

2022 ANNUAL MANAGEMENT REPORT





LIETUVOS DRAUDIMAS AB ANNUAL MANAGEMENT REPORT

for the year ended 31 December 2022

OVERVIEW OF THE MARKET

According to the Bank of Lithuania, the non-life insurance market of the country, including the branches of foreign insurance companies doing business in Lithuania, reached EUR 894 million in insurance premiums written for 2022. Rapid growth was observed in all main types of insurance, and the total growth of written premiums compared to 2021 reached 23.9%.

The MTPL remained the largest non-life insurance type, generating EUR 285 million in written premiums in 2022, comprising 32% of all non-life insurance market premiums. The growth of premiums written in the residential segment reached 26.3%, in the business segment this type of insurance grew by 16.7%.

The terrain vehicle Casco insurance type, in which written premiums comprised EUR 206 million in 2022 and accounted for 23% of the entire non-life insurance market. In the residential segment, this type of insurance grew by 23.5%, and in the business segment, the growth of written premiums was 20.7%.

The written premiums in property insurance comprised EUR 182 million and this type of insurance accounted for 20% of all non-life insurance premiums. The growth of premiums written in the resident property insurance grew by 17.4%, and in the business segment this type of insurance grew by 37.5%.

According to the premiums written, these three main types of insurance – MTPL, Casco and property insurance – comprised the major part (75%) of the entire non-life insurance market in Lithuania. Additional voluntary health insurance also made a significant contribution to the growth of the market – insurance premiums written in this type comprised EUR 76 million in 2022, i.e., 38.5% more than in 2021.

In 2022, the premiums written by Lietuvos draudimas AB in the Lithuanian market comprised EUR 267 million. Compared to 2021, the growth of premiums written amounted to 24.8%. The premiums written in the residential segment grew

by 24.1%, in business segment – by 25.9%, outpacing market growth in both segments. The Company maintains its leading position in the Lithuanian non-life insurance market, growing faster than the market for the second year in a row and occupying 29.9% of the market share.

FINANCIAL RESULTS OF THE COMPANY

Non-life insurance premiums written in 2022 by Lietuvos draudimas AB together with its Estonian branch amounted to EUR 337.7 million and, compared to the EUR 272.2 million of premiums written in 2021, achieved a 24% growth. The Company successfully grew in both of its Lithuanian and Estonian markets.

The Lietuvos draudimas AB demonstrated profitable performance in both its markets. The net profit of Lietuvos draudimas AB in 2022, including the result of the Estonian branch, amounting to EUR 24.9 million, compared to EUR 26.9 million in 2021. The Company's operations were profitable in both the non-life insurance activities and investment portfolio management in 2022.

The Company earned EUR 27.3 million from direct non-life insurance activities in 2022 (EUR 27.9 million in 2021). The successful result in the non-life insurance segment and stable profits were determined by the further growth of premiums earned, which is the consequence of the increased business volumes in the Company. Control of the Company's fixed costs and claim costs, actions to increase efficiency and strict risk assessment discipline also contribute to maintaining the Company's profitability.

The Company continued its conservative investment policy in 2022, concentrating its investments in the European government debt securities and safe securities of the strong companies.

The year 2022, in terms of investment activity, was full of challenges for the Company due to the start of the war in Ukraine, high inflation and further rising interest rates. Despite the difficult market situation, Lietuvos draudimas AB together with the Estonian branch earned EUR 0.9 million profit from investment activities (in 2021 – EUR 3.3 million).

The sum of claims settled with the Company's customers continues to increase annually. In 2022, the Company together with the Estonian branch settled non-life insurance claims for the amount of EUR 173.0 million, which is 21% more compared to the previous year (EUR 142.9 million in 2021).

Corporate income tax expense of Lietuvos draudimas AB decreased by 14% in 2022 and amounted to EUR 3.3 million (EUR 3.9 million in 2021).

SHAREHOLDERS AND STRUCTURE

Lietuvos draudimas AB belongs to the Polish insurance group Powszechny Zakład Ubezpieczeń Spółka Akcyjna (PZU SA), which held 100% of Lietuvos draudimas AB shares in 2022.

In 2022, the Company acquired, disposed and, as at 31 December 2022, held no own shares. In 2021 and as at 31 December 2022, Lietuvos draudimas AB did not have subsidiaries. The Company has a branch in Estonia, which operates under a registered name of Lietuvos Draudimas AB Eesti filiaal. Company code 12831829, head office address Parnu mnt. 141, Tallinn, Estonia.



COMPANY STRATEGY

The implementation of Lietuvos draudimas AB 2022-2024 strategy will raise us to a higher business, technological, social and ecological level, bringing material benefits to all our stakeholders and the environment.

Today we are part of the largest insurance and banking group in Central and Eastern Europe. We have more than half a million of customers all over Lithuania and unvaryingly number one in insurance: every third Euro spent on non-life policies is paid to us. We are proud by being most trusted insurer in Lithuania allowing us to satisfy our customers' needs and expectations and regularly generate profit for shareholders with an exceptional level of profitability and maintaining the stability of our business. The past year has affirmed that we have created an operational model predicated on strong foundations and resilient even in the face of such unforeseeable and powerful shocks as a global pandemic.

As a part of this Strategy we will procure the LD's growth, we will substantially grow our earnings and return on equity while simultaneously maintaining a high level of solvency and paying out dividends every year. We will also

leverage modern and innovative technologies in whose implementation we are the leader in the insurance sector and our extensive knowledge of our customers and their needs.

Leveraging in full the opportunities afforded by digitalization, robotization and artificial intelligence, we do not forget about what is irreplaceable in our business: direct and long-term relations with other people.

We are inspired by our shareholder to offer comprehensive solutions in a single location to currently very demanding customers, individual and entrepreneur alike, to respond their insurance needs. We see how important insurance and health security-related issues have become in the face of the Covid-19 pandemic and the economic consequences of fighting coronavirus. At the same time, we have the potential and means to respond to these challenges. That is why we want to become a strong player in health insurance and evaluate possibilities to enter health care market by 2024 while coming a comprehensive health advisor to our customers. - Kęstutis Šerpytis, CEO and Chairman of the Board of Lietuvos draudimas.

COMPANY'S MISSION

"We work towards your secure and peaceful future"

COMPANY'S VALUES

Lietuvos draudimas AB is guided by three values in its activities:

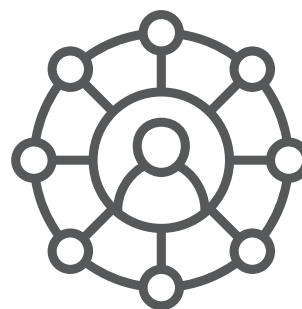
- Desire to win for the benefit of customers, employees and shareholders;
- Freedom to act, enabling curiosity and leadership in market innovation;
- Cooperation based on a transparent, fair and effective partnership.

COMPANY'S CUSTOMERS AND THEIR EXPERIENCE

At the end of 2022, Lietuvos draudimas AB had 651,739 unique customers, of which 616,925 were natural persons and 34,814 legal entities. In 2021, the Company had 597 234 customers.

Seeking improvement of the services and contact points with the customers, since 2010, Lietuvos draudimas AB has been using the Voice of the Customer system. This system helps to listen to customers and consider their opinion. At the end of 2022, the Net Promoter Score indicator amounted to 75.6% (77% in 2021).

During 2022, the number of private customers grew the fastest in personal and travel insurance products. In the segment of corporate customers, the highest growth was recorded in the health, casco and property insurances.



BUSINESS DEVELOPMENT AND PROCESS OPTIMISATION

IMPROVING THE CUSTOMER EXPERIENCE IN CLAIMS REGISTRATION AND CALCULATION

In 2022, self-service options were further expanded – in addition to the automatic registration of all major insurance products, claims administration and automatic payment processes for simple minor claims were also created. These innovations gave customers the opportunity to register and manage the claim at a time convenient for them, which at the same time ensured the security of both the information provided and personal data. Customer claim management on the self-service platform also ensures a faster claim administration process – all customer information is available in one place, the status of the situation, submitted documents and photos are visible, and it is easy to exchange additional information.

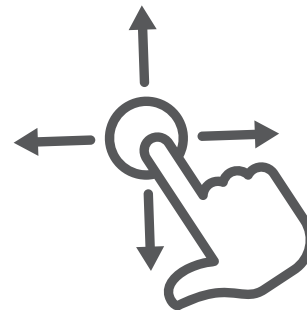
CLAIMS SETTLEMENT WITHOUT EMPLOYEE INVOLVEMENT

The automatic algorithm was adapted to the needs of Lietuvos draudimas AB customers. The company's employees have established and implemented rules for evaluating each possible vehicle damage, and it is according to these rules that the algorithm evaluates and calculates the indemnification due to the customer. In 2022, a similar robotised calculator was created for private property

customers, as well as a prototype of a personal injury robotised calculator, which will be implemented in 2023.

IMPACT OF INNOVATION ON CLAIMS

At the end of 2022, about 70-80 per cent of private customers have already been actively using the new self-service claim registration options, and 10-15 per cent of private transport and private property customers calculated benefits using robotic benefit calculators. Automated processes are especially convenient for customers in cases of mass damage – during storms, black ice, etc., because the information is presented in a simple manner, and minor losses can be settled very quickly. We intend to expand and develop these innovations in 2023 as well.



SALES DIGITISATION

INSURANCE RISK CONSULTING

In 2022, Insurance Risk consultations were made available in the company. Customers can participate in consultations remotely or during a meeting with an insurance consultant at the department. During consultations, the customer's needs and current situation are clarified using a questionnaire. Taking into account the customer's needs and situation, recommendations are made for obtaining insurance offers.

GOLD – A MODERN SALES SYSTEM

In 2022, the Company continued the development of its own sales system – goLD. The year was focused on the integration of business products and development of a tool for insurance risk consulting. The system was supplemented with two new business products, which further allows the Company's sales team and partners cooperating with Lietuvos draudimas AB to execute sales faster and more efficiently, while providing the customer with a more innovative insurance service purchasing experience and the employees with a modern user-friendly tool.

CUSTOMER SERVICE IN E-SPACE

2022 was another year of intensive digital leap that extended the need of customers to deal with insurance issues remotely that remained since the end of the COVID-19 pandemic. Realising the growing habits of customers to handle insurance issues independently, also this year the Company focused on customer service in e-space – further improved its self-service system Savas LD and expanded the range of services available in the e-space.

When assessing customer activity, the Company calculated the following self-service results:

- The number of successful logins to self-service in 2022 increased by as much as 48.4% compared to 2021.
- Together with the growth in the number of logins, payments also grew by 18.1%.

During 2022, in order to improve the customer experience in self-service, the Company devoted most of its IT resources and made the following changes:

- Development of login and registration alternatives;
- Integration of one-time and periodic card payments;

- Commercial contracts signing process;
- Process for termination of physical and commercial contracts;
- Automation of health insurance claims administration;

In general, all actions allowed to significantly increase the share of active customers in the self-service. The Company recorded that in 2022, self-service had 61.2% active private customers (49.9% – in 2021), and 27.8% business customers (16.5% – in 2021).

In addition to changes in self-service, the Company continued to expand the opportunities for customers to make online purchases of new products on their own. In 2022, we gave private customers the opportunity to buy a health insurance product.

Furthermore, in 2022, www.ld.lt website was completely updated in order to promote sales through electronic channels and create a better customer experience.

BUSINESS CUSTOMERS

In 2022, the needs of business customers also responded to the general trend – businesses were looking for ways to improve the physical and psychological health of their employees, and people valued these steps taken by employers. As health coverage is in pursuit of important aspects, in 2022, Lietuvos draudimas AB continued

expanding the number of insured persons covered with health insurance and increased its market share in this product by offering a complex of additional actions, which allowed to expand the penetration of this segment and stimulated companies, which previously did not have this insurance, to acquire this product.

IMPROVING THE NEEDS OF PRIVATE CUSTOMERS

HEALTH INSURANCE

Health insurance product development is the strategic direction of the Company. In 2022, the Company publicly presented Health Insurance with unlimited outpatient services to a wide audience of private customers. The product was offered to private individuals for the first time back in July 2020, and after ascertaining the demand in the segment, in 2022, Health Insurance was widely introduced using online marketing tools. This type of insurance can be purchased online.



COMPULSORY DRIVER'S THIRD-PARTY LIABILITY INSURANCE

In 2022, the Company improved and expanded the customer's experience in managing products on the self-service website. Termination procedures and fees were revised, and customers were offered the option to terminate the contract on the self-service website. Special pricing for compulsory driver's third-party liability insurance was applied to Ukrainian citizens arriving with vehicles. In March and April, we offered them insurance free of charge, from May until now – a 50% discount is applied.

provision process was improved. The conditions for providing a replacement vehicle for the disabled have been updated.

HOME INSURANCE

In 2022, as every year, the Company reviewed the resident property insurance and added the most important valuable feature, so that the insurance coverage would be constantly relevant and corresponding to the growing needs of the customer in the market to the maximum – we increased the sums insured for home property, buildings and third-party liability.

CASCO INSURANCE

In 2022, the product improvement strategy focused on the customer's good experience and value enhancement was continued, customer surveys were conducted after the provision of technical support, and the service

In 2022, Lietuvos draudimas ran a promotion for new customers, when they gave away third-party liability and home property insurance, in order to encourage new customers to take care of full-fledged home protection.

Often, when purchasing an insurance, customers choose only building coverage, but it does not cover the customer's movable property or possible costs if, for example, a neighbour's apartment is flooded. Therefore, in order to educate customers and encourage them to take care of comprehensive protection, during the campaign, we gave away third-party liability and home property insurance to all new customers choosing building insurance that meets their needs.

PERSONAL INSURANCE

In 2022, Lietuvos draudimas paid a lot of attention to product quality and ensuring the value strategy for existing customers. The „My Baby“ programme, which provides free insurance for babies up to the age of 11 months, was also continued.

TRAVEL INSURANCE

In 2022, taking into account the needs of travellers and the different requirements and restrictions of the countries, the Company extended the possibility to purchase a travel insurance product with an additional option for COVID-19 risk

CLAIM MANAGEMENT

During the year 2022, the number of cases of claims registered in Lithuania increased by 27% compared to 2021 and reached a total of 394 thousand claims. In 2022, the largest share of the Company's settled claims in Lithuania consisted of health claims – 59%, transport claims – 18%, non-motorized claims – 12%, and personal claims – 6%.



SOCIAL RESPONSIBILITY: We operate in accordance with sustainability principles

This is not just a promise – it is a strategic decision to achieve a safe and sustainable future together!

ESG (ENVIRONMENTAL PROTECTION, SOCIAL RESPONSIBILITY AND GOVERNANCE) STRATEGY 2021-2024

For over 100 years, Lietuvos draudimas has been dutifully taking responsibility for the well-being and safety of its employees and customers. The Company is starting the new century in accordance with the principles of sustainability in ESG priority areas: environmental protection, social responsibility and governance. In 2022, the Company paid a lot of attention to planning and emphasising specific actions that it will more actively seek in the field of sustainability in 2023-2024.

Lietuvos draudimas AB included the relevant United Nations Sustainable Development Goals in its 2022-2024 strategy, in which it will carry out socially responsible and sustainable activities in the coming year.

ENVIRONMENTAL PROTECTION

Although the impact on nature and environmental pollution from the companies working in the same field as Lietuvos draudimas AB is minimal, we always search for ways for efficient consumption of resources we use every day and contribute to a more cherished environment. The company supports the economy of low-carbon technologies and contributes to the movement in the direction of sustainable business.

Until 2024, the Company will aim to:

- Reduce CO₂ emissions by more than 10% compared to 2019;
- Annually allocate at least 1% of the insurance underwriting result (UWR) to the development of green and sustainable insurance products, offers, segments or to the support of green technologies;
- Increase the investment share to 5% of the portfolio in climate and energy transforming areas.

The company participates in green energy transformations and wants to ensure that by 2040 all our key partners are carbon neutral in their operations, and that by 2050 all our customers and investments are carbon neutral.

ACHIEVEMENTS IN 2022

- We have implemented and certified an environmental protection management system that meets the requirements of the international ISO 14001 standard.
- 80% of customers receive services free of paper documents.
- In 2022, taking into account the activities of the shareholder PZU SA, Lietuvos draudimas AB has updated its Environmental Protection Policy, the aim of which is to reduce the Company's impact on the environment and provide its divisions with a consistent operating system based on which environmental impact must be measured and registered.

USE OF RESOURCES

The Company consumed 1,399 MWh of electricity in 2022, which is 11.57% less compared to 2021.

In 2022, the energy consumption for heating of premises comprised 4,474 GJ, and, as compared to 2021, decreased by 27%.

In the course of the year 2022, in all its divisions in Lithuania, the Company used 3,395 m³ of water, which is 0.94% more than in the previous year. The natural gas consumption in the said period amounted to 27.7 thousand m³.

The vehicles used by the Company employees travelled a total of 1,729 million km. The maximum, i.e., 1 131 1 million km, has been driven by diesel vehicles, and 367 thousand km – by petrol vehicles. In 2022, during the business trips, employees flew 103,111 thousand km.

In 2022, Lietuvos draudimas AB removed 1022 m³ of waste, which is 19.3% less than in 2021. The Company also contributed to the recycling of waste – in the course of the year, its employees separated and recycled 2.4 tonnes of paper.

The amount of paper used for printing in 2022 amounted to 2.95 tonnes and remained practically unchanged compared to previous years. In total, at the end of the year, the Company had 80% of customers whose service was handled without paperwork.

Lietuvos draudimas AB mostly uses energy produced from renewable energy sources. This is supported by the "Powered by Green" certificate. Following establishment of the principles of hybrid operation, the network of administration and sales departments is optimised, thus creating conditions for more convenient work and more efficient use of energy resources. In total, the Company renovated 26 offices (compared to 26 offices renovated in 2021, 5 – in 2020 and 10 – in 2019). In 2023, we plan to continue modernising our offices in order to optimise the use of resources. Clean hybrid and electric vehicles are now used in our vehicle fleet for short trips within the city.



THE COMPANY CONTINUES CONSTRUCTION OF THE NEW OFFICE AND RESIDENTIAL COMPLEX

In autumn of 2019, Lietuvos draudimas AB obtained the construction permit for construction of the administrative and residential complex on the land parcel on J. Basanavičiaus g. 10 in Vilnius held in its management. The construction was started on 2 January 2020. The complex construction will be ensured by the contractor selected in procurement procedure – Panevėžio statybos trestas UAB. The authors of the complex project are the team of architects from the Lithuanian and Danish companies Archinova and PLH Arkitekter A/S.

This complex of administrative and residential buildings for presented to the public in the summer of 2018. The project has been reviewed and approved by all competent authorities and the construction permit has already been issued.

The complex will comprise the administrative premises with an area of 3,600 sq m and residential premises with

an area of 2,000 sq m, including the underground parking lots. The head office of Lietuvos draudimas will be moved to the largest building of the complex. It will be equipped workplaces suitable for the hybrid working model, and feature modern meeting rooms and lounges. The office complex and building with modern studio apartments will be built next to this building, which will be all joined by an inner yard. All the premises will be arranged autonomously and provided with separate drive-ins, entrances and car parking spaces. The buildings will feature the optimal microclimate from renewable energy sources, which will conform to thermal conductivity class A.

The construction of the complex is expected to be completed in the spring of 2023. Lietuvos draudimas AB investment into the project is expected amount to EUR 21.3 million.

SOCIAL RESPONSIBILITY

Lietuvos draudimas AB encourages and helps communities to apply the principles of sustainable and safe living in their daily activities, and fosters a sustainable culture within the company.

UNTIL 2024, THE COMPANY WILL AIM TO:

- Include 60% of employees in wellness programs (total for 2021-2024, excluding employees on paternity/maternity leave);
- Reach 1 million Lithuanian residents through social initiatives and educational messages on the topics of sustainable and safe lifestyle during 2023-2024;
- Spend 6,400 hours volunteering in the communities around us during 2023-2024.

ACHIEVEMENTS IN 2022

- We devoted 1,808 hours to volunteering.
- We walked 28,672 km together.
- We insured 320,000 schoolchildren against road accidents.

“PROTECT ME” INITIATIVE

Since 1999, every September the Company has been carrying out the “Protect me” traffic safety initiative, the aim of which is to draw attention to the safety of children on the road. Lithuanian schoolchildren travelling

on foot and on bicycles are insured free of charge for the whole month for the amount of 5,000 euros against traffic accidents. Every year, the campaign is followed by communication campaigns aimed at educating the public about the principles of safe behaviour on the road. In 2022, for the 23rd time, 320,000 schoolchildren were insured free of charge. In addition, we created a tool – a song which, while reminding how to brush one's teeth, also teaches traffic safety.

“I CAN HELP” PROJECT

The project “I can help” started six years ago after the Company set an ambitious goal – that every person in Lithuania should know how to provide first aid assistance. Over the years, the Company has given first aid training to thousands of its customers, and we have organised internal employee training. In 2022, the Company shared first aid knowledge with more than 700 people.

VOLUNTEERING WITH “I WANT TO HELP”

Lietuvos draudimas grants each employee 2 days off, which can be used for volunteering activities. In 2022, the Company's employees devoted 1,808 hours to volunteering.

GOVERNANCE

Together, we are creating a modern and responsible organisation that creates fellowship with partners who support sustainability.

Until 2024, the Company will aim to:

- Ensure that 70% of the main suppliers of Lietuvos draudimas meet the „green“ ESG criteria



HUMAN RESOURCES

As at 31/12/2022, Lietuvos draudimas AB had 901 employees (as at 31/12/2021 – 866). The average aggregate working time of Lietuvos draudimas AB employees is 10.2 years, average age – 41 years (in 2016-2021 – the average age was 42 years). In 2022, turnover rate was 15.4% (in 2021 – 19.8%), voluntary turnover – 11% (in 2021 – 15.3%).

EMPLOYEE ENGAGEMENT

In 2022, we started measuring the eNPS indicator (employee loyalty indicator, which reveals how much employees tend to recommend their organisation to others) in individual departments; the result ranges from 23% to 69%. Based on this, a survey has been prepared throughout the organisation, which will be conducted in February 2023.

Lietuvos draudimas AB pays a lot of attention to the internal career of its employees and promotes growth of its employees inside of the Company. In 2022, 55% of vacancies were filled by internal candidates (in 2021 – 63%). In 2022, 95 employees made internal vertical or horizontal careers (in 2021 – 90). 5 specialists became managers (3 in 2021), and 2 managers became managers in the next level/in another field (7 in 2021).

The Company is a member of the Human Resource Management Professionals Association (PVPA) participating actively in the activities and events of this organisation. One of the Company's employees is a lecturer of the HR Standard Programme organised by PVPA.

ADDITIONAL BENEFITS

In 2022, the organisation moved from remote work to hybrid work. Employees appreciate hybrid work and its flexibility, which allows the organisation to adapt to today's changes and employee needs. It creates value for employees' work-life balance.

Taking into account the trends of remote and hybrid work and taking care of the quality workplace of employees at home, in 2022, the Company gave all newly hired employees and employees who passed the probationary period a financial gift of EUR 200 to improve their workplace at home.

Hybrid work in the organisation gives the opportunity to take advantage of workation – 182 days a year in the European Union for all employees, if the nature of their work permits. Workation allows employees to combine work and leisure time in foreign countries and this supports better emotional health of employees.

Employees particularly appreciate the additional benefits of the Company – 5 additional days of leave per calendar year. This benefit is available to employees who have worked for more than two years. Lietuvos draudimas AB encourages employees to maintain a work-life balance and well-being, therefore the Company ensures that employees devote extra time to their rest.

Lietuvos draudimas AB continued to take care of the health of its employees and insured all its employees (after assessment and completion of the probationary period) with the Health Insurance. The Company also continued the added benefit of health days, i.e., a leave for improvement of health in the case of mild and short-term health problems. Such health days are provided to all employees, up to 4 day per year in cases where the employee does not seek help at a health care institution and recovers at home. The company also provided free flu vaccinations. As every year, Lietuvos draudimas AB insured its employees against accidents.

Lietuvos draudimas AB continued the internal program "I feel good" to support the emotional and physical health of employees. Employees participated in lectures and mindfulness practices. Employees were also invited to improve their physical well-being by participating in a lecture on movement at the workplace, by joining the Company's clubs ŽingsniuOK, BėgiOK and VažiuOK. We also invited employees to participate in the #Walk15 walking challenges and formed a team to run together in the Vilnius marathon.



STRENGTHENING THE COMPETENCIES OF EMPLOYEES

In 2022, Lietuvos draudimas AB employees spent a total of 57 thousand hours in training, an average of 7.93 days per employee.

In 2022, most of the training topics were related to the strengthening of professional competences. Attention was also paid to the education of managers: the development of the competences of new managers, training of middle-level managers in the managers' club and at the leadership conference.

For these initiatives, in the National Socially Responsible Business Awards 2022, organised by the Ministry of Social Security and Labour, the Company received an award in the large company category for initiatives promoting the development of employees' emotional competencies and job satisfaction.

HUMAN RIGHTS

Acting as a socially responsible company, Lietuvos draudimas AB supports the human rights principles proclaimed in the Universal Declaration of Human Rights, the ILO Labour Core Conventions, and is a signatory of the UN Global Compact. The Company undertakes to ensure to prevent any human rights violations in its activities.

Lietuvos draudimas AB respects and upholds the right to equal opportunities and non-discriminatory behaviour, the right to security of persons, children's rights, freedom of association and the right to collective bargaining. In its activities, the Company ensures that no forced labour

is used in its activities, that a safe and healthy workplace is provided to the employees, and that the employees are paid a fair wage, that no bribes are paid and the Company's products are not used to abuse human rights. The Company updated its Human Rights Policy (with programmes for the implementation of equal opportunities and prevention of violence and harassment), taking into account the new law of the Republic of Lithuania. The aim of this policy is to protect human rights and create an organisation that supports diversity.

GENERAL DATA PROTECTION REGULATION

By implementing the General Data Protection Regulation (GDPR) which entered into force on 25 May 2018, Lietuvos draudimas AB is constantly working towards ensuring a high level of data protection, which is also proven by the internal audit conducted in the Company in 2022, during which it was determined that the data processing performed by Lietuvos draudimas AB complies with the provisions of the applicable legal regulation.

In order to ensure a high level of personal data protection, the Company's internal procedures governing the processing of personal data and the investigation of personal data security violations are regularly reviewed and updated. The Company also ensures that all employees are familiarised with the Company's personal data protection regulations and their amendments. The employees annually broaden their knowledge in the field of protection of personal data by attending training and taking the assessment test.

In order to ensure the protection of personal data and all information related to insurance, the self-service website of Lietuvos draudimas AB is being further developed and additional functionalities are being implemented, the purpose of which is to enable customers to provide information in the safest and most convenient manner.

CORRUPTION PREVENTION

The Company takes a strict stance in its corruption and bribery prevention policy, which is binding for all Company employees and applies to all their activities. The Company employees have no right to give, offer or accept any type of bribes or "process acceleration payments", as well as any inappropriate gifts or offerings. This commitment applies not only in interactions with the state officials but also with any natural or legal persons.

The Company also requires its partners to adhere to a strict corruption and bribery prevention policy. The Company has published the rules and advice list on how and when employees can give or take presents or other services without violating the anti-corruption legal acts on its intranet webpage.

The Company ensures that all employees of the Company are provided with relevant trainings to ensure the implementation of the provisions of the anti-corruption policy. The Company's team members must immediately inform the law enforcement officials or their own management regarding any attempts of bribing. The Company has undertaken the obligation to combat bribery and corruption according to the legal acts in force in Lithuania, codes of conducts, and according to the best practice, which is disclosed in the Company's Corruption Prevention Programme.

The Company's community also contributes to the fight against corruption, which adheres to the rules for granting support in force in the Company, which prohibit to support and allocate funds to political parties, military organisations, organisations representing any single religion and persons who seek individual support.



ACTIVITIES OF THE ESTONIAN BRANCH

ESTONIAN MARKET

According to the Bank of Estonia the Estonian economy has so far performed better than the average. Despite the rapid rise in the cost of living, the reaction of consumers to high prices was mild until the autumn, and consumption increased both in euros spent, and in volume. Despite the notable drop in confidence, people were prepared to keep pace with high inflation, which was made possible by the savings built up during the pandemic and the money withdrawn from the second pension pillar. Most of those savings have by now been used up. High levels of consumption have allowed companies to increase their profits, even with costs rising fast.

High inflation is now increasingly affecting growth in the economy. Reduced purchasing power and shrunken savings point to a fall in consumption volumes at the end of this year and in the first half of next, and so corporate profitability will also take a hit. The economy fall 2022 expected to be -0.5% this year, but it will grow next year by 0.4%, mainly because government spendings will increase. Growth expected to increase to 3-4% in 2024-2025, but the war in Ukraine means that there is greater

uncertainty than usual around the outlook for economic growth and for inflation.

Unemployment will rise as the economy cools. Unemployment rate expected in 2022 to be 5.7% and in 2023 8.5% and in 2024-2025 8.7%-7.6%. Average wages expected to growth in 2022 8.75% and in 2023 8.7% and in 2024-2025 7.7%-6.8%. Purchasing power will have fallen by 9% in 2022 and will recover by the end of 2025.

According to the Estonian Statistics the consumer prices in 2022 increased 19.4% compared with the average of 2021. The biggest impact on the consumer price index comes from housing-related prices increased. Comparison with 2021 electricity increase was 94.4%, gas 123.8% and heat energy 49.1%. Among with food products the biggest increase was in flour and cereals (56.6%), sugar (50.9%), other oils (49.5%) and eggs (45%). Bank of Estonia expects in 2023 inflation to fall under 10% and in 2024-2025 to remain around 2-3%.

FINANCIAL RESULTS

The Estonian non-life insurance market recognized 472 mEUR gross written premium in 2022 increased by 18.0% compared to 400 mEUR in 2021. PZU Estonia collected 71.1 mEUR premiums and its market share was 15.1% (2021: 14.5%) increasing by 0.6% y/y and raked to 4th place. And PZU Estonia GWP growth in 2022 was 22.3%

Market growth was supported mainly motor own damage (MOD) insurance business (private and corporate) (+21% or 26.5 mEUR) and compulsory motor third party liability insurance (MTPL) (+19.7% or 17.0 mEUR) due to increase of prices mainly to extraordinary high inflation; travel business (85.4% or 10.3 mEUR) as comparison to prior year in 2021 were higher restrictions and less traveling and in 2022 prices have increased. Also, corporate property (23.6% or 9.7 mEUR), private property (13.1% or 9.6 mEUR) and health business (76.5% or 4.5 mEUR) have shown very good growth.

The structure of non-life insurance in 2022 was dominated by motor insurance (MTPL, MOD and other vehicle insurance), which accounted for 55%. Motor own damage insurance (private and corporate) accounting for 32% and property insurance (private and corporate) with 28% of the gross premium written in the market.

As of 31 December 2022, there were 13 companies operating in the country's non-life insurance sector (including 5 branches of foreign insurance companies) among which the biggest 4 companies held approx. 67% of Estonian non-life insurance market.

According to statistics from the Estonian Motor Insurance Bureau the number of traffic accidents occurred in Estonia in 2022 was the highest number ever. Total no of claim indemnity in 2022 was 286.2 mEUR (2021: 243.5 mEUR) and comparison to prior year increased by 17.5%.

INNOVATIONS AT LIETUVOS DRAUDIMAS AB ESTONIAN BRANCH

In 2022 Lietuvos draudimas AB Estonian branch launched two projects to automate claim handling process:

1. Lietuvos draudimas AB Estonian branch have implemented automatic Claim invoice confirmation and payment process. Incoming claim invoice is automatically attached with certain claim and system makes without any human involve payment to vendor.
2. Customers can register Claim via PZU self-service portal and data is moving directly to Claim handling system. Self-service registration of the customer's claims also ensures faster claim administration, and which means that the indemnification reaches the customer faster than usual.

Second half of 2022 we developed and tested SEB Bank e-shop. SEB e-shop links to SEB internet bank, so that

SEB customer enters through SEB internet bank to PZU e-shop and sees only SEB related insurance products. Launch of SEB e-shop took place on January 10th, 2023.



PRIVATE AND BUSINESS CUSTOMERS

At the end of 2022, Lietuvos draudimas AB Estonian branch had 188,375 unique customers, of which 162,991 were natural persons and 25,384 legal entities. In 2021, the Company had 153,779 customers.

The year 2022 delighted Lietuvos draudimas AB Estonian branch with new partnership by finalizing cooperation agreement with Luminor Bank selling private property product. Agreement was signed at the end of December 2022. In 2023 Lietuvos draudimas AB Estonian branch continue developments of Luminor Bank specific private

property products, including additions to the product, to make it unique and fully not comparable with regular product.

In May 2022 Lietuvos draudimas AB Estonian branch had negotiations with ASVeho (the main Mercedes Benz dealer in Estonia) to start insurance cooperation with them as agents by selling MOD and MTPL, and successfully the agreement with ASVeho was signed 8th of June.

CLAIM INDEMNIFICATION IN ESTONIA

Lietuvos draudimas AB Estonian branch registered 38,411 claims in 2022, which is 32% more than in 2021 (29,083). The largest share of claims in the Estonian branch were motor business (MOD, MTPL) claims, comprising 57% (in 2021: 68.5%) of all the claims, private property claims – 13.5% (in 2021: 18.8%) and travel insurance claims – 5.5% (in 2021: 3.9%).

During the year 2022, the Company's customers were compensated with EUR 3.20 million for claims. In 2022, the indemnification of the largest claim (EUR 0.60 million) to a private customer was in motor business due to traffic accident in Germany. The largest damage in legal business that took place in 2022 amounted to EUR 0.124 million in liability business.

ENVIRONMENTAL PROTECTION IN THE ESTONIAN BRANCH

The electricity consumption of the Estonian branch amounted to 150 MWh, in 2021 it was 176 MWh.

The Estonian branch paper consumption increased from 0.8 t to 1.1 t in 2022.

The heating energy consumption of the Estonian branch amounted to 158 GJ, in 2021 it was 253 GJ. Natural gas consumption amounted to 19,822 m³, in 2021 it was 22,875 m³.

The water consumption of the Estonian branch amounted to 501 m³ in 2022, in 2021 it was 344 m³.

HR ACTIVITIES IN THE ESTONIAN BRANCH

In 2022, Lietuvos draudimas AB Estonian branch had 152 employees (147 in 2021). The average aggregate working time of Lietuvos draudimas AB Estonian branch employees is 7 years, average age – 45 years.

leisure. In 2020 Estonian branch was awarded with silver label. In 2022 we were able to hold the silver label. The Company is a member of the Human Resource Management Association (PARE) participating in the activities and events of this organisation.

In 2022 Lietuvos draudimas AB Estonian branch restored fringe benefits by offering employee an opportunity to choose by sport compensation or health insurance and health benefits by providing once a week fruits in the office, which were set on-hold during pandemic period.

Lietuvos draudimas AB Estonian branch continued approach that instead Christmas presents to partners they made the donation for Ukraine.

In December development works for new Employees' internal portal (Intranet) was launched to employees in the beginning of January 2023. New platform will be able to share information faster and is more user-friendly. In 2019, the Estonian branch participated in long-term programme organised by the Ministry of Social Affairs of Estonia "Family friendly employer". This programme is designed to support the balance between work and


Kęstutis Šerpytis
Chief Executive Officer

29 March 2023