INSTITUTIONS

Items	2021	2020
Loans at the beginning of reporting year	**44 236**	**56 920**
Loans received	-	-
Loans repayment	(9 044)	(12 684)
Loans at the end of reporting year	**35 192**	**44 236**

REPAYMENT PERIOD

Items	2021		2020	
	Loans	Interest	Loans	Interest
Within one year	8 829	467	13 451	599
Within 2 to 5 years	26 363	334	30 785	801
Total	**35 192**	**801**	**44 236**	**1 400**

NOTE 19. TAXES AND SOCIAL INSURANCE CONTRIBUTIONS

Items	2021	2020
Social taxes	321 603	212 679
Polish social taxes	-	(4 146)
Austrian social taxes	-	-
Total	**321 603**	**208 534**

NOTE 20. OTHER LIABILITIES

Items	2021	2020
Wages and salaries	1 897 828	1301827
Payments to employees	20 962	8 757
Taxes liabilities	42 347	16 553
VAT liabilities	39 844	48 582
Payment to Supervisory institution	132 164	113 766
Other liabilities	806 671	1 441 811
Received deposit	3 527 123	2 312 888
Liabilities to other entities for claims handling services	77 223	165 482
Total	**6 544 162**	**5 409 666**

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	2021	2020
Remuneration to Management Board members	162 263	353 252
Bonuses to Management Board members	199 840	213 569

At the end of 2021 Management consists of 3 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	2021	2020
Receivables from related companies for inward and outward reinsurance activities	1 792 517	870 145
Other receivables from related companies	335 725	71 265
Granted loan	4 224 674	2 526 595
Accrued Interest from granted loans	212	-
Total	**6 353 128**	**3 468 004**

LIABILITIES TO RELATED PARTIES

Items	2021	2020
Liabilities to related companies for inward and outward reinsurance activities	616 610	759 498
Other liabilities to related companies	200 640	104 153
Claims handling transaction	128 498	-
Reinsurance deposit	22 314 451	19 085 903
Interest from subordinated liabilities (Shareholder)	96 814	96 814
Subordinated liabilities (Shareholder)	7 500 000	7 500 000
Total	**30 857 013**	**27 546 367**
Transactions with related parties		
From reinsurance activity	(3 924 844)	(2 544 112)
Claim handling expenses	(759 097)	(492 415)
Commission payments	-	(8 050 791)
Other transaction with related companies	(1 206 488)	(1 578 843)
Received interest	88 768	87 815
Granted loans	1 750 051	(293 787)
Received subordinated loan	-	-
Subordinated loan interest	(391 986)	(391 986)
Total	**(4 443 597)**	**(13 264 120)**

NOTE 22. ACCRUED COSTS AND DEFERRED INCOME

Items	2021	2020
Accrued costs for payable commission	1 750 608	3 500 416
Reinsurers` share in estimated recourse	390 623	878 652
Other accrued costs for administrative expenses	1 200 331	353 378
Total	**3 341 562**	**4 732 446**

Position other accrued cost for administration expenses included cost accruals for consulting services, IT services and for other services for the year 2021.

NOTE 23. GROSS WRITTEN PREMIUM

GROSS WRITTEN PREMIUM

Line of insurance	Gross written premiums	
	2021	2020
Accident insurance	4 915 201	3 026 653
Health insurance	15 604 520	5 764 944
Land and vehicle casco insurance	45 274 238	29 467 277
Railway rolling stock insurance	113 738	-
Marine insurance	52 041	15 170
Transport insurance	1 303 916	1 054 296
Fire and natural hazard insurance	8 924 465	7 179 593
Other property insurance	39 774 357	29 345 721
Land and vehicle MTPL insurance	40 042 903	35 777 298
Carrier liability (CRM) insurance	442 699	384 014
General liability insurance	10 687 715	6 625 966
Suretyship insurance	1 531 110	1 027 936
Severe financial losses	2 982 446	1 292 983
Assistance insurance	(55 037)	1 385 233
Total	**171 594 314**	**122 347 086**

Gross written premium per policy issue country

Line of insurance	Gross written premiums	
	2021	2020
Lithuania	74 340 407	56 918 926
Latvia	52 394 996	36 331 349
Estonia	44 858 911	29 096 811
Total	**171 594 314**	**122 347 086**

REINSURER'S SHARE IN PREMIUM

Line of insurance	Reinsurer's share in premiums	
	2021	2020
Accident insurance	3 619 984	29 739
Health insurance	1 750 844	372 650
Land and vehicle Casco insurance	13 524	15 421
Transport insurance	147 293	95 305
Fire and natural hazard insurance	1 462 532	546 748
Other property insurance	8 409 871	4 872 102
Land and vehicle MTPL insurance	20 187 811	18 108 803
General liability insurance	3 901 985	1 857 808
Suretyship insurance	1 446 849	837 494
Severe financial losses	595 020	192 119
Total	**41 535 715**	**26 928 189**

NOTE 24. NET EARNED PREMIUMS

NET EARNED PREMIUMS AS AT 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	-	15 257
Marine insurance	46 844	-	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	-	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	-	525 962
Total	**164 282 284**	**37 532 731**	**126 749 553**

NET EARNED PREMIUMS AS AT 31 DECEMBER 2020

Line of insurance	Gross earned premiums	Reinsurer's share in premiums	Net earned premiums
Accident insurance	2 980 907	32 097	2 948 810
Health insurance	5 603 539	397 288	5 206 251
Land and vehicle Casco insurance	29 578 275	15 421	29 562 855
Transport insurance	941 208	127 114	814 094
Fire and natural hazard insurance	7 374 654	796 554	6 578 100
Other property insurance	27 033 454	5 412 985	21 620 468
Land and vehicle MTPL insurance	38 857 872	22 884 472	15 973 400
Carrier liability (CRM) insurance	368 811	-	368 811
General liability insurance	7 126 761	2 136 145	4 990 616
Suretyship insurance	1 234 425	1 013 705	220 720
Severe financial losses	1 231 397	310 866	920 530
Assistance insurance	1 408 636	-	1 408 636
Total	**123 739 939**	**33 126 648**	**90 613 291**

NOTE 25. CLAIMS INCURRED

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 INCURRED AS AT 31 DECEMBER 2020

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	(1 357 596)	(108 555)	2 000	-	(25 061)	-	(1 489 212)
Health insurance	(3 552 282)	(246 525)	508	235 337	67 243	(63 308)	(3 559 027)
Land and vehicle Casco insurance	(21 042 683)	(1 468 829)	2 109 892	184 309	221 596	(44 297)	(20 040 012)
Transport insurance	(303 126)	(29 742)	33 833	-	(471 085)	301 900	(468 221)
Fire and natural hazard insurance	(7 094 000)	(558 728)	337 450	473 557	638 133	(557 143)	(6 760 731)
Other property insurance	(11 923 308)	(774 262)	(624 084)	4 853 659	(461 000)	(794 409)	(9 723 404)
Land and vehicle MTPL insurance	(23 608 365)	(1 659 572)	1 236 798	14 015 753	(106 541)	(685 694)	(10 807 622)
Carrier liability	(1 111)	-	1 111	-	-	-	-
General liability insurance	(1 029 740)	(101 802)	15 080	60 826	437 999	(877 914)	(1 495 550)
Suretyship insurance	(118 659)	(7 692)	118 074	527	(502 117)	390 000	(119 867)
Severe financial losses	(286 590)	(24 329)	272	32 939	66 093	(49 713)	(261 328)
Assistance insurance	(1 864)	(577 525)	-	-	(1 191)	-	(580 580)
Total	**(70 319 324)**	**(5 557 562)**	**3 230 934**	**19 856 906**	**(135 931)**	**(2 380 578)**	**(55 305 554)**

CLAIMS SETTLEMENT EXPENSES

Items	2021	2020
Claims settlement expenses	1 635 174	1 948 361
Reclassified from general and administrative expenses	6 544 883	3 609 200
Total	**8 180 058**	**5 557 562**

NOTE 26. ACQUISITION COSTS

Items	2021	2020
Direct acquisition costs	27 313 628	25 727 598
Carried over from general and administrative expenses	13 040 324	6 168 188
Change of deferred acquisition costs	(592 630)	(597 598)
Total	**39 761 322**	**31 298 189**

NOTE 27. ADMINISTRATIVE EXPENSES

Items	2021	2020
Salaries	3 988 121	4 065 046
Social insurance contributions	608 318	621 291
IT expenses (external)	1 269 353	1 571 612
Depreciation and amortization (Notes 1 and 3)	892 683	2 371 519
Specific consulting	420 165	290 476
Rent of premises	(13 697)	185 213
Misc. sales costs	86 752	74 911
Advertising expenses	575 805	356 931
Business travel costs	102 649	100 458
Auditing and consulting costs	65 340	109 754
Office supplies	61 460	42 527
Misc. office operating costs	73 965	195 172
Telecommunication expenses	64 280	55 706
Taxes and duties	85 283	74 708
Employee benefits	15 980	(5 641)
Total	**8 296 456**	**10 109 681**

DISTRIBUTION OF ADMINISTRATIVE EXPENSES

	Administrative expenses	Administrative expenses transferred to acquisition costs	Administrative expenses transferred to claims handling expenses	Administrative expenses transferred to management expenses	Total
2021	8 296 459	13 040 327	6 544 883	211 172	28 092 841
2020	10 109 681	6 168 188	3 609 200	113 118	20 000 187

PAYROLL COSTS

Items	2021	2020
Remuneration	13 272 392	8 399 985
Social insurance contributions	3 096 086	1 810 543
Accrued bonuses	1 095 117	354 167
Bonuses	1 095 117	768 082
Vacation costs	1 645 415	825 440
Remuneration of Management Board	162 263	163 552
Vacation reserve costs	640 249	183 001
Sickness benefit costs	29 235	10 903
Total	**21 035 873**	**12 515 674**

NOTE 28. INVESTMENT INCOME AND EXPENSES

Items	2021	2020
Interest income	**2 050 905**	**1 344 873**
Coupon interest income from bonds classified as available for sale	2 124 402	1 509 598
Loans interest income	92 002	86 530
Dividend income	80 840	61 404
Amortization expenses	(248 441)	(322 406)
Currency exchange rate	2 102	9 747
Net profit/(losses) on disposal of the investments	**1 255 763**	**1 083 824**
Loss of disposal of investment	(14 770)	(117 590)
Gains on disposal of investments	1 270 533	1 201 414
Investment valuation and management costs	**(603 342)**	**(539 705)**
Investment valuation costs, including interest	(211 329)	(173 871)
Subordinated loan costs	(392 013)	(391 986)
ABLV bank write-off	-	26 152

NOTE 29. OTHER FINANCE INCOME AND COSTS

Items	2021	2020
Other finance income	**34 105**	**69 405**
Other income related to currency exchange rate	5 991	45 459
Other interest income	28 114	23 947
Other finance costs	**(44 793)**	**(97 789)**
Interest from reinsurance deposit		(6 760)
Interest from car leasing	(599)	(767)
Currency exchange loss	(21 980)	(74 867)
Asset write-off		-
Other finance costs		(2 422)
Interest from right-of-use assets	(22 213)	(12 974)

NOTE 30. OTHER INCOME AND EXPENSES

Items	2021	2020
Other income	**682 096**	**163 522**
Income from claims handling activities	245 610	162 665
Other income	700	857
Impairment result of receivables from insurance business (Note 8)	435 785	
Other expenses	**(2 542 373)**	**(2 196 276)**
Fee for Motor Bureau and Insurance Supervisors	(1 548 610)	(1 268 072)
Other technical costs related with policy administration	(2 633)	17 919
Impairment result of receivables from insurance business (Note 8)		66 614
Right-of-use asset amortization	(991 131)	(645 238)
Other expenses		(367 500)

In the position Impairment result of receivables from insurance business was realized additional reserve for possible COVID -19 impact.

NOTE 31. INCOME TAX AND DEFERRED INCOME TAX

The Company has calculated the deferred tax asset which as at 31 December 2021 amounts to EUR 274 743 (EUR 151 952 as at 31 December 2020).

Items	2021	2020
Current income tax expenses	(60 021)	(64 619)
Change in deferred tax	(177 080)	(55 222)
Total income tax expenses	**(237 101)**	**(119 841)**

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:

	2021		**2020**	
	Temporary differences	**Deferred tax**	**Temporary differences**	**Deferred tax**
Accrued bonuses and other temporary differences	1 520 798	228 120	995 075	149 261
Tax losses carried forward	6 429 309	964 396	7 043 744	1 056 561
Result of reorganization	-	-	109 670	16 450
Total deferred tax assets		**1 192 516**		**1 222 272**
Revaluation of financial assets available for-sale	(1 783 864)	(267 580)	(3 782 999)	(567 450)
Accrued regress (net)	(1 159 369)	(173 905)	(806 622)	(120 993)
Recognized deferred tax liabilities Amortization of goodwill (Tax amortization)	(3 175 248)	(476 287)	(2 545 849)	(381 877)
Deferred tax, net	**-**	**274 744**	**-**	**151 952**

For the calculation of corporate income taxes in Lithuania, the Company used accumulated tax losses in the amount of EUR 614 232 and calculated corporate income tax expense in the amount of 42 347 EUR.

At the end of 2021 the Company has deferred tax asset from accumulated losses in the amount of EUR 964 427 and at the end of 2020 EUR 1 056 562. As a result of the merger, the Company recognized deferred tax asset 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 the Lithuanian legislation, tax losses can be carried forward for an indefinite period. As at 31 December 2021, the Company recognized deferred tax asset assuming that sufficient taxable profits will be generated based on the budget for 2022-2026. Based on the budget and the forecast, the Company plans to earn profit for covering of losses during the next 5 years.

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 coverits assets or liabilities.

RECONCILIATION OF EFFECTIVE TAX RATE:

	Tax rate	2021	Tax rate	2020
Loss before taxes		**8 068 785**		**2 196 370**
Income tax applying the Company's domestic tax rate	15.00%	1 210 318	15.00%	329 455
Change in unrecognized temporary difference	0.06%	(4 759)	3.16%	(69 300)
Tax exempt income	2.14%	(172 321)	0.64%	(14 078)
Not recognized tax losses	23.36%	(1 884 571)	34.31%	(753 484)
Utilized tax losses	7.61%	614 232	16.36%	359 410
Total income tax	**2.94%**	**(237 101)**	**5.46%**	**(119 941)**

NOTE 32. NON-LIFE RESULT FROM INSURANCE ACTIVITIES

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**

NON-LIFE RESULT FROM INSURANCE ACTIVITIES IN 2020

Items	Premiums written	Premiums earned	Claims incurred	Operating expenses	Result of activities
Insurance	121 454 363	122 934 109	(72 599 649)	(41 848 404)	**8 486 056**
Inward reinsurance	892 722	805 829	(182 234)	(109 609)	**513 986**
Reinsurance	(26 928 189)	(33 126 648)	17 476 328	8 726 805	**(6 923 514)**
Total	**95 418 897**	**90 613 291**	**(55 305 554)**	**(33 231 208)**	**2 076 528**

NOTE 33. COVID-19 IMPACT ASSESSMENT

Compensa handled the situation very well - the Company's business was not disrupted and customer service never stopped. All safety measures and work organization requirements approved by the Government were implemented to ensure the safety of customers and employees, the outbreak of infection in the Company was prevented. The E-Expert claims assessment tool, which allows remote inspection of damaged property, was introduced to the Clients, that allowed for even greater safety.

COVID-19 had a negative impact on the prices of motor insurance and the sales of travel insurance, but still more premiums were written than in previous year. The Company also closely monitors the impact of inflation on claims handling costs and the development of market interest rates, which may affect the value of the Company's asset portfolio, most of which consists of fixed income instruments.

NOTE 34. WAR IN UKRAINE IMPACT ASSESEMENT

The military conflict between Russia and Ukraine might have a material impact on the Company’s business through several areas (investments and solvency position, as direct and indirect exposure to Russia is held; inflation; cyberattacks; partner defaults; etc.). The impact on the Company’s business is dependent on the amount of further conflict escalation. The Company is constantly monitoring the situation and preventive measures are taken where possible (e.g., in the area of business contingency or underwriting).

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 of PJSC'IC Ukrainian Insurance Group (Ukraine);
- Chairman of the Supervisory Board of VIG Services Ukraine, LLC (Ukraine);
- 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);
- Member of the Shareholders Committee of VIG Management Service SRL (Bucharest, Romania);
- Member of the Shareholders Committee of CLAIM EXPERT S.R.L. (Bucharest, Romania).
- Vice-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., Cech Republic;
- Chairman of the Shareholders Committee of GLOBAL ASSISTANCE SERVICES SRL (Bucharest, Romania);
- Chairman of the Supervisory Board Global Services Bulgaria JSC;
- 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);
- Chairman of the Supervisory Board of ASIGURAREA ROMANESCA ASIROM VIG (Bulevardul Carol I 31-33, Bucharest, Romania);
- Chairman of the Supervisory Board of BCR ASIGURARI DE VIATA VIG (Strada Rabat, Bucharest, Romania);
- 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 GLOBAL ASSISTANCE SERVICES 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 Biztosító 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.

Peter Höfinger, Chairman of the Supervisory Board of the Company, until June 30th, 2021, now - Member of the Supervisory Board.

- 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 (re-elected June 30th).

- 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).

Elizabeth Stadler, Member of the Supervisory Board of the Company till June 30th, 2021.

- CEO of the Managing Board of Vienna Insurance Group Wiener Versicherung Gruppe, Austria;
- Deputy Chairwoman of the Supervisory Board of AAS BTA Baltic Insurance Company (Sporta st. 11, Riga, Latvia);
- Vice-Chairwoman of the Supervisory Board of Ceská podnikatelská pojist'ovna, a.s., Vienna Insurance Group (Pobřežní 665/23, Prague, Czech Republic);
- Member of the Supervisory Board of Compensa Life Vienna Insurance Group (Insurance) (Narva mnt 63/2, 10152 Tallinn, Estonia);
- Vice-Chairwoman of the Supervisory Board of Compensa Towarzystwo Ubezpieczen Na Zycie S.A. Vienna Insurance Group (Insurance) (Al. Jerozolimskie 162, Warszawa, Poland);
- Vice-Chairwoman of the Supervisory Board of Compensa Towarzystwo Ubezpieczen S.A. Vienna Insurance Group (Insurance) (Al. Jerozolimskie 162, Warszawa, Poland);
- Chairwoman of the Supervisory Board of DONAU Versicherung AG Vienna Insurance Group (Schottenring 15, Vienna, Austria);
- Chairwoman of the Supervisory Board of InterRisk Lebensversicherungs-AG Vienna Insurance Group (Carl-Bosch-Straße 5, Wiesbaden, Germany);
- Vice-Chairwoman of the Supervisory Board of InterRisk Towarzystwo Ubezpieczen S.A. Vienna Insurance Group (Noakowskiego 22, Warszawa, Poland);
- Chairwoman of the Supervisory Board of InterRisk Versicherungs-AG Vienna Insurance Group (Carl-Bosch-Straße 5, Wiesbaden, Germany);
- Chairwoman of the Supervisory Board of Kooperativa, pojist'ovna, a.s. Vienna Insurance Group (Pobřežní 665/23, Prague, Czech Republic);
- Chairwoman of the Supervisory Board of Vienna Insurance Group Polska Sp.z.o.o. (Holding, Management Services) (Al. Jerozolimskie 162, Warszawa, Poland);
- Vice-Chairwoman of the Supervisory Board Vienna Life Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group (Al. Jerozolimskie 162, Warszawa, Poland);
- Vice-Chairwoman of the Supervisory Board of VIG RE zajist'ovna, a.s. (Templova 747/5, Prague, Czech Republic);
- 1st Vice-Chairwoman of the Supervisory Board of WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group (Schottenring 30, Vienna, Austria);
- Vice-Chairwoman of the Supervisory Board Wiener Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group (ul. Woloska 22A, Warszawa, Poland);
- Member of the Supervisory Board of OMV AG (Trabrennstraße 6-8, Vienna, Austria);
- Member of the Supervisory Board of voestalpine AG (voestalpine-Straße 1, Linz, Austria);
- Member of the Management Board of Trustees of Institute of Science and Technology-Austria;
- President of the Association Board of Österreichische Gesellschaft für Versicherungsfachwissen (Forum for the National Insurance Business);
- Vice-President of Österreichisches Rotes Kreuz (Charitable Organisation);

- Vice-President of FH Campus Wien (University of Applied Science);
- Member of the Board of Gesellschaft der Freunde der öst. Nationalbibliothek (support to the Austrian National Library).

Sabine Berg, Member of the Supervisory Board of the Company, till June 30th, 2021.

- Managing Director of Carplus Versicherungs Vermittlungs GmbH (Schottenring 30, Vienna,Austria);
- Head of motor insurance in Wiener Städtische Versicherung AG (Schottenring 30, Vienna,Austria).

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, from March 16th, 2021.

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

Nicolas Mucherl, CFO and Management Board member of the Company, until March 15th, 2021.

- Member of the Supervisory Board of Investment Funds for Real Estate in CEE (Staré Město, Templová 747/5, Postal code 110 01, Prague, Czech Republic);
- Member of the Supervisory Board of Service Company of VIG Fund (Staré Město, Templová 747/5, Postal code 110 01, Prague, Czech Republic).

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.

D. Raipa

General Manager
22 March 2022