COMPENSA
VIENNA INSURANCE GROUP

2023 FINANCIAL SECTOR LEADERS

versLO žinios

2023

Annual management report, financial statements and independent auditor's report

# Annual Report

# Contents

2023

# 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 |

## Management board

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

## Supervisory board

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

## Auditor

UAB „KPMG Baltics“

# 2023 | Annual management report

# About "Vienna Insurance Group"

„We want to further expand our leading market position in Central and Eastern Europe, relying on the proven collaboration and cooperation within the Group. At the same time, we are pursuing the goal of remaining a reliable and resilient partner for our stakeholders."

Hartwig Löger,
CEO of Vienna Insurance Group

Vienna Insurance Group (VIG), headquartered in Vienna, is the leading insurance group throughout Central and Eastern Europe (CEE). More than 50 insurance companies and pension funds in 30 countries form a Group with a long-standing tradition, strong brands and close customer relations. The around 29,000 employees in VIG take care of the day-to-day needs of around 28 million customers.

## From first mover to market leader in CEE

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

## Expertise with local responsibility

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

VIG pursues a long-term business strategy in its markets that is focused on sustainable profitability and continuous earnings growth.

## Strong finances and credit rating

Vienna Insurance Group has been awarded an A+ rating with a stable outlook from the internationally recognised rating agency Standard & Poor's. VIG shares are listed on the Vienna, Prague and Budapest stock exchanges. Wiener Städtische Versicherungsverein – a stable core shareholder with a long-term focus – owns 72% of VIG's shares. The remaining shares are in free float.

## ALBANIA
- SIGMA – 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
- PENSION ASSURANCE COMPANY DOVERIE – VIENNA INSURANCE GROUP

## CROATIA
- WIENER OSIGURANJE – VIENNA INSURANCE GROUP

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

## DENMARK
- VIG – VIENNA INSURANCE GROUP

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

## FRANCE
- VIG Re – VIENNA INSURANCE GROUP

## GEORGIA
- GPI – VIENNA INSURANCE GROUP
- IRAO – VIENNA INSURANCE GROUP

## GERMANY
- InterRisk – VIENNA INSURANCE GROUP
- VIG Re – VIENNA INSURANCE GROUP

## HUNGARY
- UNION – VIENNA INSURANCE GROUP
- ALFA – VIENNA INSURANCE GROUP

## ITALY
- WIENER STÄDTISCHE – VIENNA INSURANCE GROUP

## KOSOVO
- SIGMA – VIENNA INSURANCE GROUP

## LATVIA
- bta – VIENNA INSURANCE GROUP
- COMPENSA – VIENNA INSURANCE GROUP

## LIECHTENSTEIN
- VIENNA-LIFE – VIENNA INSURANCE GROUP

## LITHUANIA
- bta – VIENNA INSURANCE GROUP
- COMPENSA – VIENNA INSURANCE GROUP

## MOLDOVA
- DONARIS – VIENNA INSURANCE GROUP

## MONTENEGRO
- Život WIENER STÄDTISCHE – VIENNA INSURANCE GROUP

## NORTH MACEDONIA
- WINNER – VIENNA INSURANCE GROUP
- Life WINNER – VIENNA INSURANCE GROUP
- МАКЕДОНИЈА ОСИГУРУВАЊЕ – VIENNA INSURANCE GROUP

## NORWAY
- VIG – VIENNA INSURANCE GROUP

## POLAND
- COMPENSA – VIENNA INSURANCE GROUP
- InterRisk – VIENNA INSURANCE GROUP
- Vienna Life – VIENNA INSURANCE GROUP
- wiener – VIENNA INSURANCE GROUP
- Vienna PTE – VIENNA INSURANCE GROUP

## ROMANIA
- OMNIASIG – VIENNA INSURANCE GROUP
- Asirom – VIENNA INSURANCE GROUP
- BCR ASIGURARI DE VIATA – VIENNA INSURANCE GROUP
- Carpathia PENSII – VIENNA INSURANCE GROUP

## SERBIA
- WIENER STÄDTISCHE – VIENNA INSURANCE GROUP
- WIENER RE Beograd – VIENNA INSURANCE GROUP

## SLOVAKIA
- Kooperativa – VIENNA INSURANCE GROUP
- KOMUNÁLNA POISŤOVŇA – VIENNA INSURANCE GROUP

## SLOVENIA
- WIENER STÄDTISCHE – VIENNA INSURANCE GROUP

## SWEDEN
- VIG – VIENNA INSURANCE GROUP

## TÜRKIYE
- RAY SİGORTA – VIENNA INSURANCE GROUP
- Viennalife – VIENNA INSURANCE GROUP

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

Status: January 2024

# 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 was founded in 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 the insurance company was changed from private limited liability insurance company (Compensa Vienna Insurance Group UADB) to a public limited liability insurance company (ADB Compensa Vienna Insurance Group; hereinafter – the Company). At the end of 2023 the share capital of the Company was 188 000 with a nominal value of EUR 100 (unchanged from the previous year). In 2023, the Company neither acquired, disposed or held own shares.

# Management bodies

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

## The Management Board consists of three Management Board members:

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

**Felix Nagode**
CFO and Management Board member of the Company

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

## The Supervisory Board consists of four Supervisory Board members:

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

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

## Core activities of the company

The core activity of the Company is non-life insurance business. The license for non-life insurance activities was issued in July 2015 by the Bank of Lithuania. After expansion of the license in March 2017, the Company has the right to carry out all non-life insurance activities. In Lithuania and Latvia Compensa operates under the Compensa brand; in Estonia under the brand SEESAM.

## 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

In 2023 Compensa achieved an increase in sales as well as profitability, as it stated below. As of 1 January 2023, the Company applies IFRS 9 and IFRS 17 accounting standards. The financial statements include adjusted comparative information of the previous year as well as detailed information on the impact of the standards' changes.

**INSURANCE SERVICE REVENUE** **236,8** **million**

In 2023 Compensa achieved an insurance service revenue according to IFRS 17 in the amount of EUR 236.8 million - 19% higher than the previous year (2022 restated: 199.2 million). The increase in insurance service revenue results from the dynamic growth of business volumes. Insurance service expenses amounted to EUR 224.5 million (2022 restated: 185.2 million) and insurance service reinsurance held totalled to EUR 1.6 million (2022 restated: EUR 7.8 million), what resulted in the significant improvement of insurance service result to EUR 10.7 million in (2022 restated: EUR 6.3 million). Increased business volumes of the Company, strict cost discipline and efficiency improvements have positively impacted result before taxes: from EUR 1.2 million in 2022 to EUR 8.2 million in 2023.

PROFIT BEFORE TAXES **8,2** million

The Company generated a Net Combined Ratio of 94.4% - an improvement vs. 2022 (95.9%). The ration is calculated by dividing the sum of claim-related losses and expenses by earned premium, excluding insurance service revenues and expenses from reinsurance.

NET COMBINED RATIO **94,4%**

Despite a volatile macroeconomic environment, the Company's investment assets grew in value amounting to EUR 202.8 million at year-end 2023 (end of 2022 restated: EUR 166.1 million).

At the end of 2023, the shareholder's equity amounted to EUR 63.6 million (2022 restated: EUR 51.4 million), insurance contract liabilities EUR 158.9 million (2022 restated: EUR 133.5 million), insurance contract assets EUR 0,05 million (2022 restated: EUR 0,3 million) and reinsurance contract assets to EUR 30.6 million (2022: EUR 14.8 million). No reinsurance contract liabilities were recognised during 2022 and 2023.

At the end of 2023, ADB Compensa VIG had total assets of EUR 265.8 million (2022 restated: EUR 225.3 million).

## Key events after the end of the financial year 2023

There were no events in the Company from 31 December 2023 until the date of issue of the financial statements that might have a significant impact on the financial statements.

# Strategy and development in 2023

The company continues to deliver on its “Compensa 24” strategy program. Several initiatives were pursued in its three pillars – some were already successfully concluded.

**PROTECT**
to defend company‘s profitability against adverse price developments

**ATTACK**
to use growth chances in the attractive Baltic markets

**AMEND**
to increase efficiency along our core processes

## Protect

The cross-functional technical excellence process was further strengthened e.g. by increased Baltic cooperation and new reporting tools. With this, technical margins could be increased despite the experienced high inflation environment. Furthermore, the steering of our proprietary claim network as well as anti-fraud capabilities were further developed.

## Attack

We expanded the retail and corporate ecosystems by offering innovative products in the B2C and B2B channels – e.g. in the area of the **green economy**.

Focusing on customer experience, we streamlined customer journeys offline and online and gathered valuable insights for further improvements during 2024.

## Amend

Compensa continued to improve its processes and increase efficiency by cooperating on a pan-Baltic level between VIG companies.

We further invested in process improvements in Claims as well as in Sales, to ensure stable and efficient processes internally and with our partners. Following our commitment in the area of sustainability, Compensa successfully renewed the ISO 14001 certification.

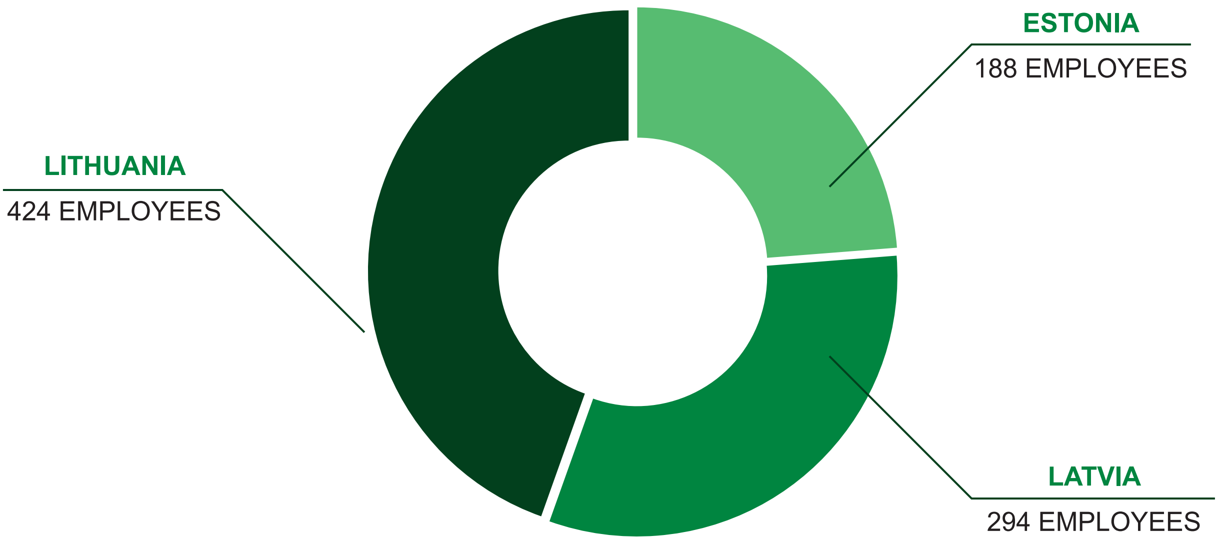
# Innovations and digitalization

In 2023, the Company continued to implement innovations in different areas of its activity e.g. product innovations surrounding the **green economy** and process improvements for transacting with private and corporate clients. Furthermore, the company was a winner in VIG's internal Xelerate contest that awards the best digital innovations across the VIG group.  In line with our value "driving innovation" we target for innovations to grow across the company – as such research and development is a distributed responsibility.

# Human resources

**906** employees

At the end of 2023 the Company had overall 906 employees (2022:884; 2021:884; 2020: 860), the split between the Baltic countries can be seen below:




In the 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.

The Company embraces the **diversity** of its employees and strives to ensure their fair treatment. The employment of any person is based only on his or her abilities, qualifications, competencies, experience, and professional qualities. The diversity of personalities, cultures and languages prevails in the company — this is one of our strengths.

### Transparency

We make sure to stay transparent when making decisions. Our employees have equal opportunities for careers and changes, regardless of their age, gender, sexual orientation, disabilities, ethnic origins or religious preferences, and family status. We ensure equal working conditions and equal opportunities to improve qualifications and develop skills. All employees performing the same work are entitled to equal pay.

### Respect

Our relations with employees, business partners and institutions are characterised by mutual, respectful, and reliable cooperation. We are open to communication and cooperation at both national and international levels.

### Purpose of business and our values

Our values act as “north star” for everyday decision making. We also use questions of purpose and values for the selection of new employees and competency assessment processes.

Emphasizing the importance of the values, we nominate three ambassadors for each of the values each year, these are the employees who, through their work, personal characteristics, and behaviour most reflect the features of a specific value.

## Prevention of corruption and bribery

Compensa is against any form of corruption and bribery. The Company has implemented anti-bribery and anti-corruption processes that ensure operations transparency.

The Company is committed to complying with all anti-bribery and anti-corruption laws in all countries in which it is established by providing insurance services and thereby monitoring the compliance of its employees and insurance agents with these laws. This procedure is integral to and applies in conjunction with the Conflict of Interest Policy, as well as the Compliance Policy and the Code of Business Ethics for compliance with ethical principles. It applies to all employees and for all their activities. Obligations on anti-bribery and anti-corruption also apply to relations with public officials, and with private persons or legal entities, including foreign officials in international business transactions.

# Risk and risk management

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

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

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

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

## Accepted risks:

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

## Conditionally Accepted Risks:

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

## Mitigated Risks/Mitigation Measures:

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

## Avoided Risks:

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

The Company's established reinsurance program allows controlling net retention on risk and event level. To increase counterparty risk diversification, the Company co-operates with more than 30 reinsurance companies. The main reinsurance partners in 2023 were Vienna Insurance Group (Austria), VIG Re (the Czech Republic), Polish Re (Poland) and Swiss Re (Switzerland).

# Environmental protection

Compensa established its strategic directions regarding sustainability or Environmental, Social & Governance (ESG). In 2023, those were synchronized with VIG's sustainability strategy. This sustainability strategy consists of six “spheres of impact”: customers, employees, society, asset management, underwriting and operations. In 2024 the actions in each of the six spheres will be further detailed in alignment with VIG's sustainability function.

In 2023 the Company has been successfully recertified according to ISO 14001 standard.

More information related to ESG matters is provided in the Social Responsibility Report available at the Company's website www.compensa.lt.

# Marketing and social activities

## Compensa in the third year in a row was represented in the list of Lithuanian financial sector leaders in 2023.

In compiling the 2023 list of financial sector leaders, **"Verslo žinios"** evaluated income, pre-tax profit, the annual change of both, profitability, its proportion per employee, average salary, and the average number of company employees in 2022. Maintaining a position in the leaders' list is proof of the company's stability, professionalism of its employees and the earned customer loyalty.

**Also, in 2023, in the "Lithuanian business leader 500" list, the Company took the 33rd place – rising from the 264th position in the previous year and achieving the best result among non-life insurance companies.**

# Green economy and development of insurance services

In line with our sustainability agenda and recognizing the growing market interest in environmentally friendly solutions, in 2023, we introduced **Green Equipment Insurance** to encourage more eco-friendly choices and help to protect them. Insurance coverages include protection for solar power plants, electric vehicle charging stations and heat pumps. A communication campaign was implemented to inform the market about the product, involving actions such as television advertising, social media advertising, banner advertising, and media communication.

# Fighting bullying both offline and online

In 2023, we updated the **Neapykantai STOP (STOP Hate)** service, which can be applied as separate coverage or together with the client's accident insurance coverage. **STOP Hate** provides protection for children up to 18 years old against any form of bullying – direct and indirect – across all channels. The insured is provided with psychological specialist, legal and information assistance that are necessary to avoid, reduce or eliminate unwanted consequences of events. During the month of November, an initiative was launched where **STOP Hate** insurance was gifted to all primary school students in Lithuania. Informational messages on recognizing and preventing bullying were shared on social media and in the media, along with the involvement of influencers.

## More accessible transport insurance alternative

In response to the current economic situation, rising repair costs, and increasing insurance service prices, and to meet the demand for older vehicles CASCO insurance, we introduced alternative insurance option to the market in 2023.

**CASCO alternative** provides protection from the main risk – collisions involving another vehicle, a person, or an animal and includes even more severe car theft cases. This insurance provides the opportunity to protect older vehicles and offers an attractive option for those with limited driving experience or a history of traffic incidents at a competitive price.

## Support for sports and culture

Compensa consistently emphasizes the importance of not only teamwork but also active social engagement. Therefore, contributing to projects and initiatives that hold significance for the country is one of our goals. In 2023, we continued our successful and inspiring partnership with the Lithuanian Basketball League. Additionally, we aim to contribute to the development of young talents. We also extended our cooperation, allowing the use of the Compensa trademark at the Compensa Concert Hall in Vilnius, Lithuania. In Latvia we have maintained our sponsorship of the Compensa Golf tournament and extended our support to individuals who strive for continuous improvement and new heights, such as young car drivers and mountain climbers. We prioritize projects aligned with our business activities, that support them, and that help to offer additional value to our employees and clients.

## Best online environment among insurance companies in Estonia

When developing our e-shop and self-service, we're always guided by the desire to make the environment more intuitive so that it is easy for our customers to choose the best insurance package. Succeeding in this goal, Seesam got the award for the best online environment among insurance companies in Estonia in April 2023. According to a survey conducted by leading research company Kantar Emor, customers who have recently used online insurance services found Seesam's online environment to be the best.

Seesam's online environment (www.seesam.ee) includes the website, e-sales, self-service, claims reporting and health insurance application.

## Sober driver campaign in June

An example of socially responsibility is from our Estonian branch: it has become Seesam's tradition to support the Sober Driver campaign that urges people to be the sober driver for their friends during the Midsummer festivities and to make sure that no one of the company would drive under the influence of alcohol. This year, more than 5 700 designated sober drivers registered - a record number.

## Family insurance

According to our slogan, we protect what matters. Without a doubt, family is one of the first priorities here. Seesam is the only insurance company in Estonia offering Family insurance, the campaign was launched in September. This product includes both – household insurance and personal accident insurance. The goal of the campaign was to rise awareness of family insurance and to introduce different coverages.

## Social Active Day in the company/ Support for vulnerable social groups

Since 2022, Compensa offers a paid day off for employees to participate in a Social Active Day. Employees can engage in social activities planned by the Company or organized individually.

We aim for the number of employees participating in the Social Active Day to gradually increase. The 2023 goal of Compensa Vienna Insurance Group ADB for the Baltic countries is to include at least 55% of its employees in the Social Active Day (2022 goal – 40%, 2021 — 30% of Employees). This goal was achieved — 539 employees (59%) participated in different initiatives organized by the company in Lithuania, Latvia and Estonia.

In Lithuania employees volunteered in activities organized by the Company in cooperation with the **Food Bank, the Order of Malta, the Mothers' Union, Hold Earth, Caritas Lithuania and animal shelters.**

In Latvia our colleagues actively participated in two charity fairs, which were organized in the office. All donated money was directed to animal shelters all over Latvia, buying the necessary equipment for shelter animals. Employees walked dogs, chopped firewood, repaired aviaries, made paths, and cut bushes in the animal shelter.

In Estonia employees participated in three initiatives: they continued the tradition and did household chores at the Iru nursing home, volunteered at the Elistvere animal shelter and went to plant trees in Southern Estonia.

Compensa also supports and encourages the employees' own social initiatives. It has become our annual tradition to contribute to the initiative of employees in fulfilling the dreams of children fostered in orphanages or arriving to day care centers.

## Financial literacy

Also in 2023, Compensa invited students – potential future insurance experts - to apply the theoretical knowledge acquired during their studies in practical situations, evaluating specific performance results in an insurance industry simulation game. Students were able to get closer to processes taking place in the company, the purposeful management and distribution of resources, so that the insurance company thrives and can reliably 'protect what matters' to its customers.

Also primary school students visited Compensa and were greeted during the day of professions. We introduced the eager learners to the different positions of colleagues working in the company and allowed them to "jump" into the "shoes" of the colleagues of each position with humorous tasks.

Deividas Raipa

Chief Executive Officer and Chairman of the Management Board

3 April 2024

2023

# Statement of comprehensive income

## Statement of comprehensive income

| In €000 | Notes | 2023 | 2022 restated |
|---|---|---|---|
| Insurance revenue | 17 | 236 784 | 199 226 |
| Insurance service expense | 17 | (224 479) | (185 196) |
| **Insurance service result before reinsurance contracts held** | | **12 305** | **14 030** |
| Insurance service result reinsurance held | | (1 626) | (7 773) |
| **Insurance service result** | | **10 679** | **6 258** |
| Interest revenue calculated using the effective interest method | 18 | 2 756 | 1 948 |
| Net realized and non-realized gains and losses on financial assets at fair value through profit or loss | 18 | 108 | (469) |
| Net realized and non-realized gains and losses on financial assets measured at fair value through other OCI | 18 | (2 989) | 537 |
| Net realized and not realized gains/(losses) on financial assets at amortized cost | 18 | 9 | - |
| Impairment loss on financial assets | 18 | 2 606 | (2 642) |
| Net foreign exchange income/(expense) | 18 | (16) | 1 |
| Other result from investment activities | 18 | 125 | |
| **Total investment income** | **18** | **2 600** | **(625)** |
| Insurance finance expenses for insurance contracts issued | 18 | (1 293) | (75) |
| Reinsurance finance income for reinsurance contracts held | 18 | 542 | (4) |
| **Net insurance financial result** | | **(751)** | **(79)** |
| Result from associated companies | | 168 | 192 |
| **Financial result** | **20** | (1 622) | (887) |
| Other income | 19 | 465 | 519 |
| Other expense | 19 | (3 370) | (4 180) |
| **Profit before tax** | | **8 168** | **1 198** |
| Income tax expense | 21 | (1 177) | 44 |
| **Profit for the year** | | **6 991** | **1 242** |
| | | | |
| **Other comprehensive income** | | | |
| **Items that are or may be reclassified subsequently to profit or loss** | | 7 645 | (28 581) |
| Debt instruments at FVOCI | **18** | **8 047** | **(29 987)** |
| Net finance result from insurance contracts issued | | (403) | 1 406 |
| **Total comprehensive income for the year** | | **7 645** | **(28 581)** |

| D. Raipa | Ž. Kramarauskaitė | L. Petrošienė |
|---|---|---|
| General Manager | Chief Accountant | Chief Actuary |
| 3 April 2024 | 3 April 2024 | 3 April 2024 |

2023

# Statement of financial position

## Statement of financial position

| Asset In €000 | Notes | As at 31 December 2023 | As at 31 December 2022 restated | As at 1 January 2022 restated |
|---|---|---|---|---|
| Cash and cash equivalents | 10 | 7 408 | 18 087 | 13 764 |
| Debt instruments at fair value through profit or loss | 4 | 3 705 | 5 931 | 5 350 |
| Debt instruments at fair value through other comprehensive income | 5 | 175 369 | 153 793 | 174 675 |
| Debt instruments at amortized cost | 7 | 23 771 | 6 375 | 4 219 |
| Investment in associates | 8 | 1 818 | 1 817 | 1 817 |
| Receivables | | 1 268 | 1 608 | 2 044 |
| Insurance contract assets | 9 | 54 | 253 | (164) |
| Reinsurance contract assets | 9 | 30 600 | 14 806 | 17 478 |
| Property and equipment | 3 | 1 111 | 1 202 | 1 385 |
| Other asset | | 738 | 606 | 506 |
| Goodwill | 1 | 10 726 | 10 726 | 10 726 |
| Intangible assets | 1 | 4 764 | 4 752 | 4 229 |
| Deferred tax asset | | 1 956 | 2 459 | 275 |
| Right-of-use assets | 2 | 2 555 | 2 933 | 2 998 |
| **Total assets** | | **265 844** | **225 347** | **239 302** |
| | | | | |
| **Liabilities** | | | | |
| Insurance contract liabilities | 9 | 158 878 | 133 456 | 129 189 |
| Reinsurance contacts liabilities | | 0 | 0 | 2 573 |
| Liabilities and other payables | 15 | 13 033 | 11 127 | 9 727 |
| Current tax liabilities | 21 | 1 190 | 17 | 42 |
| Financial liabilities | 14 | 25 668 | 26 019 | 10 618 |
| Provisions | 13 | 2 324 | 2 294 | 1 711 |
| Other liabilities | | 1 094 | 1 030 | 1 200 |
| **Total liabilities** | | **202 187** | **173 943** | **155 059** |
| | | | | |
| **Equity** | | | | |
| Issued capital | **11** | 35 846 | 35 846 | 35 846 |
| Legal reserve | | 1 880 | 1 880 | 1 880 |
| Retained earnings | | 45 240 | 40 631 | 44 889 |
| Fair value reserve | | (18 222) | (26 269) | 3 717 |
| Insurance/reinsurance finance reserve | | (1 086) | (684) | (2 090) |
| **Total equity** | | **63 657** | **51 404** | **84 243** |
| **Total liabilities and equity** | | **265 844** | **225 347** | **239 302** |

| D. Raipa | Ž. Kramarauskaitė | L. Petrošienė |
|---|---|---|
| General Manager | Chief Accountant | Chief Actuary |
| 3 April 2023 | 3 April 2023 | 3 April 2023 |

2023

# Statement of changes in equity

## Statement of changes in equity

| In €000 | Issued capital | Share premium | Fair value reserve | Insurance/ reinsurance finance reserve | Retained Earnings | Legal reserve | Total equity |
|---|---|---|---|---|---|---|---|
| On 31 December 2021, as previously reported | 18 800 | 17 046 | 4 030 | | 44 582 | 1 880 | 86 338 |
| *Impact of initial application of IFRS 17* | | | | (2 090) | | | (2 090) |
| *Impact of initial application of IFRS 9* | | | (313) | | 307 | | (6) |
| Restated balance as of 1 January 2022 | 18 800 | 17 046 | 3 717 | (2 090) | 44 889 | 1 880 | 84 243 |
| | | | 0 | 0 | 0 | | |
| Profit for the year | | | | | 1242 | | 1 242 |
| Other comprehensive income for the year | | | (29 987) | 1 406 | | | (28 581) |
| Dividends payment | | | | | (5 500) | | (5 500) |
| Restated balance as of 31 December 2022 | 18 800 | 17 046 | (26 269) | (684) | 40 631 | 1 880 | 51 404 |
| Profit for the year | | | | | 6 991 | | 6 991 |
| Other comprehensive income for the year | | | 8 047 | (403) | | | 7 645 |
| Dividends payments | | | | | (2 383) | | (2 383) |
| Balance as of 31 December 2023 | 18 800 | 17 046 | (18 222) | (1 086) | 45 240 | 1 880 | 63 657 |

D. Raipa
General Manager
3 April 2024

Ž. Kramarauskaitė
Chief Accountant
3 April 2024

L. Petrošienė
Chief Actuary
3 April 2024

2023

# Statement of cash flows

# Statement of cash flows

## FLOWS (EUR)

| In €000 | Note | Financial Year | Previous financial year |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Premiums received from direct insurance | | 226 749 | 190 572 |
| Claims paid for direct insurance | | (134 988) | (118 625) |
| Payments received from ceded reinsurance | | 25 477 | 1 378 |
| Payments made for ceded reinsurance | | (40 451) | (7 829 ) |
| Operating expenses paid | | (56 557) | (52 874) |
| Taxes paid on ordinary activities | | (4 180) | (3 767) |
| Amounts paid or received on other operating activities of insurance | | 2 621 | (118) |
| **Net cash from / (used in) operating activities** | | **18 671** | **8 737** |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiaries and associates | | - | - |
| Disposal of investments | | 8 498 | 24 284 |
| Acquisition of investments | | (18 556) | (35 850) |
| Deposits | | (16 100) | - |
| Loans | 6 | 249 | (2 179) |
| Interest received from shares, debt and other non-current assets | 6 | 366 | 116 |
| Received dividends | | 168 | 173 |
| Amounts from other investing activities | | (29) | (64) |
| **Net cash flows from / (used in) investing activities** | | **(25 404)** | **(13 520)** |
| **Cash flows from financing activities** | | | |
| Amounts received on issue of ordinary shares | | - | - |
| Subordinated loan | 6 | - | 15 000 |
| Interest from loans | 6 | (1 562) | (393) |
| Paid dividend's | | (2 383) | (5 500) |
| **Net cash flows from / (used in) financing activities** | | **(3 945)** | **9 107** |
| **Net increase / (decrease) in cash and cash equivalents** | | **(10 679)** | **4 324** |
| **Cash and cash equivalents at the beginning of reporting year** | | **18 087** | **13 764** |
| **Cash and cash equivalents at the end of reporting year** | | **7 408** | **18 087** |

| D. Raipa | Ž. Kramarauskaitė | L. Petrošienė |
|---|---|---|
| General Manager | Chief Accountant | Chief Actuary |
| 3 April 2024 | 3 April 2024 | 3 April 2024 |

2023

# 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 2023 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 2023 the ultimate parent of the Company 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 2023, the Company had 899 full-time employees (at 31 December 2022: 884), 421 of them work in Lithuania, 291 in Latvia and 187 in Estonia.

| Country | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Lithuania | 421 | 417 |
| Latvia | 291 | 291 |
| Estonia | 187 | 176 |
| **Total** | **899** | **884** |

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

- Accident insurance;
- Sickness insurance;
- Land vehicles (other than railway rolling stock) insurance;
- Railway rolling stock insurance;
- Ships (sea and internal waters) insurance;
- Goods in transit insurance;
- Property insurance against fire and natural forces;
- Property insurance against other risks;
- Liability arising out of the use of motor vehicles operating on the land;
- Liability arising out of the ships (sea and internal waters);
- General liability insurance;
- Financial loss insurance;
- Legal expenses insurance;
- Assistance insurance;
- Aircraft insurance;
- Insurance against civil liability arising out of the use of aircraft;
- Credit insurance;
- Suretyship insurance.
- Sales of the following compulsory insurance risk products are carried out:
- Compulsory civil liability insurance of technical supervisors of construction;
- Compulsory civil liability insurance of construction (part thereof) examination contractor

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

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

As of 31 December 2023, the Company did not have subsidiaries.

The financial statement has been prepared as of and for the year ended 31 December 2023.

The audit in the Company has been performed by KPMG Baltics, UAB. Cost for audit services for year 2023 consist in amount of 126 566 EUR with VAT.

The Shareholders’ Meeting will be held on 12/04/2024.

## 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 2023. The financial statements were presented for authorization to management on 2 april 2024. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

### FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in euro (unless otherwise stated), which is the Company's functional currency. Amounts where commercially rounded and, where not indicate otherwise are shows in thousands of euro (€000). Calculation, however, are done using exact amounts, which may lead to rounding differences.

### BASIS OF MEASUREMENT

The financial statements are prepared on the historical cost basis except for the financial assets which are measured at their fair values via OCI or PL.

### 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 Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company accounts for all reasonable and supportable information available without undue cost or effort. This information includes both internal and external historical data concerning claims and other measurement components, updated to reflect current expectations about future events. As discounting rates Compensa applies EIOPA risk-free rates adjusted with illiquidity premium. Risk adjustment for non-financial risk is determined to reflect the compensation that Company would require for bearing non-financial risk and its degree of risk aversion.

### MATERIAL ESTIMATES

The measurement of impairment losses in accordance with IFRS9 across relevant financial assets requires discretionary decisions in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and for the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modeled ECL scenarios and the relevant inputs.

Goodwill is tested for impairment one per year in accordance with the methods explained in note 1. Estimates in this area primary concern the projected earnings of the CGU that the calculations are based on, and specific parameters, in particular the growth rates and discounting rates, In note 1. Sensitivity of Goodwill impairment presented in note 1.

Suitable valuation methods are used to calculate the fair value of financial asset are not traded in active markets.

The assumptions used are based on market data available on the balance sheet data. To determinate the fair value, Company used present value methods based on appropriate interest rate models.

As of 31 December 2022, the Company held 2,5 ml EUR in Russian government and corporate bonds for which was no active market. Nevertheless, all bonds was sold during year 2023.

More details information is presented in note 6 “Financial Instruments, impairment, and Fair value measurement hierarchy”.

## 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 key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

### INSURANCE AND REINSURANCE 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 by the Company 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.

The Company disaggregates information to disclose major product lines according to essence of accepted insurance risk, namely, Medical expenses, Personal accident, Motor compulsory third party (MTPL), Motor own damage (MOD), Marine, Property, General third party liability, Suretyship and Miscellaneous financial loss insurance issued. This disaggregation has been determined based on how the Company is managed.

In the course of its normal activities, the Company reinsures part of the accepted risks in order to limit possible net losses. Assets, liabilities and income and expenses under ceded reinsurance contracts are presented separately from related assets, liabilities, income and expenses under related insurance contracts.

### INSURANCE AND REINSURANCE CONTRACTS VALUATION

For valuation purposes, insurance and reinsurance contracts are combined into groups of insurance contracts based on the following three levels:

- Portfolio – jointly managed contracts of similar risk.
- Profitability – contracts belonging to the same profitability group.
- Cohorts – contracts whose dates of conclusion differ by no more than one year.

Valuation of an insurance contracts includes only cash flows that are within the limits of the insurance contract. The Company sets the limits of the insurance contract when the Company cannot force the policyholder to pay insurance premiums, or the Company has a significant obligation to provide insurance contract services to the policyholder. A significant obligation ends when the Company has a practical opportunity to reassess the risk of a specific policyholder and accordingly set a price that fully reflects this risk.

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

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

### LIABILITY FOR REMAINING COVERAGE

The General Measurement Model (GMM) is the general model according to IFRS 17 to measure insurance contract and contracts for reinsurance held liabilities. Under IFRS 17 entities may choose to evaluate the Liability for Remaining Coverage (LRC) for insurance contracts or contracts of reinsurance held using a simplified measurement model, the Premium Allocation Approach (PAA). This measurement approach may be applied for contracts with coverage period of one year or less or for contracts with evenly distributed and well predictable future cash flows so that the entity reasonably expects that the measurement of the LRC using the PAA would not differ materially from those obtained by the general measurement model (GMM). Subject to passing PAA eligibility test for all insurance contracts groups as well as reinsurance held contracts groups, the Company applies the Premium Allocation Approach (PAA) to simplify the measurement of insurance contracts groups and reinsurance held contracts groups.

Under the PAA method, the remaining coverage liability is equal to the unearned premium received less the earned insurance acquisition cost, thus PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. For contracts that are valued using the PAA method, insurance revenue is recognized based on the expected amount of premiums, pro-rata over the service period. Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

The Company uses a systematic and rational method to allocate insurance acquisition cash flows that are directly attributable to a group of insurance contracts. Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognized in the statement of financial position, a separate asset for insurance acquisition cash flows is recognized. The asset for insurance acquisition cash flow is derecognized from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

If, at any period of the insurance period, facts and circumstances indicate that the group of insurance contracts is onerous, the Company increases the remaining insurance coverage obligations based on current performance flow assessments by loss component in an amount that exceeds the balance sheet value of the remaining insurance coverage obligations.

### LIABILITY OF INCURRED CLAIMS

For estimating Liability of incurred claims, the Company uses a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The Company also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are implicitly considered as an allowance in the measurement of ultimate claims costs.

Following IFRS17 principles, when measuring liabilities for incurred claims, the Company discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

### DISCOUNT RATES

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate using annual spot rates of EUR currency, plus an illiquidity adjustment. Risk free rates - EIOPA Basic RFR (i.e., swap rates, if unavailable - government bond rates). If necessary, extrapolation is performed using Smith-Wilson method. Illiquidity Adjustment (IA) is derived in similar way, as Volatility adjustment of the EIOPA RFR. The Illiquidity adjustment to the relevant risk-free interest rate term structure is based on the risk-corrected spread between the interest rate that could be earned from a reference portfolio (bonds, loans, securitizations), and the basic risk-free interest rates.

Discount rates applied for discounting of future cash flows are listed below:

| | 1 year | | 3 years | | 5 years | | 10 years | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Insurance contracts issued | | | | | | | | |
| EUR | 3.8% | 3.6% | 2.8% | 3.6% | 2.7% | 3.5% | 2.8% | 3.5% |
| Reinsurance contracts held | | | | | | | | |
| EUR | 3.8% | 3.6% | 2.8% | 3.6% | 2.7% | 3.5% | 2.8% | 3.5% |

## RISK ADJUSTMENT FOR NON-FINANCIAL RISK

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a Cost of Capital approach at the 70th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 70th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has simulated the probability distribution of the future cash flows of non-financial risks, and eventually, the location of non-financial risk sum in the final sample is located and expressed as percentile.

For reporting purposes, the Company changes in the risk adjustment for non-financial risk disaggregates into an insurance service component and an insurance finance component.

The Company disaggregates the change in risk adjustment for non-financial risk between a financial and non-financial portion. Non-financial portion is a part of the insurance service result, whereof financial portion is a part of insurance finance result, as well as part of other comprehensive income. Part of insurance finance result is determined based on the locked-in discount rates and difference between locked-in and current rates, captured by OCI.

Below are presented adopted approaches from IFRS17 options.

| | *IFRS 17 Options* | *Adopted approach* |
|---|---|---|
| Premium Allocation Approach (PAA) Eligibility | Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model | Coverage period of majority of Company portfolio is one year or less and so qualifies automatically for PAA. For part of portfolio (such as Surety insurance) there are contracts with coverage period greater than one year. However, there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, total company portfolio qualifies for PAA. |
| Insurance acquisition cash flows for insurance contracts issued | Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts and then amortized over the coverage period of the related group.<br>For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortized over the coverage period of the related group. | For consistency purposes, the Company amortizes insurance acquisition cash flows allocated to related groups of insurance contracts over the coverage period of all related groups, irrespective of their coverage period. |
| Liability for Remaining Coverage (LRC), adjusted for financial risk and time value of money | Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC. | The Company is using simplified PAA method, thus there are no adjustments related to accretion of interest in case of LRC. |
| Liability for Incurred Claims, (LIC) adjusted for time value of money | Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money. | For all lines of business, the LIC is adjusted for the time value of money. |
| Insurance finance income and expense | There is an option to disaggregate part of the movement in LIC resulting from changes in discount rates and present this in OCI. | For all lines of business, the impact on LIC of changes in discount rates will be captured within OCI, in line with the accounting of majority of assets backing the portfolio. |

### SUBMISSION AND DISCLOSURE OF INFORMATION

All rights and obligations arising from the portfolio of contracts are presented at net value in insurance liabilities. Amounts recognized in the profit and loss statement and other comprehensive income are separated into:

- insurance service result, consisting of insurance income and insurance service costs,
- insurance financial income and expenses.

### INSURANCE AND REINSURANCE SERVICE RESULT

For contracts that are valued using the PAA method, insurance revenue is recognized based on the expected amount of premiums, pro-rata over the service period.

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue and by applying adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in the reinsurance service result in profit or loss.

Administrative costs that are directly related to the performance of contracts are recognized in the profit and loss statement as insurance service costs at the time they are incurred. Expenditures that meet the definition of acquisition costs are deferred. Costs that are not directly related to the performance of contracts are presented as other operating costs.

### INSURANCE AND REINSURANCE FINANCIAL REVENUE AND EXPENSES

Insurance and reinsurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Company disaggregates insurance finance income or expenses on insurance contracts between profit or loss and OCI. Part of insurance finance result is determined based on the locked-in discount rates, whereof the impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in OCI in order to minimize accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets backing insurance portfolios are measured FVOCI.

### 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 2023 and 2022 the corporate tax rate was 15% in Lithuania.

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

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

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

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

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

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

## CHANGES IN TAX LAW RELATED WITH IFRS 17

The Lithuanian government has published amendments to Article 27, Part 3 of the Income tax Law, as well as a comment on the application of the IFRS17 standard for the first time. The transition effect must be calculated and paid in the academic period in which the standard is applied for the first time.

Taking this into account, the company deducted the transition losses when calculating the 2023 profit tax result. There were no changes on income tax calculation in Latvia and Estonia.

## 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. With the exception of trademarks, all intangible assets have a finite useful life. The Company uses these amortization periods for intangible assets:

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

### GOODWILL

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

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

### FINANCIAL ASSETS

Financial assets are divided into the following categories:

- Measured at amortized cost,
- Measured at fair value through other comprehensive income,
- Measured at fair value though profit or loss.

The classification of financial assets is based on both, the entity's business model for managing the financial assets and the contractual cash flow characteristics (SPPI-Test) of the financial asset.

The following compares the categories under IFRS 9 on the basis of their carrying amounts:

| | Measured at amortized cost | Mandatorily measured at FVtPL | Designated to be measured at FVtPL | Measured at fair value through OCI | Fair value |
|---|---|---|---|---|---|
| Cash and cash equivalents | 7 408 | | | | 7 408 |
| Debt instruments at amortized cost | 23 771 | | | | 23 771 |
| Debt instruments at fair value through profit or loss | | 3 705 | | | 3 705 |
| Debt instruments at fair value through OCI | | | | 175 369 | 175 369 |
| Receivables | 1 268 | | | | 1 268 |
| **Total** | **32 447** | **3 705** | **-** | **175 369** | **211 522** |

### BUSINESS MODEL ASSESSMENT

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

### THE SPPI TEST

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

### FINANCIAL ASSETS MEASURED AT AMORTIZED COST

A financial asset is valued at amortized cost if both of the following conditions are met:

- financial assets are held according to a business model, the purpose of which is to hold financial assets in order to collect the cash flows provided for in the contract;
- due to the terms of the financial asset contract, cash flows that are only payments of the principal amount and interest on the outstanding principal amount may occur on specified dates.

Such assets are measured at fair value on initial recognition plus any directly attributable transaction costs. After initial recognition, such assets are measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses.

### FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

A financial asset is recorded at fair value if the following two conditions are met, and the financial asset is not measured at fair value through profit or loss:

- financial assets are held according to a business model, the goal of which is achieved by collecting contractual cash flows and selling financial assets;
- the terms of the contract result in cash flows on fixed dates that are only payments of principal and interest on the amount outstanding.

Such assets are measured at fair value on initial recognition plus any directly attributable transaction costs. After initial recognition, such assets are measured at fair value. Interest income is calculated using the effective interest method, impairment costs and currency exchange gains (losses) are recognized in the profit (loss) of the reporting period. Other net income and expenses are recognized in other comprehensive income. At the time of derecognition, accumulated gains and losses in other comprehensive income should be reclassified to profit (loss).

### INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in subsidiaries and associated companies are accounted for using the cost method, less impairment.

Dividend income is recorded upon receipt.

### FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT (LOSS)

Financial instruments measured at FVtP&L:

- Debt instruments have been designated to FVtP&L category upon initial recognition by management.
- Debt instruments which are mandatorily required to be measured at FVtP&L under IFRS 9.
- Debt instruments that are either measured at AC nor at fair value though other comprehensive income.

This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell. Dividend income from equity instruments measured at fair value through profit (loss) is recorded in profit or loss as other operating income when the right to the payment has been established.

### PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

## IMPAIRMENT OF FINANCIAL ASSETS

The Company recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase` in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The internal rating scale is based on the S&P credit rating scale and offers grading from AAA until D.

Assets that are graded from AAA (Extremely strong) until BBB- (Medium-) are considered to be an investment grade assets and therefore low credit risk investments. Assets that are not defaulted, not eligible for stage 2 triggers and show no significant change in ratings are belong Also to stage 1 assets. It is the Company's policy to measure ECLs on such instruments on a 12-month basis.

Assets that are graded from BB+ (Speculative+) until CC (Highly Vulnerable) are considered to be non-investment grade assets. Assets that are past due for at least 30 days or respond to one of the predefined forward-looking indicators are belong to stage 2. It is the Company's policy to measure ECLs on such instruments on a lifetime basis.

The Company considers a financial asset to be in default (credit impaired) when its credit rating is C or D based on the S&P credit rating scale or contractual payments are 90 days past due.

However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. It is the Company's policy to measure ECLs on such instruments on a lifetime basis. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ECL for debt instruments at amortize costs is included in asset value (note 7), ECL for debt instruments at fair value through other comprehensive income is included in OCI fair value reserves. ECL changes are shown as net impairment loss on financial statements (Note 18).

## THE CALCULATION OF ECLS

The Company calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the entity expects to receive.

When estimating the ECLs, the Company considers four scenarios (a base case, an upside, a mild downside and a more extreme downside). When relevant, the assessment of multiple scenarios also incorporates the probability that the defaulted loans will cure.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD — The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- EAD — The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- LGD — The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

Company allocates its assets subject to ECL calculations to one of these categories, determined as follows:

- 12mECL — The 12mECL is calculated as the portion of long term ECLs (LTECLs) that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR. This calculation is made for each of the four scenarios, as explained above.
- LTECL — When an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR .
- Impairment — For debt instruments considered credit-impaired, the Company recognizes the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference.

First treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements.

### 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.

### 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.

### 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.

## CHANGES IN ACCOUNTING POLICY

### 1. New and amended standards and interpretations.

In these financial statements, the Company has applied IFRS 17 and IFRS 9 for the first time. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 1.1 IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023.

The Company has restated comparative information for 2022 applying the transitional provisions in section transition to IFRS 17. For all contracts the Company applied a full retrospective approach for transition to IFRS 17.

The nature of the changes in accounting policies can be summarized, as follows:

#### 1.1.1 Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts.

The company previously applied IFRS 4. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by Company.

General Measurement Model (GMM) is the general model according to IFRS 17 to measure insurance contract liabilities. Under IFRS 17 entities may choose to evaluate the Liability for Remaining Coverage (LRC) for some insurance contracts using a simplified measurement model, the Premium Allocation Approach (PAA). This measurement approach may be applied for contracts with coverage period of one year or less or for contracts with evenly distributed and well predictable future cash flows so that the entity reasonably expects that the measurement of the LRC using the PAA would not differ materially from those obtained by the general measurement model (GMM).

Following VIG guidelines, Company made PAA eligibility tests for each group of insurance contracts and contracts of reinsurance held to evaluate, if coverage period of each group is one year or less or if PAA resulting measurement would not differ materially from the result of applying the GMM in case of group of insurance contracts or group of reinsurance contracts held with longer coverage. For majority of Company portfolio, PAA model is used because all contracts have coverage periods not longer than 12 months, for remaining part, where contracts have coverage longer than 12 months, the Company has concluded that the PAA model produces a measurement of the liability for remaining coverage for the group that does not differ materially from the one that would be produced by applying the GMM.

After performing PAA eligibility test, the Company proved that all insurance contracts issued and reinsurance contracts held during transition period are all eligible to be measured by applying the PAA. The measurement principles of the PAA differ from the "earned premium approach" used by the Company under IFRS 4 in the following key areas:

- the liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized in revenue for insurance services provided. Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- measurement of the liability for incurred claims (previously reported outstanding claims and incurred but not (enough) reported claims) is determined on a discounted probability weighted expected value basis, and includes an explicit risk adjustment for non-financial risk.
- measurement of the asset for incurred claims (AIC) is adjusted by allowance for non-performance risk, applied to all reinsurers. No adjustment is made in respect of asset for remaining coverage (ARC) for contracts measured under PAA.

#### 1.1.2 Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets.
- Portfolios of insurance and reinsurance contracts issued that are liabilities.
- Portfolios of reinsurance contracts held that are assets.
- Portfolios of reinsurance contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts

### 1.1.3 Transition

On transition date, 1 January 2022, the Company:

- Has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied.
- Has identified, recognised and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied. However, no recoverability assessment was performed before the transition date. At transition date, a recoverability assessment was performed, and no impairment loss was identified.
- Derecognised any existing balances that would not exist had IFRS 17 always applied.
- Recognised any resulting net difference in equity.

Due to transition from IFRS 4 reporting standard to IFRS 17 reporting standard Company has experienced a negative one-off time impact to equity in amount of 2.1 million EUR, which can be summarised as follows:

- different valuation of liabilities related to onerous contracts in IFRS 4 and IFRS 17, resulted to -0,4 million EUR decrease in equity.
- different valuation of gross technical provisions related to incurred claims in IFRS4 and IFRS17 resulted -2,0 million EUR decrease in equity.
- different valuation of deferred indirect acquisition costs related in IFRS4 and IFRS 17, resulted to -0,2 million EUR decrease in equity.
- different valuation of reinsurance shares of technical provisions related to incurred claims in IFRS4 and IFRS17 resulted 0,5 million EUR increase in equity

Due to IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the Company elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9, thereby deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17.

The Company has applied IFRS 9 retrospectively and restated comparative information for 2022 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 were recognized in retained earnings as of 1 January 2022 and are disclosed in disclose 1.3.

The nature of the changes in accounting policies can be summarized, as follows:

In €000 — **Type of adjustments/reclassifications**

| **Assets** | As of 2021/12/31 | IFRS 17 reclassification | IFRS 17 transition effect | IFRS 9 reclassification | IFRS 9 measurement | As of 2022/01/01 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 13 764 | | | | | 13 764 |
| Financial Assets | 185 153 | | | 913 | (6) | 186 061 |
| **Receivables** | | | | | | 0 |
| Receivables from policy holders Intermediaries | 29 634 | (29 634) | | | | 0 |
| Receivables from reinsurance | 8 575 | (8 575) | | | | 0 |
| Other receivables | 2 088 | (45) | | | | 2 044 |
| Insurance contract asset | | (164) | | | | (164) |
| Reinsurance share in Technical provisions | 41 275 | (24 286) | 489 | | | 17 478 |
| Property and equipment | 1 385 | | | | | 1 385 |
| **Other asset (Accrued income and deferred expenses)** | | | | | | 0 |
| Accrued interest and rental income | 913 | | | (913) | | 0 |
| Deferred acquisition costs | 12 141 | (12 141) | | | | 0 |
| Other accrued income and deferred costs | 16 058 | (15 552) | | | | 506 |
| Intangible assets | 14 955 | | | | | 14 955 |
| Deferred tax asset | 275 | | | | | 275 |
| Right-of- use assets | 2 998 | | | | | 2 998 |
| **Total assets** | 329 216 | (90 397) | 489 | 0 | -6 | 239 302 |

| **Liabilities** | As of 2021/12/31 | IFRS 17 reclassification | IFRS 17 transition effect | IFRS 9 reclassification | IFRS 9 measurement | As of 2022/01/01 |
|---|---|---|---|---|---|---|
| **Insurance contract** | | | | | | - |
| Technical provision | (158 003) | 31 393 | (2 578) | | | (129 189) |
| Reinsurance contract liabilities | | (2 573) | | | | (2 573) |
| **Liabilities and other payables** | | | | | | - |
| Liabilities to policyholders and Intermediaries | (27 261) | 27 261 | | | | - |
| Liabilities to reinsurer | (11 775) | 11 775 | | | | - |
| Deposits of reinsurer | (22 314) | 22 314 | | | | - |
| lease liabilities | (3 021) | | | | | (3 021) |
| subordinated liabilities | (7 597) | | | | | (7 597) |
| Current Tax liabilities | | (42) | | | | (42) |
| Provisions | (1 711) | | | | | (1 711) |
| Other liabilities and Payables | (6 901) | (4 026) | | | | (10 927) |
| Accrued expenses | (3 342) | 3 342 | | | | - |
| Deferred income | (954) | 954 | | | | - |
| **Total liabilities** | (242 878) | 90 397 | (2 578) | 0 | 0 | (155 059) |

| Equity | As of 2021/12/31 | IFRS 17 reclassification | IFRS 17 transition effect | IFRS 9 reclassification | IFRS 9 measurement | As of 2022/01/01 |
|---|---|---|---|---|---|---|
| Share capital | (18 800) | | | | | (18 800) |
| Share premium | (17 046) | | | | | (17 046) |
| Legal reserve | (1 880) | | | | | (1 880) |
| Retained earnings to be carried forward from the previous year | (44 582) | | | (307) | | (44 889) |
| Revaluation reserve | (4 030) | | | 307 | 6 | (3 717) |
| Insurance/reinsurance finance reserve | | | 2 089 | | | 2 089 |
| **Total** | (86 337) | | 2 089 | | 6 | (84 243) |

### Changes to presentation and disclosure

With regard of presentation in the balance sheet insurance contracts issued and reinsurance contracts held summarizes as follow:

- Portfolio of insurance contracts issued that are asset,
- Portfolio of reinsurance contracts held that are assets,
- Portfolio reinsurance contract issued are liabilities,
- Portfolios of reinsurance contract held that are liabilities.

Portfolio of insurance contracts and reinsurance contracts in an asset position are presented separately from those in a liability position. Netting is not permitted in accordance with IFR 17, this is key difference in presentation in the balance sheet compare with IFRS17, where netting was possible.

### Changes from clean value to dirty value accounting

In addition to the changes in connection with the initial application of IFRS 9, financial instruments are now recognized at the dirty value. This means that – in contrast to IAS 39 accounting – the accrued interest is no longer recognized as a separate item in the balance sheet but is listed as part of the book value.

### Changes in Statement of comprehensive income

As with new presentation of insurance contracts in the balance sheet, there is also a change in items in the income statement. These differ from those shown under IFRS4 with regard to both their name and their content. The items are now presented as follows under IFRS17:

- Insurance service revenue – issued business,
- Insurance service expenses – issued business,
- Insurance financing result and
- Insurance service result – reinsurance held.

Due to transition from IFRS 4 reporting standard to IFRS 17 reporting standard impact to Profit or loss report for the year 2022 was in amount of -2,6 mln EUR, which is composed of:

- different valuation of liabilities related to onerous contracts in IFRS 4 and IFRS 17, resulted to -0,7 mln EUR negative impact to profit or loss result for the year 2022.
- different valuation of deferred indirect acquisition costs related in IFRS4 and IFRS 17, resulted to -0,03 mln EUR to profit or loss result for the year 2022.
- Net result of Insurance financial expenses for the year 2022 was in amount of 0,07 mln EUR.
- different valuation of reinsurance shares of technical provisions related to incurred claims in IFRS4 and IFRS17 resulted 1,1 mln EUR negative impact to profit or loss result for the year 2022.
- Impact of instrument which are not passing SPPI test and therefore measured at fair value through profit or loss in amount of 0,6 mln EUR negative impact to profit or loss result for the year 2022.

| | IFRS 4 / IAS 39 | | IFRS 9 / 17 | | | |
|---|---|---|---|---|---|---|
| **IFRS 4 / IAS 39** | **2022Y IFRS4** | **IFRS17 reclassification** | **IFRS17 reclassification** | **IFRS impact** | **2022Y IFRS17 Result** | **IFRS 9 / 17** |
| | | | | | | |
| Gross written premiums | 208 626 | (208 626) | 208 626 | | 208 626 | Received premiums |
| Gross written premiums - RI share | (47 183) | 47 183 | | | - | - |
| | | | 130 | | 130 | change of bad debt provision |
| Change in unearned premiums – gross | (9 530) | 9 530 | (9 530) | | (9 530) | change of LRC |
| Change in unearned premiums – RI share | 1 039 | (1 039) | | | - | |
| **Net earned premium** | **152 952** | **(152 952)** | **199 226** | **-** | **199 226** | **Insurance service revenues** |
| **Net claims** | (100 575) | | | | (184 759) | **incurred claims and directly attributable expenses** |
| Net claims paid | (103 918) | 103 918 | (129 197) | (138) | (129 335) | paid claims excluding IC |
| Net change in claims and other technical reserves | 3 343 | (3 343) | (1 049) | (136) | (913) | change of LIC |
| Total administrative & acquisition expenses | **(58 387)** | **(5 999)** | **10 476** | **-** | **(54260)** | **Directly attributable expenses** |
| Reinsurance commission | 9 842 | (9 842) | | | - | - |
| | | | | (688) | (688) | Onerous contract changes |
| **Net technical expenses** | **(149 120)** | **84 734** | **(120 087)** | **(722)** | **(185 196)** | **Insurance service expenses** |
| | | | (6 622) | (1 151) | **(7 773)** | **Insurance service result reinsurance held** |
| **Technical result** | **3 832** | | | | **6 257** | **Insurance service result** |
| | | | | (79) | (79) | Net Insurance finance result |
| Investment result | 0,14 | 208 | 0 | (642) | (433) | Result from financial instruments |
| **Investment result** | **0** | | | | **(512)** | **Investment result** |
| Other income and Financial income and expenses | (41) | (44) | (4 463) | | (4 548) | Other result* |
| | - | | (5 319) | | (5 319) | *-attributable costs IFRS 17* |
| **Profit before tax** | **3 791** | **(68 054)** | **68 054** | **(2 594)** | **1 197** | **Profit before tax** |
| Income taxes | (120) | | (0) | | 44 | |
| **Profit before tax** | **3 671** | | | | **1 242** | **Profit before tax** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Other comprehensive income** | **(30 614)** | | | **(2 034)** | **(28 581)** | Items that are or may be reclassified subsequently to profit or loss |
| From Financial asset available for sale | (30 614) | | | (628) | (29 987) | Debt instruments at FVOCI |
| | | | | - | | |
| | | | | (1 406) | **1 406** | Net financial result from insurance contracts |
| | | | | | | |
| | - | | | | - | |
| **Total comprehensive profit / (loss)** | **(26 943)** | | | **1 406** | **(27 338)** | **Total comprehensive profit / (loss)** |

### 1.2.1 Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

Under IAS 39 standard majority of financial assets were classified as available for sell, under IFRS9 the main business model is Hold to collect contractual cash flow and to sell. Fixed income debt instruments in amount €174 674 thz are therefore measured at fair value through other comprehensive income with gains or losses recycled to profit or loss on derecognition. Exceptions are instruments, which are not passing SPPI test in amount €5 350 thz and therefore measured at fair value through profit or loss.

Debt instruments at amortized cost and investment in associates measurement is remined unchanged. However, ECL calculated and accounted for debt instruments at amortized cost (1.2.2). Company's classification of its financial assets is explained in disclose 1.2 The quantitative impact of applying IFRS 9 as at 1 January 2022 is disclosed in disclose 1.2.

### 1.2.2 Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for debt instruments held at FVOCI or amortized cost by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVPL. For debt instruments, the ECL is based on the portion of lifetime ECLs (LTECL) that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full LTEC be low credit risk investments. It is the Company's policy to measure such instruments on a 12-month ECL (12mECL) basis. The Company does, however, consider that there has been a significant increase in credit risk for a previously assessed low credit risk investment when any contractual payments on these instruments are more than 30 days past due. Where the credit risk of any bond deteriorates, the Company will sell the bond and purchase bonds meeting the required investment grade.

The Company considers an instrument to be in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. During 2022 and 2023 there was such instances related to sanctions to Russian bond instruments.

The adoption of the ECL requirements of IFRS 9 has resulted in increases in impairment allowances in respect of the Company's debt instruments. The increase in allowance was adjusted to retained earnings in amount €97 thz. As it was possible to do so without the use of hindsight, the Company restated the statement of financial position as at 1 January 2022, resulting in decreases in financial assets and retained earnings amounting to € 6 thz respectively. Restatement was applied to loans measured at AC.

Details of the Company's impairment method is disclosed in "Impairment of financial asset". The quantitative impact of applying IFRS 9 as at 1 January 2022 is disclosed in disclose in paragraph 1.3.(Transition disclosure IFRS9)

### 1.2.3 Changes in disclosure – IFRS 17

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: disclosures were also amended. The Company applied the amended disclosure requirements of IFRS 7, together with IFRS 9, for the year beginning 1 January 2023. Changes include transition disclosures as shown in disclose ECL calculations, such as the assumptions and inputs used, are set out in disclose "Impairment of financial asset."

Reconciliations from opening to closing ECL allowances are presented in disclose Price risk.

### 1.2.4 Changes in the allocation methods for insurance acquisition cash flows

The Company applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts.

At the end of each reporting period, the Company revisits the assumptions made to allocate insurance acquisition cash flows to groups and where necessary revises the amounts of assets for insurance acquisition cash flows accordingly.

In the current and prior year, for other product lines, the Company did not identify any facts and circumstances indicating that the assets may be impaired.

### 1.3 Transition disclosure – IFRS 9

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as of initial application date 1 January 2022 is, as follows:

| | **1 January 2022** | | | | | |
|---|---|---|---|---|---|---|
| **In €000** | **IAS 39 measurement** | | **Re-classification** | **Re-measurement** | **IFRS 9** | |
| **Financial assets** | **Category** | **Amount** | | **ECL** | **Amount** | **Category** |
| Cash and balances with banks | L&R | 13 764 | - | | 13 764 | AC |
| Loans and deposits | | 4 225 | 0 | **-6** | 4 219 | |
| Debt instruments at amortised cost | | | | | | AC |
| *From: Financial investments - AFS* | | | | | | |
| | **L&R** | **17 989** | | **-6** | **17 983** | AC |
| *Financial investments - AFS* | | 179 111 | (4 437) | | 174 674 | |
| *To: Debt instrunments at FVOCI* | | | | | 0 | |
| *To: Debt instruments at amortised cost* | | | | | 0 | |
| | **AFS** | **179 111** | (4 437) | | 174 674 | |
| Debt instruments at fair value through OCI | | 179 111 | (4 437) | | 174 674 | PVOCI |
| From: Financial Investments - AFS | | | | | 0 | |
| | | **179 111** | (4 437) | | **174 674** | FVOCI |
| Financial assets at fair value through pofit or loss (designated) | FVPL (designated) | | | | 0 | FVPL (designated) |
| Financial assets at fair value through profit or loss (mandatory) | | | 5 350 | | 5 350 | FVPL (mandatory) |
| | FVPL | 0 | 5 350 | | 5 350 | FVPL |
| Investment to assiciated company | | **1 818** | | | 1 818 | |
| **Non-financial assets** | | | | | | |
| Accrued interest and rental costs | | 913 | (913) | | | |
| **Total assets** | | **199 831** | **0** | **(6)** | **199 825** | |

As of 1 January 2023, the Company assessed the remainder of its debt instrument portfolio which had previously been classified as AFS debt instruments. The Company concluded that these instruments are managed within a business model of collecting contractual cash flows and selling the financial assets. Accordingly, the Company classified these investments as debt instruments measured at FVOCI.

Asset instruments which did not meet the solely payments of principal and interest (SPPI) criterion, were not actively traded and were held with the intention to collect cash flows and without the intention to sell was mandatorily measured at FVPL.

The following table reconciles the aggregate opening loan loss provision allowances under IAS 39 to the ECL allowances under IFRS 9 at date of initial application.

| In €000 | Loan loss provision under IAS 39 at 31 December 2021 | Re-measurement | ECLs under IFRS 9 at 1 January 2022 |
|---|---|---|---|
| **Impairment allowance for** | - | | |
| Available-for-sale debt investment securities per IAS 39/Debt instruments at amortised cost under IFRS 9: | - | (6) | (6) |
| Total | - | (6) | (6) |

The impact of transition to IFRS 9 on reserves and retained earnings is, as follows:

| **In €000** | |
|---|---|
| **Fair value reserve** | |
| Closing balance under IAS 39 (31 December 2021) | 4030 |
| Reclassification of debt instruments from available-for-sale to amortized cost | - |
| Adjustment for recognition of ECL under IFRS 9 for debt financial assets at FVOCI | (410) |
| Reclassification of debt instruments -for fair value FVPL | 97 |
| Deferred tax in relation to IFRS 9 application | - |
| Balance undisclosed reserves | |
| *Opening balance under IFRS 9 (1 January 2022)* | **3 717** |
| **Retained earnings** | |
| Closing balance under IAS 39 (31 December 2021) | 44 582 |
| Impact of initial application of IFRS 17 | |
| Deferred tax in relation to IFRS 17 application | |
| Recognition of IFRS 9 ECLs for debt instruments measured at amortized cost | (6) |
| Recognition of IFRS 9 ECLs for debt instruments measured at FVOCI (see above) | (97) |
| Deferred tax in relation to IFRS 9 application | |
| Impact to OCI from reclassification of debt instruments -for fair value FVPL | 410 |
| *Opening balance under IFRS 9 and IFRS 17 (1 January 2022)* | **44 889** |
| *Total change in equity (after tax) due to the application of new standards* | |
| Fair value reserve | (313) |
| Retained earnings | 307 |
| *Total change in equity due to the application of IFRS 9* | **(6)** |
| Insurance/ reinsurance finance reserve | (265) |
| Retained earnings | (1825) |
| *Total change in equity due to the application of IFRS 17* | **(2090)** |

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

### Changes in accounting policies

The following amended standards and interpretations which were adopted as of 1 January 2024 did not have a significant impact on the Company's financial statements:

### New Standards and Interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. However, the Company has not early adopted the new standards in preparing these financial statements. The following amended standards or amendments are not expected to have a significant impact on the Company's financial statements:

- Lease Liability in a Sale and Leaseback (Amendment to IFRS16)
- Classification of liabilities as Curent or Non-Curent and Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)
- 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);

## RISKS AND RISK MANAGEMENT

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

Effective system of governance forms the basis for effective risk management. The ultimate responsibility for the risk management lays on the Management Board of the Company who is responsible for the organizational oversight and ensuring that appropriate structures and processes are in place for effective governance. Risk management is organized according to the three lines model. The first line roles are line managers who perform daily risk management and control activities in their area of responsibility. The second line role – risk management function holder (risk manager), who is responsible for establishing risk management and internal control systems and coordination of the risk management activities across the company, providing additional oversight and supporting Management Board and line managers with risk related issues and reports directly to the Management Board. Risk management activities are also coordinated by Vienna Insurance Group thus ensuring additional controls and sharing of the best practices and know-how between the group companies. The second line role is also performed by the compliance function that ensures compliance with laws, regulations and administrative provisions, assesses the potential impact of the changes in the legal environment, and manages compliance risks. The third line

role is formed by internal audit function that provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management (including internal control). All key function holders comply with fit and proper requirements. The Company fosters risk culture where every employee feels responsible for day-to-day risk management, informs promptly about emerging risks and incidents, understands the need for applicable control procedures and follows them meticulously.

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

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

The core competence of the Company is dealing professionally with risks. The insurance business consists of deliberate assumption of various risks and profitable management of them.

The Company defines ten risk categories. It is assumed that these risk categories are complete and do cover all possible sources of risk. Those mentioned risks also cover ESG (environment, social and governance) related risks (environmental, social and governance - they do not form a separate risk category within the risk management system but are mapped to the risk categories listed below depending on its risk characterization). The risk categories are further split into subcategories during further risk management processes. The main risk categories are as follows:

- Non-life insurance risk reflects the risk resulting from insurance and reinsurance liabilities related to non-life insurance policies with respect to covered risks and business processes.
- Health insurance risk reflects the risk stemming from liabilities specific for health insurance, with respect to both covered risk and business processes related to health insurance.
- Life insurance risk reflects the risk stemming from liabilities resulted from annuity payments occurred from the motor third party liability insurance with respect to uncertainty of development path of assumed risks and processes associated with this business.
- Market risk reflects the risk resulting from the degree of fluctuations of financial instruments' prices (such as bonds and loans, deposits, cash, participation, etc.) or the market value of liabilities (due to the change of discount rates or currency exchange rates for liabilities denominated in foreign currencies). 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 and reported to the Management Board of the company. For the contracts in scope of IFRS 17 the following risks are assessed to be relevant: market risk (interest rate risk and currency exchange risk), counterparty default risk, insurance risk, operational risk. The exposure to those risks is reported to the Management Board of the company and is described in the chapters below for each of those risks individually.

Risk management principles for those risk categories are described below.

Additionally, the Company's risk is managed by setting aside solvency capital.

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

*Accepted risks*:

- Compensa 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 Mitigating 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 Compensa.

*Avoid Risks:*

- Risks are not accepted, if either Compensa has not the necessary know-how or not the necessary resources for the management of the risk, or capital resources of Compensa are insufficient for the coverage of the risk.
- Compensa 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.

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

To ensure the maintenance of the existing control system and the environment, Compensa defines the following standards for the internal control system:

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

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

## FINANCIAL RISK AND RISK MANAGEMENT

The following risk categories are classified as financial risks:

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

## MARKET RISK

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

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

Market risk is managed by choosing an appropriate investment strategy and defining and monitoring 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. Market risk is also managed by regular performance of sensitivity analysis, stress and scenario testing.

## 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 in non-EUR currencies. Limits for non-EUR currency exposure is defined in the investment and risk strategy and are constantly monitored. Exposure to currency on liability side could arise from the foreign claims or payables, which are generally not material to the Company. In case of material currency exposure would arise on liability side, financial assets denominated in the same currency could be purchased to offset currency risk.

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

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

Split of assets and liabilities of currencies at the end of the year 2023 is following.

| | | 2023 | | |
|---|---|---|---|---|
| **In €000** | **Euro** | **DKK** | **PLN** | **Total** |
| **Financial assets** | **204 144** | **6109** | **0** | **210 253** |
| Cash and cash equivalents | 7 408 | | | 7 408 |
| Debt instruments at FVPL | 3 705 | | | 3 705 |
| Debt instruments at FVOCI | 169 260 | 6 109 | | 175 369 |
| Debt instruments at amortised cost | 23 771 | | | 23 771 |
| Receivables | 1 818 | | | 1 818 |

| | | | | |
|---|---|---|---|---|
| Investment in associates | 1 268 | | | 1 268 |
| **Insurance contract assets** | 54 | | | 54 |
| Reinsurance contract assets | 30 600 | | | 30 600 |
| Total asset | 237 884 | 6 109 | 0 | 243 993 |
| | | | | |
| **Insurance contract liabilities** | | | | 0 |
| Provisions | 2 324 | | | 2 324 |
| Creditors | 40 983 | | 1 | 40 984 |
| Total liabilities | 43 307 | 0 | 1 | 43 308 |
| **Open currency position** | 194 577 | 6 109 | (1) | 200 685 |

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

| | | | 2022 | |
|---|---|---|---|---|
| **In €000** | **Euro** | **DKK** | **PLN** | **Total** |
| **Financial assets** | **174 038** | **5825** | **-** | **179 863** |
| Cash and cash equivalents | 13 764 | | | 13 764 |
| ebt instruments at FVPL | 5 931 | | | 5 931 |
| Debt instruments at FVOCI | 147 968 | 5 825 | | 153 793 |
| Debt instruments at amortized cost | 6 375 | | | 6 375 |
| Investment in associates | 1 818 | | | 1 818 |
| Receivables | 1608 | | | 1608 |
| **Insurance contract assets** | **253** | | | **253** |
| Reinsurance contract assets | 14 806 | | | 14 806 |
| Total asset | 192 523 | 5 825 | - | 198 348 |
| | | | | |
| **Insurance contract liabilities** | **133 456** | | | **133 456** |
| Provisions | 2 294 | | | 2 294 |
| Creditors | 38 224 | | (32) | 38 192 |
| Total liabilities | 173 974 | 0 | (32) | 173 942 |
| **Open currency position** | **18 549** | **5 825** | **32** | **24 406** |

The following analysis is performed for reasonably possible movements in key variables, with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency-sensitive monetary assets. The correlation of variables will have a significant effect in determining the ultimate impact of currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.
Danish krone's (DKK) is part of the European Exchange Rate Mechanism (ERM II), so 2,25% change is used for sensitivity.

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| **In €000** | **Change in exchange rate** | **Impact on profit before tax** | **Impact on equity** | **Impact on profit before tax** | **Impact on equity** |
| **Euro/DKK exchange rate** | | | | | |
| Financial assets | 2,25% | 2 | 138 | 3 | 132 |
| Financial assets | (2,25%) | (2) | (138) | (3) | (132) |

## INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

Company manages interest rates by setting duration limits for the financial assets in the investment and risk strategy. Interest rate risk is regularly monitored and adjusted by adjusting portfolio duration (asset-liability management).

There is no direct contractual relationship between financial assets and insurance contracts.

The Company has no significant concentration of interest rate risk.

The Company is exposed to interest rate risk through its debt instruments held and in respect of liabilities or assets for incurred claims where cash flows are not expected to be settled within a year from when claims are incurred. The Company's exposure to interest rate risk sensitive insurance and reinsurance contracts and debt instruments are, as follows.

Undiscounted liability incurred claims amounts, which are exposed to sensitivities related to interest rate changes are presented below. Reinsurance deposit, reinsurance payables and receivables (which are part of asset incurred claims) are not included into Reinsurance held amount, as they are not exposed to interest rate sensitivities.

| **In €000** | **2023** | **2022** |
|---|---|---|
| **Insurance contract liabilities** | 99 889 | 76 419 |
| Medical expenses insurance | 3 617 | 3 166 |
| Personal accident insurance | 695 | 576 |
| MTPL insurance | 45 662 | 37 789 |
| MOD insurance | 7 999 | 6 723 |
| Marine insurance | 436 | 537 |
| Property insurance | 32 353 | 19 865 |
| General third party liability insurance | 6 477 | 6 347 |
| Suretyship insurance | 2 580 | 1 415 |
| Miscellaneous financial loss insurance | 69 | 0 |
| **Insurance contract assets** | **39 177** | **30 274** |
| Reinsurance held | 39 177 | 30 274 |
| **Debt instruments at FVOCI** | **175 369** | **153 792** |
| **Debt instruments at amortised cost** | **23 771** | **987** |

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables have been changed on an individual basis. It should be noted that movements in these variables are non–linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period:

| In €000 | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| | Change in Interest rate | Impact on profit before tax | Impact on equity | Impact profit before tax | Impact on equity |
| Insurance and reinsurance contracts | +100 bps | (494) | 3 011 | (746) | 1 532 |
| Debt instruments | +100 bps | 135 | (7 295) | 99 | (8 083) |
| Insurance and reinsurance contracts | - 100 bps | 542 | (3 537) | 795 | (1624) |
| Debt instruments | - 100 bps | (135) | 7 942 | (99) | 8 811 |

Higher interest rate environment had positive impact on the interest revenues of the company, since new investments are invested at a higher rate:

| In €000 | 2023 | 2022 |
|---|---|---|
| **Interest revenues** | 2 756 | 1 948 |

Impact on the Company's equity through the appreciation of the existing fixed-income portfolio was the following:

| In €000 | 2023 | 2022 |
|---|---|---|
| **Revaluation reserve change** | 8 047 | (29 987) |

## 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 financial asset measured via other comprehensive income assets are considered to be exposed to price risk (real estate and equity investments and property, equipment held for own use). Insurance and reinsurance assets and liabilities are considered to be not exposed to price risk. The Company reported changes in securities' price through comprehensive income. Changes of 5% in securities' price would have affected comprehensive income. The method used for deriving sensitivity information and significant variables has not changed from the previous period

| Impact to Profit or Loss | 2023 | 2022 (restated) |
|---|---|---|
| 5 % increase security price | 185 | 297 |
| 5 % decrease security price | (185) | (297) |

| Impact to Equity | 2023 | 2022 (restated) |
|---|---|---|
| 5 % increase security price | 8 768 | 7 690 |
| 5 % decrease security price | (8 768) | (7 690) |

Risk is managed through asset allocation limits for assets sensitive for price risk defined in the Investment and Risk strategy and monitoring them.

## CREDIT RISK

### Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near-default
- The counterparty having past due liabilities to public creditors or employees
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Counterparty's listed debt instruments measured at FVOCI/AC or equity suspended at the primary exchange because of rumors or facts about financial difficulties

The Company considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognizes a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Company's policy to consider a financial instrument as 'cured' and, therefore, re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

There has been no significant increase in credit risk or default for financial assets during the year.

The amounts represent the maximum amount exposure to credit risk. The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit exposure based on the carrying value of the financial instruments and insurance and reinsurance contract assets.

### Expected credit loss

The Company assesses the possible default events within 12 months for the calculation of the 12mECL. Given the investment policy, the probability of default or new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be 100%. In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

Company do not have any collaterals to the credit exposures of the company. Table below present all asset positions possibles for credit risk exposure

2023

| Rating | Financial asset | Cash and cash equivalents | Receivables |
|---|---|---|---|
| A | 51 906 | 0,3 | |
| A- | 13 660 | 2 771 | |
| A+ | 14 043 | 634 | |
| AA | 10 756 | | |
| AA- | 16 909 | 1 433 | |
| AA+ | 5 742 | | |
| AAA | 31 532 | | |
| BB | | 1 | |
| BB+ | 154 | 318 | |
| BBB | 13 952 | | |
| BBB- | 7 403 | 17 | |
| BBB+ | 20 719 | 2 220 | |
| Not rated | 16 069 | 14 | 1 268 |
| **Total credit risk exposure** | 202 845 | 7 408 | 1 268 |

2022

| Rating | Financial asset | Cash and cash equivalents | Receivables |
|---|---|---|---|
| A | 50 919 | 3 111 | |
| A- | 11 466 | 1 960 | |
| A+ | 7 323 | | |
| AA | 8 127 | | |
| AA- | 11 258 | 2 080 | |
| AA+ | 4 548 | | |
| AAA | 17 318 | | |
| BB | 1 952 | 230 | |
| BB+ | 152 | 213 | |
| BBB | 13 756 | 3 336 | |
| BBB- | 6 316 | | |
| BBB+ | 14 904 | 7 133 | |
| CCC | 2 450 | | |
| NR | 15 609 | 24 | 1 608 |
| **Total credit risk exposure** | 166 098 | 18 087 | 1 608 |

**Debt instruments measured at FVOCI**

The table below shows the fair value of the Company's debt instruments measured at FVOCI by credit risk, based on its internal credit rating system.

| Rating | 12mEC | LTECL | 31/12/2023 | 12mEC | LTECL | 31/12/2022 |
|---|---|---|---|---|---|---|
| AAA | 31 784 | | 31 784 | 17 408 | | 17 408 |
| AA+ | 5 800 | | 5 800 | 4 587 | | 4 587 |
| AA | 10 852 | | 10 852 | 8 192 | | 8 192 |
| AA- | 11 370 | | 11 370 | 11 320 | | 11 320 |
| A+ | 10 121 | | 10 121 | 51 219 | | 51 219 |
| A | 52 198 | | 52 198 | 7 400 | | 7 400 |
| A- | 11 746 | | 11 746 | 11 544 | | 11 544 |
| BBB+ | 16 368 | | 16 368 | 15 044 | | 15 044 |
| BBB | 14 024 | | 14 024 | 13 838 | | 13 838 |
| BBB- | 5 714 | | 5 714 | 4 574 | | 4 574 |
| BB- | 0 | | 0 | 0 | | 0 |
| BB+ | 157 | | 157 | 152 | | 152 |
| BB | 0 | | 0 | 817 | | 817 |
| CCC | 0 | | 0 | | 2 450 | 2 450 |
| Not rated | 5 236 | | 5 236 | 5249 | | 5 249 |
| **Total** | **175 369** | | **175 369** | **151 343** | **2 450** | **153 793** |

An analysis of changes in the fair value and the corresponding ECLs is, as follows:

**Changes in the debts FVOCI**

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| **In €000** | **12mECL** | **LTECL** | **Total** | **12mECL** | **LTECL** | **Total** |
| **Fair value as at 1 January** | **151 434** | 2 450 | 153 793 | **174 675** | | **174 675** |
| New assets originated or purchased | 14 750 | | 14 750 | 8 096 | | **8 096** |
| Assets derecognized or matured | | (2 450) | (2 450) | | | |
| Accrued interest capitalized | 1 222 | | 1 222 | 1 008 | | **1 008** |
| Change in fair value | 8 055 | | 8 055 | (27 370) | (2 616) | **(29 986)** |
| Movement between 12mECL and LTECL | | | | (5 066) | 5 066 | **0** |
| **At 31 December** | **175 369** | **0** | **175 369** | **151 343** | **2 450** | **153 793** |

| **In €000** | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **12mECL** | **LTECL** | **Total** | **12mECL** | **LTECL** | **Total** |
| **ECL as at 1 January** | **(107)** | **(2 617)** | **(2 724)** | **(97)** | | **(97)** |
| New assets originated or purchased | 0 | | **0** | 5 | 0 | **5** |
| Assets derecognised or matured (excluding write-offs) | (4) | 2 617 | **2 613** | (15) | (2 617) | **(2 632)** |
| Accrued interest capitalised | | | | | | **0** |
| Movement between 12mECL and LTECL | | | | | | **0** |
| **At 31 December** | **(111)** | **0** | **(111)** | **(107)** | **(2 617)** | **(2 724)** |

As at 31 December 2022, the Company held 5 ml government and corporate bonds for which there was closed active market and company calculated for these bonds expected credit losses in amount of 2,6 million EUR. Nevertheless, bonds with nominal value 2,8 million EUR was sold during 2023. Due to the impairment losses recognized in 2022 financial year, gains from the sale were posted in the income statement.

**Changes in the debt measurement at amortized costs**

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| **In €000** | **12mECL** | **LTECL** | **Total** | **12mECL** | **LTECL** | **Total** |
| **Fair value as at 1 January** | **6 375** | | 6 375 | **4 219** | | **4 219** |
| New assets originated or purchased | 17 375 | | 17 375 | 2 170 | | **2 170** |
| Assets derecognized or matured | | | | 0 | | **0** |
| Accrued interest capitalized | 28 | | 28 | (0,2) | | **0** |
| ECL change | (7) | | (7) | (15) | | **(15)** |
| Movement between 12mECL and LTECL | | | | | | **0** |
| **At 31 December** | **23 771** | **0** | **23 772** | **6 375** | **0** | **6 375** |

**ECL AC**

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| **In €000** | **12mECL** | **LTECL** | **Total** | **12mECL** | **LTECL** | **Total** |
| **ECL as at 1 January** | **(20)** | | (20) | **(5)** | | **(5)** |
| New assets originated or purchased | (7) | | (7) | (15) | | **(15)** |
| Assets derecognized or matured (excluding write-offs) | | | | | | |
| Accrued interest capitalized | | | | | | **0** |
| Movement between 12mECL and LTECL | | | | | | **0** |
| **At 31 December** | **(27)** | **0** | **(27)** | **(20)** | **0** | **(20)** |

## 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.

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 REINSURANCE ASSETS

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

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.

Table below presents split of reinsurance held contracts assets based on credit rating of reinsurer.

| **Rating** | **2023** | **2022** |
|---|---|---|
| **Reinsurance recoverable** | | |
| A | 1 431 | 633 |
| A- | 214 | 80 |
| A+ | 22 561 | 12 296 |
| AA | 1 446 | 96 |
| AA- | 3 060 | 1 625 |
| AA+ | 27 | 13 |
| NR | 1 862 | 63 |
| **Total** | **30 600** | **14 806** |

## LIQUIDITY RISK

The risk is managed following liquidity management policy by analysing 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 measured Fair value through OCI and thought profit or loss in amount of 179 million EUR, loans and deposits in in amount of 23,77 million EUR and cash at bank in amount of 7,4 million EUR; which company tread us highly liquid asset. In the event of a crisis of liquidity, Compensa may ask the shareholders to provide short-, medium, or long-term financial support or enter 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 set taking into consideration the liquidity structure of liabilities and cash demand for other needs.

The following table summarizes the maturity profile of portfolios of insurance contracts issued that are liabilities and portfolios of reinsurance contracts held that are liabilities of the Company based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

Table also includes the summarizes the maturity profile of financial assets of the Company based on remaining undiscounted contractual cash flows, including interest receivable:

Liquidity risk assessment as of 31 December 2023:

| | Contractual undiscounted cash flows | | | | |
|---|---|---|---|---|---|
| **Items** | **Non-fixed term up to 12 months** | **1 to 5 years** | **Over 5 years** | **Total** | **Carrying amount** |
| Debt instruments at FV OCI | 17 082 | 97 008 | 76 384 | 190 474 | 175 369 |
| Debt instruments at FVPL | 3 705 | | | 3 705 | 3 705 |
| Debt instruments at amortised cost | 188 | 17 419 | 7 697 | 25 303 | 23 771 |
| Cash and cash equivalents | 7 408 | | | 7 408 | 7 408 |
| Reinsurance contract asset | 24 003 | 5 529 | 9 645 | 39 177 | 30 600 |
| Other receivables | 1 268 | | | 1 268 | 1 268 |
| **Total assets** | **53 654** | **119 956** | **93 726** | **267 336** | **242 122** |

| **Items** | **Non-fixed term up to 12 months** | **1 to 5 years** | **Over 5 years** | **Total** | **Carrying amount** |
|---|---|---|---|---|---|
| Insurance contracts liabilities | 61 944 | 19 294 | 18 6510 | 99 889 | **158 878** |
| Liabilities, other payables and tax liabilities | 15 316 | | | 15 316 | **15 316** |
| Financial liabilities | 2 453 | 18 166 | 14 369 | 34 987 | **25 668** |
| Provision | 2 324 | | | 2 324 | **2 324** |
| **Total liabilities** | **82 037** | **37 459** | **33 020** | **152 516** | **202 186** |

Liquidity risk assessment as of 31 December 2022:

| | Contractual undiscounted cash flows | | | | |
|---|---|---|---|---|---|
| **Items** | **Non-fixed term up to 12 months** | **1 to 5 years** | **Over 5 years** | **Total** | **Carrying amount** |
| Debt instruments at FV OCI | 2 349 | 73 318 | 96 879 | 172 546 | 153 793 |
| Debt instruments at FVPL | 5 931 | | | 5 931 | 5 931 |
| Debt instruments at amortised cost | | 421 | 5 974 | 6 395 | 6 395 |
| Cash and cash equivalents | 18 087 | | | 18 087 | 18 087 |
| Reinsurance contract asset | 13 496 | 9 619 | 7 158 | 30 274 | 14 806 |
| Other receivables | 1 608 | | | 1 608 | 1 608 |
| **Total assets** | **41 471** | **83 359** | **110 011** | **234 841** | **200 619** |

| Items | Non-fixed term up to 12 months | 1 to 5 years | Over 5 years | Total | Carrying amount |
|---|---|---|---|---|---|
| Insurance contracts liabilities | 52 086 | 17 484 | 6 850 | 76 419 | **133 456** |
| Liabilities, other payables and tax liabilities | 12 173 | | | 12 173 | **12 173** |
| Financial liabilities | 2 637 | 12 104 | 22 482 | 37 223 | **26 019** |
| Provision | 2 294 | | | 2 294 | **28 313** |
| **Total liabilities** | **69 191** | **29 588** | **29 332** | 128 110 | **199 961** |

In addition to the monitoring of the maturity profile of the assets and liabilities, company is monitoring liquidity classification of the assets – in case of the liquidity need, assets, which mostly consist of the government or high-grade corporate bonds which could be realized quickly. Furthermore, cash is generated from operating activities.

## INSURANCE RISK

### GENERAL PRINCIPLES OF INSURANCE MANAGEMENT

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

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

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

Insurance risk is the main risk associated with Insurance and reinsurance assets and liabilities and is described in more details in the chapters below.

### FREQUENCY AND SEVERITY OF CLAIMS

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

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

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

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

## BASIC PRODUCT FEATURES

*Motor compulsory third party liability (MTPL)*

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

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

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

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

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

*Motor own damage insurance (MOD)*

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. MOD 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 HELD – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

### REINSURANCE CONTRACT HELD – subsequent measurement.

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

### CONCENTRATION OF INSURANCE RISK

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

The Company controls risk concentration in the following manner:

- Applying risk concentration limits for specific clients or insurance objects. Application of limits of risk concentration by evaluating the risk of specific clients/insurance subjects. Each type of insurance has a set maximum gross and net limits for specific risks. These limits are applied to each insurance contract.
- The residual risk is managed through the use of reinsurance. The Company buys reinsurance programs covering risks for various types of insurance. Management reviews the reinsurance programs annually and makes decisions about the required changes to these programs. The biggest Net retained parts of the risk of the Company at the end of relevant year:

| Net retained parts of risk | 2023 | 2022 |
|---|---|---|
| Personal accident | 100 000 € | 100 000 € |
| Motor third party liability insurance | 250 000 € | 250 000 € |
| Motor own damage | Not ceded | Not ceded |
| Marine insurance | 100 000 € | 100 000 € |
| Property insurance | 1 000 000 € | 500 000 € |
| General TPL insurance | 200 000 € | 200 000 € |
| NatCAT | 500 000 € | 250 000€ |
| Suretyship | 475 000 € | 475 000 € |

- 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. Financial impact is minimised with additional NatCat reinsurance program.

### 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 following sensitivity analysis shows the impact on gross liabilities, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non linear. Sensitivity analysis for claims provision as of 31 December 2023:

**2023**

| In €000 | Change in assumptions | Impact on profit before tax gross of Reinsurance | Impact on profit before tax net of reinsurance | Impact on equity gross of reinsurance | Impact on equity net of reinsurance |
|---|---|---|---|---|---|
| Expected loss | + 1 % | (2 446) | 0 | (2 446) | 0 |
| Inflation rate | + 1 % | (535) | | (535) | |
| Expected loss | - 1 % | 2 446 | 0 | 2 446 | 0 |
| Inflation rate | - 1 % | 535 | | 535 | |

**2022**

| In €000 | Change in assumptions | Impact on profit before tax gross of Reinsurance | Impact on profit before tax net of reinsurance | Impact on equity gross of reinsurance | Impact on equity net of reinsurance |
|---|---|---|---|---|---|
| Expected loss | + 1 % | (2 446) | 0 | (2 446) | 0 |
| Inflation rate | + 1 % | (535) | | (535) | |
| Expected loss | - 1 % | 2 446 | 0 | 2 446 | 0 |
| Inflation rate | - 1 % | 535 | | 535 | |

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

Sensitivity analysis for reported annuities as of 31 December 2023:

2023-12-31

| Policy country | 1% | -1% |
|---|---|---|
| Estonia | (639 668) | 518 237 |
| Lithuania | (173 063) | 145 133 |
| Latvia | (162 459) | 129 437 |
| **Total** | **(975 191)** | **792 807** |

2022-12-31

| Policy country | 1% | -1% |
|---|---|---|
| Estonia | (520 838) | 430 640 |
| Lithuania | (202 436) | 167 335 |
| Latvia | (271 292) | 194 624 |
| **Total** | **(994 566)** | **792 599** |

## CLAIMS DEVELOPMENT

The following tables show the estimates of cumulative incurred claims (undiscounted Liability Incurred Claims, without Risk Adjustment), for each successive accident year at each reporting date, together with cumulative payments to date.

| **Claims triangle per accident year. AIC/LIC PVFCF PAA - undiscounted excl. RA –issued** | **2021** | **2022** | **2023** | **Total** |
|---|---|---|---|---|
| **cumulative estimated claims - issued** | | | | |
| at the end of accident year | (42 386) | (142 269) | (165 716) | (350 371) |
| one year later | (12 670) | (142 672) | | (155 341) |
| two years later | (12 045) | | | (12 045) |
| three years later | | | | - |
| four years later | | | | - |
| five years later | | | | - |
| six years later | | | | - |
| seven years later | | | | - |
| eight years later | | | | - |
| nine years later | | | | - |
| **Cumulative claims paid** | | (129 443) | (116 256) | (245 699) |
| **Remaining estimated claims per accident year – issued** | **(12 045)** | **(13 229)** | **(49 460)** | **(74 733)** |
| **Remaining A/LIC PVFCF PAA < rep. year -10 years / including Rec/Pay - issued** | | | | (21 750) |
| **effect of discounting PAA – issued** | | | | 7 871 |
| **effect of risk adjustment - PAA - issued** | | | | (2 697) |
| **Total** | | | | **(91 310)** |

## 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.

For the purpose of the Company's capital management, capital includes issued capital, subordinated long-term liabilities and all other equity reserves attributable to the equity holders of the parent. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.The Company has met all of the regulatory requirements throughout the financial year. To ensure a sufficient solvency position of the Company, the policy describes minimum requirements and standards regarding capital management. Solvency ratio is the main indicator of financial strength of a company. In order to protect the Company against strong movements in both directions, additional relative limits and limit warnings for the Solvency Ratio, the capital requirement and the own funds are defined. Additional relative limits for solvency ratio, which are based on the solvency planning are monitored within the risk bearing capacity process. The risk bearing capacity concept is based on a two-stage limit system, which means that limit warnings (yellow) as well as limits (red) are implemented for the three key figures total eligible own funds, total solvency capital requirement and solvency ratio. In addition to the monitoring of limits of the three key figures the limit system also provides an overall limit status by aggregating limit breaches. The overall status is displayed in a three-color scheme (red, yellow, green). In case of limit violation escalation process is triggered. In order to improve the steering and monitoring of eligible own funds a loss capacity is defined based on the relative limit for the eligible own funds. For this purpose, the total loss capacity for a quarter is calculated as the difference between actual eligible own funds of the quarter and the own funds limit of the following quarter. Hence, it provides the maximum decrease in the eligible own funds, such that the limit is not breached in the next quarter. Similar to the loss capacity on the side of the own funds, SCR risk budgets have to be defined to enhance the steering and monitoring of the solvency capital requirement. For this purpose, the risk budget is defined as the maximum allowed deviation in the SCR. Hence, the risk budget is the difference between the SCR limit applied on the planned SCR and the actual value of the SCR. As such it provides the maximum allowed increase in the solvency capital requirement in the next quarter.

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

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

### OPERATIONAL RISK

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

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

Based on the fact, that operational risks can arise in every area and operating activity (including also insurance and reinsurance assets and liabilities in scope of IFRS 17), Compensa follows the approach that operational risk management is not the task of one single department, but in the responsibility of each department within their own operational area.

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

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

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

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

### REINSURANCE AND OTHER TECHNIQUES FOR RISK MINIMIZATION

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

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

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

### ASSET AND LIABILITY MANAGEMENT

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

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

The currency and duration mismatch between assets and liabilities is monitored quarterly in order to control for the currency and interest rate risk.

In case the mismatch between assets and liabilities is evaluated to be material and inappropriate, the strategic asset allocation and limits set in the Investment and Risk policy must be changed.

## NOTE 1. INTANGIBLE ASSETS (EUR)

| | Goodwill | Software | Other assets | Total |
|---|---|---|---|---|
| **Balance at 2022.01** | 10 726 | 4 124 | 105 | **14 955** |
| Acquired assets | | 1 431 | 112 | 1 543 |
| Reclasification | | 0 | 0 | 0 |
| Write off | | (2) | | (2) |
| Amortization of intangible asset | | (953) | -65 | (1 018) |
| **Balance at 2022.12** | **10 726** | **4 599** | **152** | **15 478** |
| **As at 31 December 2022** | | | | |
| **Total acquisition cost** | 10 726 | 9 849 | 284 | 20 859 |
| **Total accumulated amortization** | - | (5 250) | (131) | (5 381) |
| **Net book amount as at december 2022** | **10 726** | **4 599** | **152** | **15 478** |
| **Balance at 2023.01** | 10 726 | 4 599 | 152 | **15 478** |
| Acquired assets | | 1 212 | 162 | **1 374** |
| Reclasification | | | | **0** |
| Write off | | | 2 | **2** |
| Amortization of intangible asset | | (1 289) | (75) | **(1 364)** |
| **Balance at 2023.12** | **10 726** | **4 522** | **242** | **15 490** |
| **As at 31 December 2023** | | | | |
| **Total acquisition cost** | **10 726** | **11 061** | **446** | **22 232** |
| **Total accumulated amortization** | **-** | **(6 539)** | **(204)** | **(6 742)** |
| **Net book amount as at december 2023** | **10 726** | **4 522** | **242** | **15 490** |

The amortization expenses of intangible assets for the year 2023 was booked 1289 thz EUR as administrative expenses (in 2022–1 018 thz EUR).

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 of 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 2023. Recoverable amount of the goodwill is determined based on an assessment of value in use. For the purpose of impairment testing of goodwill, the entire Company is assumed to be one cash generating unit due to following facts:

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

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

The recoverable amount of cash generating unit as of 31 December 2023 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 2023 and 2022 are described further.

In current year impairment model, gross written premiums are forecasted to grow at compound average growth rate for the five years financial forecast (CAGR) 4,2% for 2022 (7,4%) over the next five years. Net earned premiums are forecasted to grow at compound average growth rate (CAGR) 4,6% for 2022 (8,4%) over the forecast period. Management expects growth above general GDP growth level due to growth of general insurance market, increasing insurance penetration, and increase of the Company's brand awareness. Gross loss ratio is estimated at 60.1%-60.3% and net loss ratio is forecast at 62%-63% over the forecast period.

Cash flows beyond the five-year period were extrapolated using 1% growth rate. The discount rate used by the management was estimated as a weighted average cost of capital for the cash generating unit and is equal to 10.30% in 2023 and 10.15% in 2022.

The assessment of the recoverable amount of the cash generating unit as of 31 December 2023 resulted in no impairment of goodwill at the end of 2023.

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 2023:

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

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

### NOTE 2. Right of use assets

The Company recognizes right-of-use assets in the amount of EUR 2 512 For the calculation of lease liabilities, the Company used discount rates that depend on lifetime of contract which a varies from 0.073% to 2.96%.

#### RIGHT-OF-USE ASSET

| | Land and buildings | Cars | Total |
|---|---|---|---|
| **2023** | | | |
| Balance at 1 January | **2 895** | **38** | **2 933** |
| Depreciation charge for the year | (490) | (28) | (518) |
| Additions to right-of-use assets | 107 | 33 | 140 |
| **Balance on 31 December** | **2 512** | **43** | **2 555** |

***Leases as lessee (IFRS 16)***

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 | Total |
|---|---|---|---|
| **Balance at 2022.01** | 1 266 | 119 | **1 385** |
| Acquired assets | 423 | 49 | **472** |
| Reclasification | | | **0** |
| Write off | (172) | | **(172)** |
| Amortization of intangible asset | (428) | (56) | **(484)** |
| **Balance at 2022.12** | **1 089** | **112** | **1 202** |
| **As at 31 December 2022** | | | |
| **Total acquisition cost** | 2 910 | 306 | 3 216 |
| **Total accumulated amortization** | (1 821) | (194) | (2 015) |
| **Net book amount as at december 2022** | **1 089** | **112** | **1 202** |
| **Balance at 2023.01** | 1 089 | 112 | **1 202** |
| Acquired assets | 241 | 208 | **449** |
| Reclasification | | | **0** |
| Write off | (38) | (19) | **(57)** |
| Amortization of intangible asset | (437) | (45) | **(482)** |
| **Balance at 2023.12** | **855** | **256** | **1 111** |
| **As at 31 December 2023** | | | |
| **Total acquisition cost** | **3 151** | **514** | **3 665** |
| **Total accumulated amortization** | **(2 297)** | **(258)** | **(2 554)** |
| **Net book amount as at december 2023** | **855** | **256** | **1 111** |

The depreciation expenses of property and equipment of the year 2023 were booked as administrative expenses in the amount of EUR 482 thz (in the year 2022 – respectively EUR 484thz).

As of 31 December 2023, the Company had fully depreciated property and equipment which were still used in activity.

Office and other equipment:

| Items | 2023 | 2022 |
|---|---|---|
| Acquisition price | | 278 |

## NOTE 4. DEBT INSTRUMENT AT FAIR VALUE THOUGH PROFIT OR LOSS

The breakdown of financial assets measured at FVPL is, as follows:

| | 31 December | | 1 January |
|---|---|---|---|
| In €000 | 2023 | 2022 | 2022 |
| Equity securities | 35 | | |
| Other debt instruments | | | |
| Financial institutions | | 1 553 | 1 546 |
| Funds | 3 670 | 4 378 | 3 804 |
| Total equity and debt instruments at FVPL | **3 705** | **5 931** | **5 350** |

## NOTE 5. DEBT INSTRUMENT MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The breakdown of debt instruments measured at FVOCI is, as follows.

| In €000 | 31 December 2023 | 31 December 2022 | 1 January 2022 |
|---|---|---|---|
| **Debt instruments measured at FVOCI** | | | |
| *Government debt instruments* | 87 471 | 63 592 | 67 010 |
| *Other debt instruments* | | | |
| Financial institutions | 43 264 | 37 558 | 44 956 |
| Non-financial institutions | 44 634 | 52 644 | 62 709 |
| *Total other debt instruments* | | | |
| **Total debt instruments measured at FVOCI** | **175 369** | **153 793** | **174 675** |

The loss allowance for debt investments at FVOCI of (111 thz EUR), (2022: 2 724 thz ) does not reduce the carrying amount of these investments (which are measured at fair value), but gives rise to an equal and opposite gain in OCI.

The table below shows the fair value of the Company's debt instruments measured at FVOCI by credit risk, based on its internal credit rating system.

**The fair value of the Company's debt instruments measured at FVOCI by credit risk**

| In €000 | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| **Internal rating grade** | **12mECL** | **LTECL** | **Total** | **12mECL** | **LTECL** | **Total** |
| Investment grade | 175 212 | | 175 212 | 150 374 | | 150 374 |
| Non-investment grade | 157 | 0 | 157 | 969 | 2 450 | 3 419 |
| Default | | | | | | |
| **Total Net Amount** | **175 369** | **-** | **175 369** | **151 343** | **2 450** | **153 793** |

## NOTE 6. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT HIERARCHY

The measurement process aims to determine fair value using price quotations that are publicly available in active markets or valuations based on recognized economic models using observable inputs. The related party receivables are no more than 12 months and carrying value approximates fair value.

The carrying value of the deposits with credit institutions approximates fair value.

For items with different FV – please see attached Example - FV of financial assets liabilities.

Hierarchy as of 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial asset at fair value OCI | 121 165 | 48 968 | 5 236 | 175 369 |
| Fair value though PL | | | 3 705 | 3 705 |
| **Total** | **121 165** | **48 968** | **8 941** | **179 074** |

Hierarchy as of 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Fair value though OCI | 88 408 | 39 543 | 2 450 | 130 401 |
| Fair value though PL | 1 553 | | 8 479 | 10 032 |
| **Total** | **89 961** | **39 543** | **10 929** | **140433** |

During 2022 market situation has changed for one of Company's assets. For this position active market trading has ceased, thus Company applied internal model for its market value evaluation. That resulted of asset reclassification from Level 1 to Level 3.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial asset at fair value OCI | (2 450) | - | 2 450 | 0 |

The table below shows the reconciliation of level 3 from the opening balances to the closing balances.

| | |
|---|---|
| **Financial assets Level 3 as of 31 December 2021** | **7 167** |
| Purchased | 1 194 |
| Gain included in OCI | 2 734 |
| Impairment | (2 616) |
| Reclassification | 2 450 |
| **Financial assets Level 3 as of 31 December 2022** | **10 929** |
| Purchased | 439 |
| Gain included in OCI | 23 |
| Sold | - (2450) |
| **Financial assets Level 3 as of 31 December 2023** | **8 941** |

In the reporting period the Company acquired additional shares of Eften in amount of 439 thz EUR. The value of these units is determined by reference to the Net Asset Value of the Investee as at the reporting date, where the value of assets of this Investee is measured using valuation reports prepared by appraisers.

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

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

- Equivalent yields
- Estimated rental

The applied yields for valuation ranges from 5,25% to 8,92 % (4,75% to 8,26% in 2022, respectively). Rental levels vary between EUR 6,75 and EUR 40 per sqm per month (between EUR 5 and EUR 26 per sqm per month in 2022, respectively).

A change in the underlying inputs can therefore lead to fluctuations in the value of a property. An increase of rental income by 2,5% respectively 5% and unchanged yield will lead to an increase of value of the properties by 5,382 million EUR respectively 10,756 million EUR. On the other side a decline of rental income would lead to an according reduction in the asset value. In case of a yield increase by 0,25% respectively 0,5% and leaving the rental income unchanged the values of the properties would decrease by thz EUR3,213 respectively thz EUR 16,805 EUR. A yield decrease would result in the opposite effect namely accordingly higher asset values.

Combination of changes in rental income as well as yield as yield changes and subsequent fair value of the property are show in the table below. Sensitivity presented below reflects the total market value of VIG Fund's directly held properties where Compensa holds a share of 1,93%

**Relative changes in rental income 2023**

| | | -5% | -2.50% | 0% | 2.50% | 5% |
|---|---|---|---|---|---|---|
| | -0.50% | 287 105 | 283 966 | 289 827 | 295 687 | 301 547 |
| | -0.25% | 262 601 | 268 066 | 273 532 | 278 996 | 284 461 |
| | 0% | 258 689 | 264 063 | 269 430 | 274 812 | 280 186 |
| | 0.25% | 255 606 | 260 911 | 266 217 | 271 521 | 276 826 |
| Relative yield changes | 0.50% | 242 671 | 247 648 | 252 625 | 257 601 | 262 577 |

**Relative changes in rental income 2022**

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

The table contains rounded figures.

Investment in to Eften fund units are originally valued at their acquisitions cost and subsequently revaluated at fair value. For the determination of the fair value of the investment the net asset method was applied. Eften value is highly impacted by value of invested property and a change in the underlying inputs can therefore lead to fluctuations in the value of property. Significant unobservable inputs used in fair value measurement categorized as level 3 of the fair value hierarchy of the Company's investment properties are Existing yield and Estimated rental income per year.

The applied yields for valuation ranges from 5,5% to 6.3% (5,0% to 6% in 2022, respectively). Estimated rental levels vary between EUR 318 EUR, to EUR 801 per sqm per year (between EUR 711 and 801EUR per sqm per year in 2022, respectively).

The table below illustrates the sensitivity of the fair value of investment properties recognized in the Eften balance sheet as of 31.12.2023 to the most important valuation assumptions:

| **2023** | | **Sensitivity to management estimates** | | |
|---|---|---|---|---|
| Investment properti in thz EUR | Fair value | Revenue +10% | Revenue - 10% | Discount rate +50bp |
| Kadaka Metsapark | 14 270 | 1,51 | -1,51 | -300 |
| Kaunas Residential | 10 700 | 1,21 | -1,21 | -220 |
| Rewo project | 11 240 | 1,98 | -1,98 | -340 |
| Total | 36 210 | 4,70 | -4,70 | -860 |

| 2022 | | Sensitivity to management estimates | | |
|---|---|---|---|---|
| Investment property in thz EUR | Fair value | Revenue +10% | Revenue -10% | Discount rate +50 bp |
| Kadaka Metsapark | 6 580 | 1,12 | -1,12 | -180 |
| Kaunas Residential | 15 250 | 1,6 | -1,6 | -320 |
| Total | 21 830 | 2,72 | -2,72 | -500 |

## NOTE 7. DEBT INSTRUMENT MEASURED AT AMORTISED COST

The breakdown of debt instruments measured at amortized cost is, as follows:

| | 31 December | | |
|---|---|---|---|
| **In €000** | **2023** | **2022** | **1 January 2022** |
| **Debt instruments at amortized cost** | | | |
| Deposits | **16 128** | - | - |
| Loans | 7 670 | 6 395 | 4 225 |
| ECL | (27) | (20) | (6) |
| **Total debt instruments at amortized cost** | **23 771** | **6 375** | **4 219** |

**The fair value of the Company's debt instruments measured at AC by credit risk**

| **In €000** | **2023** | | | **2022** | | |
|---|---|---|---|---|---|---|
| **Internal rating grade** | **12mECL** | **LTECL** | **Total** | **12mECL** | **LTECL** | **Total** |
| Investment grade | 17 866 | | 17 866 | 1 809 | | 1 809 |
| Non-investment grade | 5 905 | | 5 905 | 4 566 | | 4 566 |
| Default | | | | | | |
| **Total Net Amount** | **23 771** | **-** | **23 771** | **6 375** | **-** | **6 375** |

### A. LOANS GRANTED

During 2023 The company granted loans in amount of 1,4 ml. For the end of the year Company calculated expected credit losses from loans in amount of 27thz.

During 2022, the Company granted loans in amount of 2,3 million. Calculated expected credit losses for 2022 was in amount 20thz EUR.

## LOAN AND INTEREST AMOUNTS RECEIVABLE

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

| Items | 2023 | | 2022 Restated | |
|---|---|---|---|---|
| | Loans | Future interest | Loans | Future interest |
| Within 1 year | 95 | 187 | 93 | 151 |
| Within 2-5 years | 738 | 707 | 743 | 570 |
| Within 5-10 years | 6837 | 435 | 5 559 | 470 |
| After 10 years | | | - | - |
| ECL | (27) | | (20) | |
| **Total** | **7 643** | **1 329** | **6 375** | **1 191** |

**Loan amount as of 31 December 2023 and 2022**

| Items | 2023 ECL | 2023 Loans | 2022 ECL | 2022 loans |
|---|---|---|---|---|
| **Loans at the beginning of reporting year** | **(20)** | **6 395** | **(5)** | **4225** |
| Loans granted | (7) | 1 358 | (15) | 2261 |
| Loans repayment | | (83) | | (91) |
| **Loans at the end of reporting year** | **(27)** | **7 670** | **(20)** | **6395** |

## NOTE 8. INVESTMENT TO ASSOCIATE COMPANIES

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. Company is registered in Latvia and providing services in Latvia and Lithuania. Main activity of the company is car assistance services which they are providing to insurance companies. No dividend was paid in financial years 2023-2022.

In 2021 the company invested into three associated real estate projects Gertrudes 121 SIA, Artilerijas 35 SIA and Alauksta 13/15 SIA. During 2021 Company invested 0,3 million EUR to Artilerijas 35 SIA, 0,3 million to Alauksta 13/15 SIA and to Gertrudes 121 SIA 1 million. During 2022 was no additional investments to these companies' equity. Companies acting like contractive companies in Latvia and Lithuania.

As at the end of 2023 the associated companies are accounted using the cost method. Based on impairment analysis performed by managers as at 31.12.2023 no impairment has been identified.

During 2023 was paid dividends in amount of 168 thz.

The equity and total assets as of 31 December 2023 and result for the financial year then ended of the associated companies could be presented as follows:

| Company name | Company share | Investment 2023 | Profit or loss | Equity | Total Asset | Total liabilities |
|---|---|---|---|---|---|---|
| SIA Global Assistance Baltic | 33,33% | 100 | (17) | 247 | 508 | 261 |
| Artilerijas | 33,33% | 320 | (80) | 933 | 2 776 | 1 843 |
| Gertudes | 33,33% | 1059 | (253) | 2 518 | 8 618 | 6 100 |
| Alauska | 33,33% | 304 | (73) | 827 | 2 570 | 1 743 |
| AS EGCC | C, D categories | 35 | | | - | - |
| Total | Shares | 1818 | (423) | 4 525 | 14 472 | 9 947 |

For the year 2022

| Company name | Company share | Investment 2022 | Profit or loss | Equity | Total Asset | Total liabilities |
|---|---|---|---|---|---|---|
| SIA Global Assistance Baltic | 33,33% | 100 | (13) | 265 | 535 | 271 |
| Artilerijas | 33,33% | 320 | 149 | 1067 | 2950 | 1883 |
| Gertudes | 33,33% | 1059 | (236) | 2891 | 9128 | 6237 |
| Alauska | 33,33% | 304 | (81) | 900 | 2684 | 1784 |
| AS EGCC | C,D categories | 35 | | | - | - |
| Total | Shares | 1818 | (181) | 5122 | 15297 | 10175 |

Valuation method of these investments is cost less impairment. At the end of 2023, the Net asset that is attributed to our Company is less than the investment, this indicate that there is a decrease in value. We have done the impairment test according to which the incoming cash flows are sufficient to cover the loss and to be profitable.

## NOTE 9. INSURANCE AND REINSURANCE CONTRACTS

The breakdown of groups of insurance and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

**The breakdown of groups of insurance and reinsurance contracts issued, and reinsurance contracts held**

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| **In €000** | **Assets** | **Liabilities** | **Net** | **Assets** | **Liabilities** | **Net** |
| Insurance contracts issued | | | | | | |
| Medical expenses insurance | | (8 072) | (8 072) | | (7 117) | (7 117) |
| Personal accident insurance | | (2 300) | (2 300) | | (2 014) | (2 014) |
| MTPL insurance | | (56 914) | (56 914) | | (52 724) | (52 724) |
| MOD insurance | | (21 274) | (21 274) | | (18 591) | (18 591) |
| Marine insurance | | (587) | (587) | | (620) | (620) |
| Property insurance | | (54 901) | (54 901) | | (39 909) | (39 909) |
| General third party liability insurance | | (8 470) | (8 470) | | (8 355) | (8 355) |
| Suretyship insurance | | (6 306) | (6 306) | | (4 131) | (4 131) |
| Miscellaneous financial loss | | (55) | (55) | | 4 | 4 |
| **Total insurance contracts issued** | | (158 878) | (158 878) | | (133 456) | (133)<br>456 |
| Insurance contracts assets | 54 | | 54 | | 253 | 253 |
| **Total reinsurance contracts held** | 30 600 | | 30 600 | | 14 806 | 14 806 |

### 9.1. Roll-forward of asset or liability for insurance contracts issued

#### For the year 2023

| | Liabilities for remaining coverage | | Liabilitites for incurred claims | | | |
|---|---|---|---|---|---|---|
| | | | Contracts under PAA | thereof Contracts under PAA | | |
| | Excluding loss component | Loss component | Total | Estimates of present value of future cash flows | Risk adjustment for non-financial risk | Grand Total |
| **Net opening balance** | **59 398** | **1 089** | **72 969** | **71 833** | **1 136** | **133 456** |
| Opening assets | | | | | | |
| Opening liabilities | 59 398 | 1 089 | 72 969 | 71 833 | 1 136 | 133 456 |
| **Changes in the statement of profit or loss and OCI** | | | | | | |
| **Insurance revenue** | (236 784) | | | | | (236 784) |
| Contracts under the modified retrospective approach | | | | | | |
| Contracts under the fair value approach | | | | | | |
| Other contracts | (236 784) | | | | | (236 784) |
| **Insurance service expenses** | 35 762 | (1 089) | 189 806 | 188 161 | 1 645 | 224 479 |
| Incurred claims and other insurance service expenses | - | - | 173 523 | 173 523 | | 173 523 |
| Losses of onerous contracts and reversals of those losses | | (1 089) | | | | (1 089) |
| Changes to liabilities for incurred claims | | | 16 282 | 14 638 | 1 645 | 16 282 |
| Amortisation of insurance acquisition cash flows | 35 762 | | | | | 35 762 |
| **Investment components** | | | | | | |
| **Insurance service result** | (201 022) | (1 089) | 189 806 | 188 161 | 1 645 | (12 305) |
| Net finance expenses from insurance contracts | | | 1 293 | 1 293 | | 1 293 |
| Changes of OCI | | | 765 | 849 | (84) | 765 |
| **Total amounts recognised in comprehensive income** | (201 022) | (1 089) | 191 864 | 190 304 | 1 561 | (10 246) |
| **Cash flows** | | | | | | |
| Premiums received | 246 962 | | | | | 246 962 |
| Claims and other insurance service expenses paid | | | (144 215) | (144 215) | | (144 215) |
| Insurance acquisition cash flows | (37 769) | | (29 308) | (29 308) | | (67 078) |
| Considerations related to contracts transferred | | | | | | |
| **Total cash flows** | 209 192 | | (173 523) | (173 523) | | 35 669 |
| **Net closing balance** | 67 569 | | 91 310 | 88 613 | 2 697 | 158 878 |
| Closing assets | | | | | | |
| Closing liabilities | 67 569 | | 91 310 | 88 612 | 2 697 | 158 878 |
| **Closing balance check** | 67 569 | | 91 310 | 88 612 | 2 697 | 158 878 |

**For the year 2022**

| | Liabilities for remaining coverage | | Liabilitites for incurred claims | | | |
|---|---|---|---|---|---|---|
| | | | Contracts under PAA | thereof Contracts under PAA | | |
| | Excluding loss component | Loss component | Total | Estimates of present value of future cash flows | Risk adjustment for non-financial risk | Grand Total |
| **Net opening balance** | **53 769** | **653** | **74 767** | **73 587** | **1 180** | **129 189** |
| Opening assets | | | | | | |
| Opening liabilities | 53 769 | 653 | 74 767 | 73 587 | 1 180 | 129 189 |
| **Changes in the statement of profit or loss and OCI** | | | | | | |
| **Insurance revenue** | **(199 226)** | | | | | **(199 226)** |
| Contracts under the modified retrospective approach | | | | | | |
| Contracts under the fair value approach | | | | | | |
| Other contracts | (199 226) | | | | | (199 226) |
| **Insurance service expenses** | **32 161** | **436** | **152 599** | **152 581** | **18** | **185 196** |
| Incurred claims and other insurance service expenses | | | 151 685 | 151 685 | | 151 685 |
| Losses of onerous contracts and reversals of those losses | | 436 | | | | 436 |
| Changes to liabilities for incurred claims | | | 914 | 896 | 18 | 914 |
| Amortisation of insurance acquisition cash flows | 32 161 | | | | | 32 161 |
| **Investment components** | | | | | | |
| **Insurance service result** | **(167 065)** | **436** | **152 599** | **152 581** | **18** | **(14 030_** |
| Net finance expenses from insurance contracts | | | 75 | 75 | | 75 |
| Changes of OCI | | | (2 787) | (2 712) | (74) | (2 787) |
| **Total amounts recognised in comprehensive income** | **(167 065)** | **436** | **149 887** | **149 943** | **(56)** | **(16 742)** |
| **Cash flows** | | | | | | |
| Premiums received | 206 834 | | | | | 206 834 |
| Claims and other insurance service expenses paid | | | (129 335) | (129 335) | | (129 335) |
| Insurance acquisition cash flows | (34 140) | | (22 351) | (22 351) | | (56 490) |
| Considerations related to contracts transferred | | | | | | |
| **Total cash flows** | **172 694** | | **(151 685)** | **(151 685)** | | **21 009** |
| **Net closing balance** | **59 398** | **1089** | **72 969** | **71 846** | **1 123** | **133 456** |
| Closing assets | | | | | | |
| Closing liabilities | 59 398 | 1 089 | 72 969 | 71 846 | 1 123 | 133 456 |
| **Closing balance check** | **59 398** | **1 089** | **72 969** | **71 846** | **1 123** | **133 456** |

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising from reinsurance held:

### For the year 2023

| | Assets for remaining coverage | | Assets for incurred claims | | | |
|---|---|---|---|---|---|---|
| | | | Contracts under PAA | thereof Contracts under PAA | | |
| | Excluding loss recovery component | Loss recovery component | Total | Estimates of present value of future cash flows | Risk adjustment for non-financial risk | Grand Total |
| **Net opening balance** | **3 809** | **-** | **(18 615)** | **(18 003)** | **(612)** | **(14 806)** |
| Opening assets | 3 809 | - | (18 615) | **(18 003** | (612) | (14 806) |
| Opening liabilities | | | | | | - |
| **Changes in the statement of profit or loss and OCI** | | | | | | |
| **Allocation of renisurance premiums (Reinsurance revenue)** | **45 320** | | | | | **45 320** |
| Contracts under modified retrospective approach | | | | | | |
| Contracts under fair value approach | | | | | | |
| Other contracts | 45 320 | | | | | 45 320 |
| **Amounts recoverable from reinsurers** | | **-** | **(43 715)** | **(43 033)** | **(682)** | **(43 715)** |
| Amounts recoverable for claims and other expenses incurred in the period | | | (37 044) | (37 044) | | (37 044) |
| Changes in loss recovery component | | | | | | - |
| Adjustments to assets for incurred claims | | | (6 671) | (5 989) | (682) | (6 671) |
| Effect of changes in non-performance risk of reinsurer | | | 21 | 21 | | 21 |
| **Investment components** | | | | | | |
| **Reinsurance service result** | **45 320** | **-** | **(43 694)** | **(43 012)** | **(682)** | **1 626** |
| Reinsurance finance income or expenses | | | 542) | (542) | | (542) |
| Changes of OCI | | | (363) | (363) | | (363) |
| **Total amounts recognised in comprehensive income** | **45 320** | **-** | **(44 599)** | **(43 918)** | **(682)** | **721** |
| **Cash flows** | | | | | | |
| Premiums paid | (44 561) | | | | | (44 561) |
| Claims and other reinsurance service expenses received | | | 28 046 | 28 046 | | 28 046 |
| Insurance acquisition cash flows and insurance service expenses paid | | | | | | - |
| **Total cash flows** | **(44 561)** | | **28 046** | **28 046** | | **(16 515)** |
| **Net closing balance** | **4 568** | **-** | **(35 168)** | **(33 875)** | **(1 294)** | **(30 600)** |
| Closing assets | 4 568 | - | (35 168) | (33 875) | (1 294) | (30 600) |
| Closing liabilities | | | | | | - |
| **Closing balance check** | **4 568** | **-** | **(35 168)** | **(33 875)** | **(1 294)** | **(30 600)** |

**For the year 2022**

| | Assets for remaining coverage | | Assets for incurred claims | | | |
|---|---|---|---|---|---|---|
| | | | Contracts under PAA | thereof Contracts under PAA | | |
| | Excluding loss recovery component | Loss recovery component | Total | Estimates of present value of future cash flows | Risk adjustment for non-financial risk | Grand Total |
| **Net opening balance** | **6 984** | **-** | **(21 889)** | **(21 586)** | **(303)** | **(14 905)** |
| Opening assets | (625) | - | (16 853) | (16 624) | (229) | (17 478) |
| Opening liabilities | 7 609 | - | (5 036) | (4 962) | (74) | 2 573 |
| **Changes in the statement of profit or loss and OCI** | | | | | | |
| **Allocation of reinsurance premiums (Reinsurance revenue)** | **43 689** | | | | | **43 689** |
| Contracts under modified retrospective approach | | | | | | - |
| Contracts under fair value approach | | | | | | |
| Other contracts | 43 689 | | | | | 43 689 |
| **Amounts recoverable from reinsurers** | **-** | **-** | **(35 921)** | **(35 562)** | **(359)** | **(35 921)** |
| Amounts recoverable for claims and other expenses incurred in the period | | | (32 584) | (32 584) | | (32 584) |
| Changes in loss recovery component | | | | | | |
| Adjustments to assets for incurred claims | | | (3 337) | (2 977) | (359) | (3 337) |
| Effect of changes in non-performance risk of reinsurer | | | 5 | 5 | | 5 |
| **Investment components** | | | | | | - |
| **Reinsurance service result** | **43 689** | | **(35 916)** | **(35 557)** | **(359)** | **7 773** |
| Reinsurance finance income or expenses | | | 4 | 4 | | 4 |
| Changes of OCI | | | 1 381 | 1 381 | | 1 381 |
| **Total amounts recognised in comprehensive income** | **43 689** | **-** | **(34 531)** | **(34 172)** | **(359)** | **9 158** |
| **Cash flows** | | | | | | |
| Premiums paid | (49 265) | | | | | (49 265) |
| Claims and other reinsurance service expenses received | | | 37 806 | 37 806 | | 37 806 |
| Insurance acquisition cash flows and insurance service expenses paid | 2 402 | | | | | 2 402 |
| **Total cash flows** | **(46 863)** | | **37 806** | **37 806** | | **(9 058)** |
| **Net closing balance** | **3 809** | **-** | (18 615) | (17 952) | (663) | (14 806) |
| Closing assets | 3 809 | - | (18 615) | (17 952) | (663) | (14 806) |
| Closing liabilities | | | | | | - |
| **Closing balance check** | **3 809** | **-** | **(18 615)** | **(17 952)** | **(663)** | **(14 806)** |

The expected timing of when assets for insurance acquisition cash flows will be derecognised and included in the measurement of the group of insurance contracts to which they are allocated is disclosed in the table below:

| | 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| **In, 000** | **Up to 1 Year** | **1-2 year** | **2-3 year** | **3-4 year** | **4-5 year** | **>5 year** | **Total** |
| Expected timing of derecognition of assets balance as at 31/21 | 52 | 2 | - | - | - | - | 54 |

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| **In, 000** | **Up to 1 Year** | **1-2 year** | **2-3 year** | **3-4 year** | **4-5 year** | **>5 year** | **Total** |
| Expected timing of derecognition of assets balance as at 31/21 | 219 | 19 | 9 | 4 | 1 | 1 | 253 |

## NOTE 10. CASH IN HAND AND AT BANK

| **Items** | **2023** | **2022** |
|---|---|---|
| Cash in bank | 7 400 | 18 075 |
| Cash in hand | 8 | 12 |
| **Total** | **7 408** | **18 087** |

## NOTE 11. SHAREHOLDERS' EQUITY (EUR)

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

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

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

| | **2023** | | **2022** | |
|---|---|---|---|---|
| **In €000 Items** | **Number of shares** | **Value** | **Number of shares** | **Value** |
| Share capital | 188 000 | 18 800 | 188 | 18 800 |
| Share premium | | 17 046 | | 17 046 |

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

| **In €000** | **2023** | | **2022** |
|---|---|---|---|
| **Number of shares** | **% of share capital** | **Number of shares** | **% of share capital** |
| 188 000 | 100 | 188 000 | 100 |

## NOTE 12. RESERVES

In the year 2023 the Company's shareholders decided to paid dividends in amount 2,3 million EUR 0,067 EUR per share) from retained earnings.

Legal reserve is formed in compliance with the Company Law of the Republic of Lithuania. Annual allocation to the legal reserve shall amount to at least 5% of the net profit until the reserve makes up 10%

of the share capital. This reserve cannot be distributed.

In 2022, the Company recognized revaluation reserve for financial assets in the amount 26 269 thz (which is net of deferred taxes in amount of 1 835 thz EUR).

| **Movement of revaluation reserve (In €000)** | **2023** | **2022 (restated)** |
|---|---|---|
| Balance at the beginning of the year on 2022 | (26 269) | **4 030** |
| *Impact of initial application of IFRS 9* | | **(313)** |
| Fair value Gain/(Loss) recorded in OCI | 8 047 | (29 987) |
| Impairment Russian bonds | | - |
| Balance at the end of the year | **(18 222)** | **(26 269)** |

Profit distribution.

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

## NOTE 13. PROVISIONS

| Items In €000 | **2023** | **2022** |
|---|---|---|
| Provisions at the beginning of reporting year | 2 294 | 1 711 |
| Reserve created | 2 403 | 2 524 |
| Reserve used | (2 373) | (1 940) |
| Provisions at the end of reporting year | 2 324 | 2 294 |

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

The main part of provision company planning to pay during 2024Y.

## NOTE 14. FINANCIAL LIABILITIES

Financial liabilities consist of liabilities for right of used asset and liabilities of subordinated loan received from share holder.

| **In €000** | **2023** | **2022** |
|---|---|---|
| Subordinated liabilities | 23 070 | 23 070 |
| Lease liabilities | 2 599 | 2 949 |
| **Total** | **25 668** | **26 019** |

## SUBORDINATED LIABILITY

During 2023 the company have't received subborditated loans. In year 2022 the Company received 1 restricted (according to Solvency II own funds classification) subordinated loan with interest rate 10,28% in amount of 4 million EUR. The loan is granted for an unlimited time. The principal amount may only be repaid after 5th anniversary of it being received by the Borrower (In 2027Y). Also Company received 2 subordinated loans with interest rates 6,84% and 5,8% in total in amount of 11ml. for 10 years period. All loans were received from the Company's shareholder Vienna Insurance Group AG Wiener Versicherung Gruppe.

The split of the payable interest and subordinated loans repayment for the future periods

| In €000 | 2023 | | 2022 | |
|---|---|---|---|---|
| | Loans | Future interest | Loans | Future interest |
| Within 1 year | | (1 522) | - | (1 558) |
| Within 2-5 years | (11 000) | (5503) | (4 000) | (6 234) |
| Within 5-10 years | (11 500) | (2864) | (18 500) | (3 982) |
| After 10 years | | | - | |
| **Total** | **(22 500)** | **(9889)** | **(22 500)** | **(11 775)** |

## SUBORDINATED LOAN AMOUNT AS AT 31 DECEMBER 2023

| In €000 | 2023 | 2022 |
|---|---|---|
| **Loans at the beginning of reporting year** | **(22 500)** | **(7 500)** |
| Loans received | | (15 000) |
| **Loans at the end of reporting year** | **(22 500)** | (22 500) |

| In €000 | 2023 | 2022 |
|---|---|---|
| **Interest at the beginning of reporting year** | **(570)** | **(97)** |
| Accrued interest | (1 535) | (865) |
| Interest payment | 1 535 | 392 |
| **Accrued interest at the end of reporting year** | **(570)** | **(570)** |

## LEASE LIABILITIES

| leases under IFRS 16 In €000 | 2023 | 2022 |
|---|---|---|
| Less than one year | 931 | 1 079 |
| One to two years | 1 663 | 1 729 |
| Two to three years | - | 141 |
| Four to five | **5** | - |
| **Total** | **2 599** | **2 949** |

Interest expense on lease liabilities amounted to 3,6 thz EUR in year 2023 (1,4 thzin year 2022). Total cash outflows for leases amounted to 1359 thz EURin 2023 (1237 thz EUR in 2022).

Company have using exceptions of IFRS 16 for the contracts valid less when one year and for contacts where expenses is for valid period is not more when 5 thz EUR. During 2023 Y such expenses consist of 491 thz EUR and for 2022Y 513 thz EUR.

## NOTE 15. LIABILITIES AND OTHER PAYABLES

| In €000 | 2023 | 2022 (restated) |
|---|---|---|
| Wages and salaries | 1 576 | 1 499 |
| Payments to employees | 25 | 24 |
| Liabilities from unpaid invoices | 1 543 | 1 223 |
| Liabilities from other taxes | 239 | 114 |
| Liabilities arising from social contributions | 430 | 388 |
| Received deposit | 6 263 | 4 686 |
| Liabilities to intermediaries | 1 626 | 1 363 |
| Pre- recognised liabilities | 1 103 | 1 639 |
| Other liabilities | 228 | 192 |
| **Total** | **13 033** | **11 127** |

## NOTE 16. 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

| In €000 | 2023 | 2022 |
|---|---|---|
| Remuneration to Management Board and Supervisory Board members | 306 | 292 |
| Bonuses to Management Board and Supervisory Board members | 162 | 162 |

At the end of 2023 Management consists of 3 Board Members and 4 supervisory board members.

### TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties include transactions with entities which belong to VIG Group.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2023, the Company recognised provision for expected credit losses of €27 thz. relating to amounts borrowed to related parties (2022: €20 thz).

Outstanding balances with parent company are specified as follows:

| In €000 | 2023 | 2022 (restated) |
|---|---|---|
| Receivables from related companies for inward and outward reinsurance activities | 215 | 265 |
| Other receivables from related companies | 103 | 125 |
| Granted loans | 7 670 | 6 395 |
| Financial assets | 6 975 | 7 031 |
| **Total** | **14 963** | **13 816** |

## LIABILITIES TO PARENT COMPANY

| In €000 | 2023 | 2022 (restated) |
|---|---|---|
| Liabilities to related companies for inward and outward reinsurance activities | | 611 |
| Other liabilities to related companies | 311 | 123 |
| Liability for claims handling | 138 | 156 |
| | | |
| Interest from subordinated liabilities (Shareholder) | 570 | 570 |
| Subordinated liabilities (Shareholder) | 22 500 | 22 500 |
| **Total** | **23 519** | **23 960** |
| **Transactions with related parties** | | |
| From reinsurance activity | (26 464) | 3 805 |
| Other transaction | (1 347) | (2 354) |
| Received interest | 173 | 117 |
| Received subordinated loan | | (15 000) |
| Granted loans | (1 358) | 2 170 |
| Subordinated loan interest | (1 535) | (865) |
| Received dividends | 168 | 173 |
| **Total** | **(30 363)** | **(11 954)** |

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

## NOTE 17. Insurance services and expenses

The breakdown of insurance services and expenses by major product lines for the year 2023 is presented below:

| Insurance service result In €000 | Health insurance | Accident insurance | Land and vehicle MTPL insurance | Land and vehicle MOD insurance | Marine insurance | Other property insurance | General liability insurance | Suretyship insurance | Severe financial loss | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **thereof revenue** | **32 651** | **5 514** | **55 155** | **54 044** | **1 245** | **75 123** | **9 704** | **2 897** | **453** | **236 784** |
| **thereof expense** | **(28 077)** | **(4 802)** | **(51 405)** | **(50 826)** | **(636)** | **(80 689)** | **(4 221)** | **(3 438)** | **(385)** | **(224 479)** |
| Incurred claims and other expenses | (21 432) | (3 042) | (36 005) | (36 270) | (410) | (43 152) | (2 260) | (1 610) | (34) | (144 215) |
| Amortisation of insurance acquisition cash flows | (3 457) | (770) | (5 169) | (6 774) | (187) | (17 609) | (1 157) | (385) | (254) | (35 762) |
| Losses on onerous contracts and reversals of those losses | 289 | - | 277 | 523 | - | - | - | - | - | 1 089 |
| Changes to liabilities for incurred claims | (347) | (94) | (2 197) | (979) | 114 | (11 729) | 135 | (1 119) | (69) | (16 282) |
| Incurred dir.attr.operating expenses direct | (3 130) | (896) | (8 312) | (7 326) | (153) | (8 200) | (939) | (324) | (28) | (29 308) |

For the year 2022

| | 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Insurance service result In €000** | **Health insurance** | **Accident insurance** | **Land and vehicle MTPL insurance** | **Land and vehicle MOD insurance** | **Marine insurance** | **Other property insurance** | **General liability insurance** | **Suretyship insurance** | **Severe financial loss** | **Total** |
| **thereof revenue** | **25 193** | **4 924** | **47 328** | **48 349** | **1 449** | **60 938** | **8 976** | **2 009** | **59** | **199 226** |
| **thereof expense** | **(24 667)** | **(4 107)** | **(45 084)** | **(50 613)** | **(681)** | **(55 446)** | **(3 844)** | **(715)** | **(38)** | **(185 196)** |
| Incurred claims and other expenses | (17 804) | (2 843) | (33 678) | (37 541) | (444) | (34 120) | (2 717) | (198) | (6) | (129 351) |
| Amortisation of insurance acquisition cash flows | (3 153) | (771) | (5 003) | (6 863) | (256) | (14 765) | (1 019) | (300) | (32) | (32 161) |
| Losses on onerous contracts and reversals of those losses | (129) | - | 217 | (523) | - | - | - | - | - | (436) |
| Changes to liabilities for incurred claims | (1 288) | 180 | 598 | (281) | 239 | (1 044) | 748 | (49) | - | (898) |
| incurred dir.attr.operating expenses direct | (2 294) | (673) | (7 218) | (5 405) | (221) | (5 517) | (856) | (167) | (0) | (22 351) |

## NOTE 18. TOTAL INVESTMENT INCOME AND NET INSURANCE FINANCIAL RESULT

Net insurance financial and investment result and Investment income from financial asset at the end of the 2023 came to EUR 2 600 thz (In 2022 Y EUR –625) thz. Which is not insurance related and not linked to insurance contracts. Net financial result from insurance contracts at the end of 2023Y come to -751 thz EUR (In 2022Y EUR -79thz)

The table below presents an analysis of total investment income and insurance finance result recognized in profit or loss and OCI in the period:

| In €000 | Non-insurance related | |
|---|---|---|
| | 2023 | 2022 |
| **Investment income** | | |
| **Amounts recognized in the profit or loss** | | |
| Interest revenue calculated using the effective interest method – financial assets measured at amortised cost | 380 | 123 |
| Interest revenue calculated using the effective interest method – financial assets measured at fair value through OCI | 2 376 | 1 825 |
| Other interest and similar income | | |
| Risk provision for financial asset measured at amortized costs | (11) | (15) |
| Impairment loss on financial assets measurement at fair value through OCI | 2 618 | (2627) |
| Net realized and non realized gains/(losses) from financial asset at fair value through profit or loss | 108 | (469) |
| Net realized and non- realized gains/(losses) from financial assets measured at fair value through OCI | (2 989) | 537 |
| Net realised and not realised gains/(losses) on financial asset at amortised costs | 9 | |
| Net foreign exchange income/expenses | (16) | 1 |
| Other result from Investment activity | 125 | |
| **Total amounts recognised in the profit or loss** | **2 600** | (625) |
| **Amounts recognised in OCI** | **8 047** | (29 987) |
| **Total investment income** | **10 647** | **(30 612)** |
| | | |
| **Insurance finance income/(expenses) from insurance contracts issued** | | |
| Interest accreted to insurance contracts using current financial assumptions | (1 293) | (75) |
| **Total insurance finance income/(expenses) from insurance contracts issued** | **(1 293)** | **(75)** |
| Represented by: | | |
| Amounts recognised in profit or loss | (1 293) | (75) |
| Amounts recognised in OCI | (7 65) | 2 787 |
| **Reinsurance finance income/(expenses) from reinsurance contracts held** | | |
| Interest accreted to reinsurance contracts using current financial assumptions | 542 | (4) |
| **Reinsurance finance income/(expenses) from reinsurance contracts held** | **542** | **(4)** |
| Represented by: | | |
| Amounts recognised in profit or loss | 542 | (4) |
| Amounts recognised in OCI | 363 | (1 381) |

| | | |
|---|---|---|
| **Total net investment income, insurance finance expenses and reinsurance finance income** | **(1 153)** | 1 327 |
| Represented by: | | |
| Amounts recognised in profit or loss | (751) | (79) |
| **Total net financial result from insurance contracts recognised in OCI** | **(403)** | **1 406** |

## NOTE 19. OTHER INCOME AND EXPENSES

| Items | 2023 | 2022 |
|---|---|---|
| **Other income** | | |
| Income from claims handling activities | 436 | 344 |
| Other income | 29 | 175 |
| **Total other income** | 465 | **519** |
| **Other expenses** | | |
| Right-of use asset amortization | (1 362) | **(1 237)** |
| Not attributable expenditure | (1 990) | **(2 845)** |
| Other expenses | (17) | **(98)** |
| **Total other expenses** | **(3 370)** | **(4 180)** |

## NOTE 20 Financial income and expenses

| Items | 2023 | 2022 (Restated) |
|---|---|---|
| **Other finance income** | **(19)** | **32** |
| Other income related to currency exchange rate | (53) | 11 |
| Other interest income | 34 | 20 |
| **Other finance costs** | **(1 603)** | **(919)** |
| **Interest from subordinated loan** | **(1 535)** | **(865)** |
| Interest from car leasing | (1) | (1) |
| Currency exchange loss | (33) | (36) |
| Other finance costs | | 1 |
| Interest expenses | (34) | (18) |
| **Total** | **(1 622)** | **(887)** |

## NOTE 21. INCOME TAX AND DEFERRED INCOME TAX

The Company has calculated the deferred tax asset which as at 31 December 2023 amounts to EUR1 955 (EUR 2 459 EUR as at 31 December 2022).

| Item | 2023 | 2022 (restated) |
|---|---|---|
| Current income tax expenses | (1240) | (17) |
| Withholding taxes | (4) | (20) |
| Change in deferred tax | 63 | 81 |
| **Total income tax expenses** | **(1 177)** | **44** |
| **Changes in deferred tax asset from FV (OCI)** | **(566)** | **2 103** |

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:

| | 2023 | | 2022 (restated) | |
|---|---|---|---|---|
| | Temporary differences | Deferred tax | Temporary differences | Deferred tax |
| Accrued bonuses and other temporary differences | 2 069 | 310 | 1 841 | 276 |
| Tax losses carried forward | 6 749 | 1 012 | 6 014 | 902 |
| Revaluation of financial assets available for-sale | 8 466 | 1 270 | 12 236 | 1 835 |
| **Total Net deferred tax assets** | | **2 592** | | **3 013** |
| Leases | 11 | 2 | (6) | (0,9) |
| Recognized deferred tax liabilities amortization of goodwill) | (4257) | (639) | (3 693) | (554) |
| **Deferred tax, net** | | **1 956** | | **2 459** |

For the calculation of Corporate income taxes in Lithuania, the Company used accumulated tax losses in the amount of EUR 6 749 thz and calculated corporate income tax expense in the amount of 42 thz EUR.

At the end of 2023 the Company had deferred tax assets from accumulated losses in the amount of EUR 1 012 EUR thz EUR from ordinary activities and 1 270 thz EUR from revaluation reserve of investment allocated to Lithuania. At the end of 2022 calculated deferred tax assets from losses were 902 thz. Additional losses were recognized during 2023Y because of negative investment activities result. The Company expects to have enough profit for using the deferred tax assets according to the Company's business plan. Following Lithuanian legislation, tax losses can be carried forward for an indefinite period. Losses from investment activities can be carried forward for 5 years. As of 31 December 2023, the Company recognized deferred tax assets assuming that sufficient taxable profits will be generated based on the budget for 2024-2028. Based on the budget and the forecast, the Company plans to earn profit for covering of losses during the next 5 years. The company accounted deferred tax losses from negative revaluation reserve assuming that the biggest part of portfolio consists of bonds. Bond market values approach nominal value when maturity is reached. The company calculated that 5 years is enough to realize current losses.

Tax liability was recognized in relation to branches in Latvia EUR 562 thz and Estonia EUR 632thz for the year 2023. The company plans to pay dividends in the amount of 85% of countries net profit for 2023.

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

**RECONCILIATION OF EFFECTIVE TAX RATE:**

| | Tax rate | 2023 | Tax rate | 2022 Restated |
|---|---|---|---|---|
| **Profit before taxes** | | **8168** | | **1 198** |
| Income tax applying the Company's domestic tax rate (15%) | 15% | 1 225 | 15,00% | 180 |
| IFRS17 transition result adjustment | 4% | (319) | | |
| Not deductible expenses | 1% | (56) | 13,44% | 161 |
| Change in unrecognized temporary difference | (0,5)% | (41) | (6,43)% | (77) |
| Profit taxation on distribution* | 4% | 356 | (18,78)% | (225) |
| Investment result | 3% | 209 | | |
| Utilised tax losses | (1)% | (98) | (0,5)% | (6) |
| Donation | (0,4)% | (35) | (1,34)% | (16) |
| **Total tax expenses** | **15%** | **1 240** | **1,39%** | **17** |

- Corporate income taxes from results of branches in Estonia and Latvia is calculated from amount which is planned to distribute as dividends. For the year 2022Y company do not planed pay dividend from results of branches in Estonia and Latvia.

**NOTE 22. POST BALANCE EVENTS**

No events have taken place from the Statement of Financial Position date to the date of approval of these financial statements that could materially affect the annual performance, cash flows or the financial position or related disclosures of Compensa ADB as at and for the year ended on the reporting date.

## 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 VersicherungGruppe, (Schottenring 30, 1010 Vienna, Austria; code: 75687);
- Chairman of the Supervisory Board of Vienna Insurance Group Polska Sp. z o.o. (Al. Jerozolimskie 162A, 02-342 Warszawa, Poland; code: 0000260353);
- Chairman of the Supervisory Board of Wiener TU S.A. VIG (ul. Wołoska 22A, 02-675 Warszawa, Poland; code 0000033882);
- Chairman of the Supervisory Board of Compensa TU S.A. VIG (Al. Jerozolimskie 162, 02-342 Warszawa, Poland; code: 0000006691);
- Chairman of the Supervisory Board of Compensa TU na Życie S.A. VIG (Al. Jerozolimskie 162, 02-342 Warszawa, Poland; code: 0000043309);
- Chairman of the Supervisory Board of Vienna Life TU na Życie S.A. VIG (Al. Jerozolimskie 162, 02-342 Warszawa, Poland; code: 0000056463);
- Chairman of the Supervisory Board of InterRisk TU S.A. VIG (ul. Noakowskiego 22, 00-668 Warszawa, Poland; code: 0000054136);
- Chairman of the Supervisory Board of Aegon TU na Życie S.A. (Al. Jerozolimskie 162, 02-342 Warszawa, Poland; code: 0000012318);
- Chairman of the Supervisory Board of VIG/ C-Quadrat TFI S.A., (Al. Jerozolimskie 162A, 02-342 Warszawa, Poland; code: 0000849820);
- Chairman of the Supervisory Board of Beesafe Spółka z o.o. (al. Jerozolimskie 162, 02-342 Warszawa, Poland; code: 0000824339);
- Chairman of the Supervisory Board of Spółdzielnia Usługowa VIG Ekspert w Warszawie (al. Jerozolimskie 162, 02-342 Warszawa, Poland; code: 0000405458);
- Chairman of the Supervisory Board of Benefia Ubezpieczenia Sp. Z o.o. (Al. Jerozolimskie 162A 02-342 Warszawa, Poland; code: 0000134027);
- Chairman of the Supervisory Board of Compensa Life VIG SE (Narva maantee 63/ 2, 10152 Tallinn, Estonia; code: 10055769);
- Chairman of the Supervisory Board of AAS BTA Baltic Insurance Company (Sporta 11, Riga, LV-1013, Latvia; code: 40103840140);
- Chairman of the Supervisory Board of UAB “Compensa Life Distribution” (Ukmergės g. 280, Vilnius, Lithuania; code: 123948271);
- Chairman of the Supervisory Board of Compensa Vienna Insurance Group, ADB (Ukmergės g. 280, Vilnius,Lithuania; code: 304080146);
- Chairman of the Supervisory Board of Private Joint-Stock Company Insurance Company Kniazha Life VIG (Hlybochytska 44, Kyiv, Ukraine; code: 30434963);
- Chairman of the Supervisory Board of Private Joint-Stock Company "Ukrainian Insurance company "Kniazha VIG" (Hlybochytska 44, Kyiv, Ukraine; code: 24175269);
- Chairman of the Supervisory Board PJSC «IC «USG» VIG, (Fedorova Ivana 32, Kyiv, Ukraine; code: 30859524);
- Chairman of the Supervisory Board of VIG Services Ukraine, LLC (Fedorova Ivana 32, Kyiv, Ukraine; code: 37816513);
- Chairman of the Supervisory Board GLOBAL ASSISTANCE SLOVAKIA s.r.o. (Štefanovičova 4, Bratislava, Slovakia; code: 35903473);
- Chairman of the Supervisory Board SIA “Global Assistance Baltic” (Vienibas gatve 87H, Riga, Latvia; code: 40203278474);
- Chairman of the Supervisory Board Global Assistance Polska Sp. z o.o. (Al.Jerozolimskie 162A 02-342 Warszawa, Poland; code: 0000742736);
- Chairman of the Supervisory Board GLOBAL ASSISTANCE a.s., (Dopravaku 749/3, Pague, Czech Republic; code: 27181898);
- President Fans & Friends of Nationalpark Hohe Tauern (9844 Heiligenblut, Hof 38, Austria).

### 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

(Schottenfeldgasse 20A, Vienna, Austria; code: 55148a);

- Vice-Chairman of the Supervisory Board of Wiener TU S.A. VIG (ul. Wołoska 22A, 02- 675 Warszawa, Poland; code 0000033882);
- Vice-Chairman of the Supervisory Board of Compensa TU S.A. VIG (Al. Jerozolimskie 162, 02-342 Warszawa, Poland; code: 0000006691);
- Vice-Chairman of the Supervisory Board of Compensa TU na Życie S.A. VIG (Al. Jerozolimskie 162, 02-342 Warszawa, Poland; code: 0000043309);
- Vice-Chairman of the Supervisory Board of Vienna Life TU na Życie s.A. VIG (Al.Jerozolimskie 162, 02-342 Warszawa, Poland; code: 0000056463);
- Vice-Chairman of the Supervisory Board of InterRisk TU S.A. VIG (ul. Noakowskiego 22, 00-668 Warszawa, Poland; code: 0000054136);
- Vice-Chairman of the Supervisory Board of Aegon TU na Życie S.A. (Al. Jerozolimskie 162, 02-342 Warszawa, Poland; code: 0000012318);
- Chairman of the Supervisory Board of VIG Polska Real Estate Sp. z o.o. (Al. Jerozolimskie 162, 02-342 Warszawa, Poland; code: 0000857236);
- Member of the Supervisory Board of Beesafe Spolka z o.o. (al. Jerozolimskie 162, 02-342 Warszawa, Poland; code: 0000824339);
- Vice-Chairman of the Supervisory Board of Spółdzielnia Usługowa VIG Ekspert w Warszawie (Al. Jerozolimskie 162, 02-342 Warszawa, Poland; code: 0000405458);
- Deputy-Chairman of the Supervisory Board of Compensa Life VIG SE (Narva maantee 63/ 2, 10152 Tallinn, Estonia; code: 10055769);
- Deputy-Chairman of the Supervisory Board of AAS BTA Baltic Insurance Company (Sporta 11, Riga, LV-1013, Latvia; code: 40103840140);
- Deputy-Chairman of the Supervisory Board of UAB "Compensa Life Distribution" (Ukmergės g. 280, Lithuania; code: 123948271);
- Vice-Chairman of the Supervisory Board of Private Joint-Stock Company Insurance Company Kniazha Life VIG (Hlybochytska 44, Kyiv, Ukraine; code: 30434963);
- Vice-Chairman of the Supervisory Board of Private Joint-Stock Company "Ukrainian Insurance Company "Kniazha VIG" (Hlybochytska 44, Kyiv, Ukraine; code: 24175269);
- Vice-Chairman of the Supervisory Board PJSC «IC «USG» VIG, (Fedorova Ivana 32, Kyiv, Ukraine; code: 30859524);
- Vice-Chairman of the Supervisory Board of VIG Services Ukraine, LLC (Fedorova Ivana 32, Kyiv, Ukraine; code: 37816513);
- Member of the Supervisory Board of Insurance Company Donaris VIG SA (Bulevardul Moscova 15/7, Chișinău, Moldova; code: 1002600020908);
- Vice-Chairman of the Supervisory Board of ASIGURAREA ROMANESCA ASIROM VIG (Bulevardul Carol I 31-33, Bucharest, Romania; code: J40/304/1991);
- Vice-Chairman of the Supervisory Board of BCR ASIGURARI DE VIATA VIG (Strada Rabat 21, Bucharest, Romania; code: J40/17847/2005);
- Vice-Chairman of the Supervisory Board of OMNIASIG VIG (Bucharest, Sector 1, Alexandru Alley, 51, Romania; code: J40/10454/2001);
- Deputy-Chairman of the Shareholders Committee of VIG Management Service SRL (Bd. Carol I, nr. 31-33, Bucharest, Romania; code: J40/12546/2010);
- Deputy-Chairman of the Shareholders Committee of CLAIM EXPERT SERVICES SRL (Sagetii 2 C, Bucharest, Romania; code: J40/20173/2008).

**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, (Schottenring 30, 1010 Vienna, Austria; code: 75687);
- Vice-Chairman of the Supervisory Board BTA Baltic Insurance Company AAS (Sporta 11, Riga, Latvia; code: 40103840140);
- Vice-Chairman of the Supervisory Board Compensa Life Vienna Insurance Group SE (Narva maantee 63/ 2, 10152 Tallinn, Estonia; code: 10055769);
- Vice-Chairman of the Supervisory Board UAB "Compensa Life Distribution" (Ukmergės g. 280, Lithuania; code: 123948271);
- Chairman of the Supervisory Board, KUPALA Belarusian-Austrian CJS Insurance Company (ul. Nemiga, 40-702 Minsk, Belarus; code: 14480222);

- Chairman of the Supervisory Board, Insurance Company Vienna osiguranje d.d., VIG (Fra Andela Zvizdovica 1/9A, Sarajevo, Bosnia & Herzegovina; code: 4200819370005);
- Board of Director's, Wiener Osiguranje VIG a.d., (1a Kninska, Bosnia & Herzegovina; code: 1755927);
- Chairman of the Supervisory Board, Joint Stock Insurance Company WINNER LIFE VIG Skopje, (11 Oktomvri No. 25, MK-1000 Skopje, North Macedonia; code: 30120110001399);
- Chairman of the Supervisory Board, Insurance Makedonija J.S.C Skopje - Vienna Insurance Group, (11 Oktomvri No. 25, Skopje, North Macedonia; code: 4067037);
- Chairman of the Supervisory Board, WINNER-Vienna Insurance Group (Zeleznicka 41, MK-1000 Skopje, North Macedonia; code: 5702470);
- Vice-Chairman of the Supervisory Board, Wiener osiguranje Vienna Insurance Group (Slovenska ulica 24, HR-10000, Croatia; code: 080026313);
- Member of the Board of Directors, Wiener Städtische životno osiguranje Podgorica a.d. (Rimski 47, Podgorica 81000, Montenegro; code: 4-0009228);
- Chairman of the Supervisory Board, Alfa Vienna Insurance Group Biztosito (1091 Budapest, Üllői út 1, Hungary; code: 01-10-041365);
- Chairman of the Supervisory Board, Union Vienna Insurance Group Biztosito Zrt. (Baross u. 1, H-1082 Budapest, Hungary; code: 01-10-041566);
- Vice-Chairman of the Supervisory Board, VIG Befektetesi Alapkezelö Magyarorszag Zartkörüen Müködö Reszvenytarsasag (1091 Budapest, Üllői út 1, Hungary; code: 01-10-044261);
- Chairman of the Management Board, VIG Magyarorszag Befektetesi Zartköröen Müködö Reszvenytarsasag (Baross u. 1, H-1082 Budapest, Hungary; code: 01-10-141741);
- Chairman of the Supervisory Board, Global Services Bulgaria JSC (Reduta, Sitnyakovo Blvd 23, 1505 Sofia. Bulgaria; code: 175024077);
- Vice-Chairman of the Supervisory Board, Global Assistance, a.s. (3, Dopraváků 749, 184 00 Praha Czech Republic; code: 27181898);
- Chairman of the Supervisory Board, Global Assistance Georgia LLC, Georgia;
- Member of the Supervisory Board, SIA Global Assistance Baltic (Rīga, Vienības gatve 87H, LV-1004, Latvia; code: 40203278474);
- Member of the Supervisory Board, Global Assistance Polska Spolka z ograniczona odpowiezdzialnoscia (al. Jerozolimskie 162A, 02-342 Warszawa, Poland; code: 0000742736);
- Chairman of the Supervisory Board, Global Assistance Service SRL (Sagetii 2 E., Bucharest, Romania; code: 38020781);
- Chairman of the Supervisory Board, Global Assistance D.O.O. (Trešnjinog cveta 1., Beograd, Serbia; code: 21814431 );
- Member of the Supervisory Board, Global Assistance Slovakia s.r.o. (Štefanovičova 4, 811 04 Bratislava, Slovakia; code: SK2021898780).

**Arczewski Ireneusz, Member of the Supervisory Board of the Company (elected 2022, Nov 1th).**

- Member of Supervisory Board Compensa Life SE (Narva maantee 63/ 2, 10152 Tallinn, Estonia; code: 10055769);
- Member of Audit Committee BTA Baltic AAS (Sporta 11, Riga, Latvia; code: 40103840140);
- Member of Supervisory Board Benefia Ubezpieczenia (Al. Jerozolimskie 162A 02-342, Warszawa, Poland; code: 0000134027);
- Member of Supervisory Board Compensa Dystrybucja (Al. Jerozolimskie 162, 02-342 Warszawa, Poland; code: 0000261977);
- Chairman of Supervisory Board Polish Green Card Office (Swietokrzyska 14, Warszawa, Poland);
- Member of Supervisory Board UAB Compensa Life Distribution (Ukmergės g. 280, Vilnius, Lithuania; code: 123948271);
- Member of Supervisory Board VIG Polska Real Estate Sp. z o.o. (Al. Jerozolimskie 162, 02-342 Warszawa, Poland; code: 0000857236).

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.**

- No membership in other executive and non-executive directorships.

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

- Member of the Supervisory Board of SIA Global Assistance Baltic
(Vienības gatve 87H, Rīga, Latvia; code: 40203278474).

**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
(Mustamäe road 46, Tallinn, Estonia).

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# Independent Auditor's Report

**To the Shareholders of ADB Compensa Vienna Insurance Group**

## Report on the Audit of the Financial Statements

### Opinion

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

- the statement of financial position as at 31 December 2023,
- 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 material 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 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and 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.



Company code: 111494971
VAT code: LT114949716

KPMG

## Goodwill impairment

The carrying amount of goodwill in the financial statements as at 31 December 2023 and 31 December 2022: EUR 11 million.

Reference to the financial statements: “Goodwill” on page 39 (Material accounting policies) and Note 1 “Intangible assets” on page 72 (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.<br><br>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 recognise any impairment in respect of the CGU.<br><br>As discussed in Note 1, the recoverable amount of the cash generating unit as at 31 December 2023 was determined using the discounted cash flows projection (value-in-use), based on the five-year financial forecasts prepared by the Management and its estimate of terminal value.<br><br>The determination of recoverable amount of the CGU is a process that requires the Management to make significant judgements and assumptions, including those in respect of future operating cash flows (including the assumptions on gross premiums written, development of volume of policies sold and loss ratios), growth rates and discount rates.<br><br>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.<br><br>Due to the above factors, we considered this area to be a key audit matter. | Our audit procedures, included, among other things:<br><br>• 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;<br><br>• Testing the design and implementation of the Company’s selected key impairment-related internal controls;<br><br>• Assisted by our own valuation specialists:<br><br>— 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;<br><br>— 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;<br><br>— 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;<br><br>• Assessing impairment-related disclosures in the financial statements against the requirements of the financial reporting standards. |

## Liability for incurred claims (LIC) for insurance contracts under the premium allocation approach (PAA)

The carrying amount of LIC - insurance contracts under PAA: EUR 91,3 million as at 31 December 2023 and EUR 73,0 million as at 31 December 2022.

Reference to the financial statements: paragraph of financial statements “Liability of incurred claims” on page 34 and Note 9 “Insurance and reinsurance contracts” on page 81.

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| Liability for incurred claims for insurance contracts under PAA (LIC) represents a significant element of insurance contract liabilities in the Company’s statement of financial position. In measuring the liability, the Management was required to establish present value of future cash flows (PVFCF) for claims that occurred until 31 December 2023 and risk adjustment for non-financial risk arising from uncertainty in the said cash flows.<br><br>The estimation of PVFCF in part related to incurred but not reported claims (IBNR) and reported annuity claims (RBNP for annuities) requires the Management to apply professional judgment, as well as complex and subjective assumptions, especially for lines of business that are considered longer tail such as Motor Third Party Liability (MTPL). This is the case in particular for development of bodily injury claims, including annuities.<br><br>Relatively insignificant changes in the key assumptions may have a material impact on the amount of the LIC. The key assumptions include:<br>• ultimate claims;<br>• mortality rates for annuities.<br><br>Estimating IBNR and RBNP for annuities also requires applying complex actuarial methods.<br><br>For the above reasons, obtaining sufficient and appropriate audit evidence in respect of the amount of liability for incurred claims under PAA was considered by us to be a significant risk in our audit, which required our increased attention. Accordingly, we considered the area to be a key audit matter. | Our audit procedures, performed with the assistance of our actuarial and IT audit specialists, included, among others:<br>• Obtaining understanding of the methodology used when estimating the IBNR and RBNP for annuities applied by the Company and assessing its compliance with the relevant requirements of IFRS 17 standard and relevant legal and regulatory requirements.<br>• Testing the design, implementation and operating effectiveness of selected controls within the process of estimating IBNR and RBNP for annuities.<br>• For selected insurance contract groups - independent recalculation of the IBNR and RBNP for annuities and investigating any material differences in comparison to the Company’s estimate.<br>• Performing a retrospective assessment of the Company’s estimation of IBNR and RBNP for annuities by comparing the prior year’s estimate with the actual outcomes.<br>• Assessing the relevance and reliability of input data used by the Management in the estimation of IBNR and RBNP for annuities as well as challenging the key assumptions used by the Company, including ultimate claims and mortality rates by reference to historical data regarding reported and settled claims or available statistical and market data.<br><br>Evaluating the accuracy and completeness of the liability for incurred claims under PAA disclosures in the financial statements by reference to the requirements of the applicable financial reporting framework. |

## Other Information

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

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

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

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

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

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

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

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

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

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

## Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders‘ meeting we were appointed on 15 September 2015 for the first time to audit the Company‘s financial statements. Our appointment to audit the Company‘s financial statements is renewed every two years under decision of the general shareholders‘ meeting, and the total uninterrupted period of engagement is 9 years.

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

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

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

On behalf of KPMG Baltics, UAB

Toma Jensen
Partner pp
Certified Auditor

TOMA JENSEN

Digitally signed by TOMA JENSEN
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T. Jensen

Vilnius, the Republic of Lithuania
3 April 2024