Lietuvos draudimas AB

Independent Auditor's Report,
Annual Management Report and
Financial Statements for the Year
Ended 31 December 2022

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Independent Auditor's Report

To the Shareholder of Lietuvos draudimas AB

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lietuvos draudimas AB ("the Company"). The Company's financial statements comprise:

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Company code: 111494971
VAT code: LT114949716

KPMG

Measurement of claim reserves

The Company's gross of reinsurance outstanding claims reserves as at 31 December 2022: EUR 138 million (31 December 2021: EUR 134 million). The change in gross reinsurance outstanding claims reserves in 2022: EUR 4 million (increase) (2021: EUR 11 million (increase)).

Reference to the financial statements: "Technical reserves" on page 35 (Summary of significant accounting policies) and Note 7 "Outstanding claim reserves" on page 45 (Notes to the financial statements).

The key audit matter

Gross outstanding claims reserves ("claim reserves") for the Company, as a non-life insurance provider, constitute the most significant element of insurance contract liabilities in its statement of financial position. The most significant claim reserves are associated with the obligatory motor third party liability, motor own damage and property portfolios.

The Management Board uses a range of complex and subjective actuarial methods to determine the best-estimate amounts of those reserves as at the reporting date, whether in respect of reported claims (i.e. RBNS), or those not yet reported (i.e. IBNR).

The estimation of the amounts of claim reserves generally involves a significant degree of Management Board's judgment mainly in respect of the assumptions about future events and developments. Relatively insignificant changes in those assumptions may have a material effect on the estimated amounts of claim reserves. The assumptions most subject to estimation uncertainty are those in respect of loss ratios, claim frequency, average claim amounts, court settlements, discount rates, changes in the amount of future annuity payments, regress and the expected payment period.

The complexity of the models applied may give rise to errors as a result of inaccurate and incomplete data inputs or the design or application of the models. Thus the completeness and accuracy of the data underlying the actuarial projections was also an area of our audit focus.

Due to the above factors, we considered measurement of the non-life insurance claim reserves to be our key audit matter.

How the matter was addressed in our audit

Our audit procedures, performed, where applicable, with the assistance of our own actuarial specialists, included, among others:

- Testing of the design and implementation of the selected key controls related to the process of establishing and adjusting outstanding claim reserves. This included testing the relevant management review controls, accounting and actuarial controls, such as reconciliations of key data underlying the actuarial calculations (claims paid and incurred, premiums written and earned, and number of claims), and data validation.
- Assessing the appropriateness of the actuarial methodologies applied by the Company for consistency as well as against the requirements of the financial reporting standards and market/industry practice.
- Challenging key inputs and assumptions applied in estimating claim reserves, including those in respect of the loss ratios, claim frequency and average size of claims, regress, allowance for future claims inflation (including for annuities), discount rates, expected payment dates and payment period - by reference to industry trends, also considering the applicable legal and regulatory requirements and the requirements of the relevant financial reporting standards.
- For significant portfolios, performing a retrospective analysis of the accuracy and completeness of the Company's gross outstanding claim reserves recognized at the end of prior year, comparing this analysis to the Company's current year's actual experience, and seeking the Management Board's explanations for any significant differences.

	• For most significant insurance contract portfolios, including obligatory motor third party liability, motor own damage and property, developing an independent estimate of the gross outstanding claims liability for those not yet reported, comparing our independent estimates to the Company's estimates and seeking Management Board's explanations for any significant differences. • Assessing the Company's provision for outstanding claims-related disclosures against the requirements of the relevant financial reporting standards.

Other Information

The other information comprises the information included in the Company's annual management report, 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.

We are also required to report on whether the Corporate Social Responsibility Report has been provided to us by the Company. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders 'meeting we were appointed on 28 March 2013 for the first time to audit the Company's financial statements. Our appointment to audit the Company's financial statements is renewed each two years under decision of the general shareholders 'meeting, and the total uninterrupted period of engagement is 10 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report which we have submitted to the Company and its Audit Committee.

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

Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
29 March 2023

The auditor's signature applies only to the Independent Auditor's Report on pages 3 to 7 of this document.

Council

Name, Surname	*Position*
Katarzyna Anna Galus	Chairman of the Supervisory Board
Marcin Goral	Member of the Supervisory Board
Weronika Dejneka	Member of the Supervisory Board
Jan Pstragowski	Member of the Supervisory Board
Krzysztof Soltysik	Member of the Supervisory Board

Board

Name, Surname	*Position*
Kęstutis Šerpytis	Chairman of the Board, Chief Executive Officer
Artūras Juodeikis	Board Member, Claims Department Director
Aurelija Kazlauskienė	Board Member, Strategy, Clients and Marketing Department Director
Julius Kondratas	Board Member, Underwriting Department Director
Raimondas Geleževičius	Board Member, Private Sales Department Director
Mihkel Uibopuu	Board Member, Manager of Lietuvos draudimas AB Eesti filiaal
Simonas Lisauskas	Board Member, Commercial Sales Department Director
Arūnas Rumskas	Board Member, Finance Department Director

Disclosure of Council Members participating in other organisations

Katarzyna Anna Galus

Position:	*Director of Supervision of Foreign Operations Department*
Organisation:	*PZU SA*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*0000009831*
Address:	*Jana Pawla Ave. II 24, 00-133 Warsaw, Poland*
Position:	*Director of Supervision of Foreign Operations Department*
Organisation:	*PZU Zycie SA*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*0000030211*
Address:	*Jana Pawla Ave. II 24, 00-133 Warsaw, Poland*
Position:	*Chairman of the Supervisory Board*
Organisation:	*AAS BALTA*
Legal form of the organisation:	*Insurance Joint Stock Company*
Company code:	*40003049409*
Address:	*Raunas St. 10/12, LV-1039 Riga, Latvia*
Position:	*Chairman of the Supervisory Board*
Organisation:	*UAB PZU Lietuva gyvybės draudimas*
Legal form of the organisation:	*Insurance Joint Stock Company*
Company code:	*110082737*
Address:	*Konstitucijos Ave. 7, LT-09308 Vilnius, Lithuania*
Position:	*Member of the Supervisory Board*
Organisation:	*OPEC Pulawy*
Legal form of the organisation:	*Association*
Company code:	*0000012660*
Address:	*Izabelli St. 6, 24-100 Pulawy, Poland 7*

Position: *Member of the Supervisory Board*
Organisation: *Voxel SA*
Legal form of the organisation: *Joint Stock Company*
Company code: *0000238176*
Address: *Wielicka str. 265, 30-663 Krakow, Poland.*

Marcin Goral

Position: *Executive Director of PZU Group Strategy*
Organisation: *PZU SA*
Legal form of the organisation: *Joint Stock Company*
Company code: *0000009831*
Address: *Jana Pawla Ave. II 24, 00-133 Warsaw, Poland*

Position: *Executive Director of PZU Group Strategy*
Organisation: *PZU Zycie SA*
Legal form of the organisation: *Joint Stock Company*
Company code: *0000030211*
Address: *Jana Pawla Ave. II 24, 00-133 Warsaw, Poland*

Position: *Member of the Supervisory Board*
Organisation: *UAB PZU Lietuva gyvybės draudimas*
Legal form of the organisation: *Insurance Joint Stock Company*
Company code: *110082737*
Address: *Konstitucijos Ave. 7, LT-09308 Vilnius, Lithuania*

Position: *Member of the Supervisory Board*
Organisation: *AAS BALTA*
Legal form of the organisation: *Insurance Joint Stock Company*
Company code: *40003049409*
Address: *Raunas St. 10/12, LV-1039 Riga, Latvia*

Weronika Dejneka

Position: *Executive Director of Banking Services and Investment Products*
Organisation: *PZU SA*
Legal form of the organisation: *Joint Stock Company*
Company code: *0000009831*
Address: *Jana Pawla Ave. II 24, 00-133 Warsaw, Poland*

Position: *Executive Director of Banking Services and Investment Products*
Organisation: *PZU Zycie SA*
Legal form of the organisation: *Joint Stock Company*
Company code: *0000030211*
Address: *Jana Pawla Ave. II 24, 00-133 Warsaw, Poland*

Position: *Member of the Supervisory Board*
Organisation: *UAB PZU Lietuva gyvybės draudimas*
Legal form of the organisation: *Joint Stock Company*
Company code: *110082737*
Address: *Konstitucijos Ave. 7, LT-09308 Vilnius, Lithuania*

Position: *Member of the Supervisory Board*
Organisation: *AAS BALTA*
Legal form of the organisation: *Insurance Joint Stock Company*
Company code: *40003049409*
Address: *Raunas St. 10/12, LV-1039 Riga, Latvia*

Position:	*Coordinator*
Organisation:	*TFI PZU SA*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*0000019102*
Address:	*Jana Pawla alėja II 24, 00-133 Warsaw, Poland*
Position:	*Chairman of Management Board*
Organisation:	*SA „PZU Cash“*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*0000688411*
Address:	*Jana Pawla alėja II 24, 00-133 Warsaw, Poland*

Jan Pstragowski

Position:	*Head of Project Management*
Organisation:	*TFI PZU SA*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*0000019102*
Address:	*Jana Pawla Ave. II 24, 00-133 Warsaw, Poland*

Krzysztof Soltysik

Position:	*Director of Credit Risk and Related Parties*
Organisation:	*PZU SA*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*0000009831*
Address:	*Jana Pawla Ave. II 24, 00-133 Warsaw, Poland*
Position:	*Director of Credit Risk and Related Parties*
Organisation:	*PZU Zycie SA*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*0000030211*
Address:	*Jana Pawla Ave. II 24, 00-133 Warsaw, Poland*
Position:	*Member of the Supervisory Board*
Organisation:	*UAB PZU Lietuva gyvybės draudimas*
Legal form of the organisation:	*Insurance Joint Stock Company*
Company code:	*110082737*
Address:	*Konstitucijos Ave. 7, LT-09308 Vilnius, Lithuania*
Position:	*Member of the Supervisory Board*
Organisation:	*AAS BALTA*
Legal form of the organisation:	*Insurance Joint Stock Company*
Company code:	*40003049409*
Address:	*Raunas St. 10/12, LV-1039 Riga, Latvia*
Position:	*Member of the Supervisory Board*
Organisation:	*PZU Ukraine PrJSC IC*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*20782312*
Address:	*62, Dehtiarivska str., Kyiv, 0411, Ukraine*
Position:	*Member of the Supervisory Board*
Organisation:	*PZU Ukraine Life Insurance PrJSC IC*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*32456224*
Address:	*62, Dehtiarivska str., Kyiv, 0411, Ukraine*

Disclosure of Board Members participating in other organisations

Kęstutis Šerpytis

Position:	*Chairman of the Council*
Organisation:	*Lithuanian Insurers Association*
Legal form of the organisation:	*Association*
Company code:	*121737585*
Address:	*Gedimino Ave. 45-11, LT-01109 Vilnius, Lithuania*

Position:	*Member of the Council*
Organisation:	*Motor Insurers' Bureau of the Republic of Lithuania*
Legal form of the organisation:	*Association*
Company code:	*125709291*
Address:	*Algirdo St. 38, LT-03606 Vilnius, Lithuania*

Raimondas Geleževičius

Position:	*Member of the Board*
Organisation:	*AB Lietuvos radijo ir televizijos centras*
Legal form of the organisation:	*Stock Company*
Company code:	*120505210*
Address:	*Sausio 13-osios St. 10, LT-04347 Vilnius, Lithuania*

Mihkel Uibopuu

Position:	*Member of the Board*
Organisation:	*MKU IDEED OU*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*12206020*
Address:	*Metsise St. 5-3 Tallinn, Estonia*

Arūnas Rumskas

Position:	*Coordinator of the Foreign Operations Supervision Department*
Organisation:	*PZU SA*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*0000009831*
Address:	*Jana Pawla Ave. II 24, 00-133 Warsaw, Poland*

Position:	*Member of the Board, Chief Financial officer*
Organisation:	*AAS BALTA*
Legal form of the organisation:	*Insurance Joint Stock Company*
Company code:	*40003049409*
Address:	*Raunas St. 10/12, LV-1039 Riga, Latvia*

Position:	*Chairman of the Board, CEO*
Organisation:	*UAB PZU Lietuva gyvybės draudimas*
Legal form of the organisation:	*Insurance Joint Stock Company*
Company code:	*110082737*
Address:	*Konstitucijos Ave. 7, LT-09308 Vilnius, Lithuania*

Name and address of the independent auditor:

KPMG Baltics, UAB
Lvivo St. 101
LT-08104, Vilnius
Lithuania

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 expending 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

<u>Health insurance</u>

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.

<u>Compulsory driver's third-party liability insurance:</u>

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.

<u>Casco insurance</u>

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

<u>Home insurance</u>

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.
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.

<u>Personal insurance</u>

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.

<u>Travel insurance</u>

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%.

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.

<u>Use of resources</u>

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 m^3 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 m^3.
The vehicles used by the Company employees travelled a total of 1,729 million km. The maximum, i.e., 1 1,311 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 m^3 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 go 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 project 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 registrate 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 AS Veho (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 AS Veho 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 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 Estonian branch paper consumption increased from 0.8 t to 1.1 t in 2022.
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.
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.
In December development works for new Employees' internal portal (Intranet) was launched to employees in the beginning of January 2023. New platform will able so 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 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.
Lietuvos draudimas AB Estonian branch continued approach that instead Christmas presents to partners they made the donation for Ukraine.

Kęstutis Šerpytis
Chief Executive Officer

29 March 2023

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

(All amounts in thousands of euro unless otherwise stated)

	Note	2022	2021
Insurance income			
Gross written premiums	4	337 718	272 161
Reinsurers share in premiums	4	(12 121)	(9 101)
Net written premiums	4	325 597	263 060
Change in gross unearned premiums reserve	5	(29 378)	(7 185)
Change in unearned premiums reserve, reinsurers' share	5	789	(18)
Change in unearned premiums reserve	5	(28 589)	(7 203)
Net premiums earned		**297 008**	**255 857**
Other technical income		-	24
Total insurance income		**297 008**	**255 881**
Insurance expense			
Gross claims paid to policyholders		(173 032)	(142 930)
Claims settlement expense		(13 289)	(11 986)
Recovered losses		9 562	8 723
Claims paid	6	(176 759)	(146 193)
Reinsurers share	6	1 979	1 812
Net claims paid		(174 780)	(144 381)
Change in outstanding claims reserve	7	(4 138)	(10 324)
Change in outstanding claims reserve, reinsurers' share	7	(2 599)	1 132
Net incurred claims		**(181 517)**	**(153 573)**
Acquisition costs	8	(68 113)	(55 953)
Administrative expense	9	(17 628)	(16 247)
Other expense related to insurance activities	10	(2 495)	(2 166)
Total operating expense		**(88 236)**	**(74 366)**
Total Insurance expense		**(269 753)**	**(227 939)**
Net result of insurance activities		**27 255**	**27 942**
Interest income	11	2 489	2 477
Other profit (loss) from investment activity	11	(1 700)	915
Change in expected credit loss	12	43	(16)
Net impairment profit (loss)	12	84	(203)
Financial income	13	32	4
Financial expense	13	(862)	(910)
Other income	14	941	637
Other expense	14	(52)	(76)
Profit / (loss) before tax		**28 230**	**30 770**
Income tax expense	15	(3 315)	**(3 867)**
Profit / (loss) for the year		**24 915**	**26 903**
Other comprehensive income (OCI)			
Items that are or may be reclassified to profit or loss	20	(25 803)	(3 998)
Items that will not be reclassified to profit or loss	20	(92)	229
Total comprehensive profit / (loss) for the reporting year		**(980)**	**23 134**

All profit / (loss) is attributable to the owners of Lietuvos draudimas AB.

Notes on pages 28 to 73 are an integral part of these financial statements.

Kęstutis Šerpytis	Tatjana Kozlova	Kęstutis Gadeikis
Chief Executive Officer	Accounting and reporting manager	Chief Actuary
29 March 2023		

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(All amounts in thousands of euro unless otherwise stated)

	Note	31.12.2022	31.12.2021
ASSETS			
Intangible assets	16	**5 667**	**4 989**
Property and equipment	17,38	**25 374**	**18 225**
Investment property	18	**1 500**	**1 500**
Financial assets at fair value through other comprehensive income	19	301 400	293 890
Financial asset at fair value through profit or loss	19	14 388	25 781
Total investments		**315 788**	**319 671**
Receivables due from policyholders	21	68 261	53 473
Receivables due from intermediaries	21	1 505	1 277
Reinsurance receivables	22	1 780	1 171
Other receivables	24	4 141	2 894
Total receivables		**75 687**	**58 815**
Reinsurers' share in unearned premium reserve	5	1 867	1 078
Reinsurers' share in outstanding claims reserve	7	12 343	14 943
Reinsurers' share of reserves		**14 210**	**16 021**
Prepaid income and deferred income taxes		**4 173**	**298**
Deferred acquisition costs	8	26 862	22 663
Other accrued income and deferred expense	23	2 296	2 276
Accrued income and deferred expense		**29 158**	**24 939**
Cash and cash equivalents	25	**9 274**	**9 223**
TOTAL ASSETS		**480 831**	**453 681**

Notes on pages 28 to 73 are an integral part of these financial statements.

Kęstutis Šerpytis
Chief Executive Officer

Tatjana Kozlova
Accounting and reporting manager

Kęstutis Gadeikis
Chief Actuary

29 March 2023

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(All amounts in thousands of euro unless otherwise stated)

	Note	31.12.2022	31.12.2021
EQUITY, RESERVES AND LIABILITIES			
EQUITY AND RESERVES			
Share capital	26	11 665	11 665
Share premium	26	937	937
Reserves	26	(20 560)	5 335
Retained earnings		138 003	126 588
TOTAL EQUITY AND RESERVES		**130 045**	**144 525**
LIABILITIES			
Unearned premium and unexpired risk reserves	5	163 866	134 488
Outstanding claims reserve	7	137 945	133 807
Technical reserves		**301 811**	**268 295**
Direct insurance creditors		3 922	3 519
Reinsurance creditors		4 584	1 947
Taxes	27	278	254
Corporate income tax liability		-	-
Deferred income tax liability	15	-	103
Accrued expenses and deferred income	28	20 260	17 254
Other liabilities	29,38	19 931	17 784
Total creditors		**48 975**	**40 861**
TOTAL LIABILITIES		**350 786**	**309 156**
TOTAL EQUITY, RESERVES AND LIABILITIES		**480 831**	**453 681**

Notes on pages 28 to 73 are an integral part of these financial statements.

Kęstutis Šerpytis Chief Executive Officer	Tatjana Kozlova Accounting and reporting manager	Kęstutis Gadeikis Chief Actuary

29 March 2023

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2022
(All amounts in thousands of euro unless otherwise stated)

	Share capital	Share premium	Legal reserve	Fair value reserve	Retained earnings	Total
Balance at 31 December 2020	**11 665**	**937**	**2 333**	**6 876**	**114 580**	**136 391**
Net profit for the reporting period	-	-	-	-	26 903	**26 903**
Other comprehensive income	-	-	-	(3 874)	105	**(3 769)**
Transactions with owners of the Company						
Dividends paid	-	-	-	-	(15 000)	**(15 000)**
Balance at 31 December 2021	**11 665**	**937**	**2 333**	**3 002**	**126 588**	**144 525**
Net profit for the reporting period	-	-	-	-	24 915	**24 915**
Other comprehensive income	-	-	-	(25 895)	-	**(25 895)**
Transactions with owners of the Company						
Dividends paid	-	-	-	-	(13 500)	**(13 500)**
Balance at 31 December 2022	**11 665**	**937**	**2 333**	**(22 893)**	**138 003**	**130 045**

Notes on pages 28 to 73 are an integral part of these financial statements.

Kęstutis Šerpytis
Chief Executive Officer

Tatjana Kozlova
Accounting and reporting manager

Kęstutis Gadeikis
Chief Actuary

29 March 2023

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(All amounts in thousands of euro unless otherwise stated)

	Note	2022	2021
Cash flows from operating activities			
Premiums received from direct insurance		320 912	266 635
Claims paid for direct insurance		(177 156)	(146 671)
Payments received from ceded reinsurance		498	3 472
Payments made for ceded reinsurance		(8 246)	(8 056)
Operating expenses paid		(66 102)	(51 814)
Taxes paid on ordinary activities		(23 061)	(22 242)
Amounts received on other operating activities of insurance		1 131	366
Net cash from / (used in) operating activities:		**47 976**	**41 690**
Cash flows from investing activities			
Disposal of investments		63 880	14 814
Acquisition of investments		(101 366)	(51 195)
Interest received		4 884	4 616
Amounts from other investing activities		(550)	(525)
Net cash generated from / (used in) investing activities:		**(33 152)**	**(32 290)**
Cash flows from financing activities			
Dividends paid		(13 500)	(15 000)
Payments made for lease liabilities including fees and interest		(1 273)	(1 159)
Net cash from / (used in) financing activities:		**(14 773)**	**(16 159)**
Net increase / (decrease) in cash and cash equivalents		**51**	**(6 759)**
Cash and cash equivalents at the beginning of reporting year		**9 223**	**15 982**
Cash and cash equivalents at the end of reporting year	25	**9 274**	**9 223**

Notes on pages 28 to 73 are an integral part of these financial statements.

Kęstutis Šerpytis Chief Executive Officer	Tatjana Kozlova Accounting and reporting manager	Kęstutis Gadeikis Chief Actuary

29 March 2023

1. GENERAL INFORMATION

Lietuvos draudimas AB (hereinafter "the Company") is an insurance joint stock company which was registered in Vilnius, the Republic of Lithuania in 1996. The Company offers a wide range of non-life insurance services both to corporate clients and to private individuals.

Name of the Company:	Insurance Joint Stock Company LIETUVOS DRAUDIMAS.
Legal address of the Company:	J. Basanavičiaus str. 12, LT-03600 Vilnius, Lithuania
Phone, fax:	(+370) 5266 6612, 1828, (+370) 5231 4138
Tax payer's code in Lithuania:	10051834
State Revenue Service department:	Department of large tax payers
Shareholder:	POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A., a joint-stock company, Poland (100%)

The Company's shares are not listed. The Company belongs to a group whose parent company trades its shares on the Warsaw Stock Exchange and whose main shareholder is the State Treasury of Poland owning more than 34% of the shares.

The Company has a branch in Estonia, by the name Lietuvos Draudimas AB Eesti filiaal. Registration number 12831829, registered address Parnu mnt 141, Tallinn, Estonia.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. Consistent accounting principles have been applied to the financial years presented in these financial statements. Financial statements have been authorised by the Management Board. The shareholders have the power to reject the financial statements prepared and issued by the management and the right to request that new financial statements be issued.

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements were prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") as adopted by the European Union (hereinafter "EU"), and Lithuanian legislation applicable to insurance companies.

2.1.2 Functional and presentation currency

All amounts in the financial statements and disclosures are presented in thousands of euro (EUR thousand), unless otherwise stated, which is the Company's functional currency.

2.1.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial statements captions that are stated at fair value: financial investments measured at fair value and investment property.

Reporting year

The reporting period comprises the 12 months from 1 January 2022 to 31 December 2022.

2.1.4 Estimates

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where estimates and judgments are significant to the financial statements are disclosed in Note 3.

2.2 New standards and interpretations, reclassification of balances in the financial statements

2.2.1 Standards and interpretations effective in the reporting period and adopted by the Company

Standards adopted by the EU for annual periods beginning on or after 1 January 2022:

(i) Amendments to References to Conceptual Framework in IFRS Standards

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The amendments did not have a material impact on the Company's financial statements.

(ii) Amendments to IAS 1 and IAS 8: Definition of Material

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments did not have a material impact on the Company's financial statements.

(iii) Amendments to IFRS 3: Definition of business

The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or group of similar assets). The amendments did not have a material impact on the Company's financial statements.

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

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

(v) Amendments to IFRS 16 – payment modifications due to the COVI –19 pandemic

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

2.2.2 New Standards and Interpretations not yet adopted

Some new standards, amendments to standards and clarifications for annual periods beginning after 1 January 2022 have not yet been effective and have not been applied in preparing these financial statements in advance.

(i) IFRS 17 Insurance Contracts (Effective for annual periods beginning on or after 1 January 2023; to be applied prospectively)

The aim of the new standard is to introduce completely new, uniform principles for the measurement of insurance and reinsurance contracts, ensuring greater comparability of statements between different insurers, as well as providing a number of new disclosures for the use of recipients of financial statements.

IFRS 17 introduces new principles for the recognition and measurement of insurance and reinsurance contracts, such as loss component, risk adjustment, discounting, different expenses treatment, other comprehensive income option, etc., and changes financial statements. All these changes are relevant and applicable to Lietuvos draudimas.

(All amounts in thousands of euro unless otherwise stated)

Amounts recognized in profit loss are disaggregated into insurance revenue (which replaces current practice of recognizing revenue as written premiums) and insurance service expenses. Income or expenses from reinsurance contracts held is presented separately from insurance contracts issued. Insurance service expenses arising from group of insurance contracts issued are recognized in profit or loss as incurred, except acquisition costs which are deferred. The effect of changes in the time value of money (accretion of interest) is disclosed under Insurance finance income or expenses. Also, Lietuvos draudimas applies OCI option to disclose impact of changing discounting rates. In the balance sheet items related to insurance and reinsurance operations are disclosed either under liability for remaining coverage (LRC) or under liability of incurred claims (LIC). LIC consists of two elements – the best estimate liability and risk adjustment (both discounted). In case of some portfolio being onerous, additional liability on LRC (Loss Component) is created.

In relation to this, introduction of this standard has a material impact on Lietuvos draudimas equity in the period of initial application. Lietuvos draudimas has restated the relevant comparative figures and presented impact to equity as at 1 January 2022 and 1 January 2023 (please refer to table disclosed below).

The effect of implementing IFRS 17 on the statement of financial position

Lietuvos draudimas has assessed the impact that the initial application of IFRS 17 will have on its financial statements. Based on assessments undertaken to date, the total adjustment (after tax) to the balance of Lietuvos draudimas total equity is estimated to be a reduction of 3.1 million EUR at 1 January 2023 and 8.3 million EUR at 1 January 2022, as summarised below.

The effect of implementing IFRS 17 on equity of Lietuvos draudimas	**1 January 2022**	**1 January 2023**
Total equity, per IFRS 4	144.5	130.0
The effect of implementing IFRS 17 on equity	-8.3	-3.1
Total equity, per IFRS 17	136.2	126.9

The effect of implementing IFRS 17 on equity is mainly due to the following:

- Unexpired risk reserve is replaced by Loss component under IFRS 17 (negative impact on equity).
- Outstanding claims reserve is replaced by liability of incurred claims (LIC), which consists of best estimate liability (positive impact on equity) and risk adjustment (negative impact on equity) and both are discounted (positive impact on equity).
- Reversal of deferred Motor Bureau fee for IFRS 17 purposes (negative impact on equity).

Lietuvos draudimas will restate comparative information on adoption of IFRS 17.

The above figures concerning the estimated effect of implementing IFRS 17 on equity are of a preliminary nature, and the final effect of implementing IFRS 17 may differ from the one presented hereinabove, among other things due to:

- uncertainties as to the construal of certain provisions of the standard and the lack of an established consistent practice of application;
- ongoing adaptation of new processes concerning the preparation of figures, as well as computation, reporting and accounting processes;
- refinement of the new accounting processes and internal controls required for applying IFRS 17;
- although parallel runs were carried out in 2022, the new systems and associated controls in place have not been operational for a more extended period;
- not finalised the testing and assessment of controls over its new IT systems and changes to its governance framework.
- the new accounting policies, assumptions, judgements and estimation techniques employed being subject to change until Lietuvos draudimas finalises its first financial statements that include the date of initial application.

Insurance contracts

Identification contracts in the scope of IFRS 17

In order to identify insurance contracts issued that are within the scope of IFRS 17, Lietuvos draudimas verifies whether, under a given contract, the entity accepts a significant insurance risk from the policyholder and undertakes to compensate the policyholder for an adverse effect defined as an uncertain future insured event.

No changes are expected from IFRS 17 comparing with IFRS 4 which means that the same insurance contracts in scope of IFRS 4 will also be measured under IFRS 17.

Level of aggregation

For measurement purposes, insurance contracts are aggregated into so-called groups of insurance contracts. The purposes of this aggregation is to ensure that profits are recognized over time in proportion to the insurance service provided, and losses, are recognized immediately then the entity assesses that the concluded contract is onerous. Offsetting profits and losses between identified groups of insurance contracts is not allowed. Insurance contracts are aggregated into groups of insurance contracts, taking into consideration the following three levels:

- Portfolio – contracts with similar risk characterization, managed jointly;
- Profitability – contracts belonging to the same profitability group;
- Cohort – contracts issued no more than one year apart.

For Lietuvos draudimas this means that IFRS 17 introduces much more granular level of aggregation than IFRS 4. Insurance contracts will be split into homogenous risk groups. Reinsurance contracts will be split even in more details (per reinsurance type and counterparty). Both Insurance and Reinsurance contracts are measured using quarterly cohorts which lead to assessment of profitability and the identification of onerous contracts becoming much more detailed comparing with IFRS 4.

Contract boundaries

The measurement of an insurance contract covers solely the cash flows that are within the contract boundary. The contract boundary separates future cash flows related to existing insurance contracts from future cash flows related to insurance contracts yet to be concluded. Lietuvos draudimas sets the contract boundary when Lietuvos draudimas cannot compel the policyholder to pay the premiums or when Lietuvos draudimas has a substantive obligation to provide the policyholder with insurance contract services. The substantive obligation ends when Lietuvos draudimas has the practical ability to reassess the risk of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

Lietuvos draudimas considers that contract boundaries will not have significant impact comparing to IFRS4.

Measurement overview

In Lietuvos draudimas total majority of non-life insurance and reinsurance contracts automatically meet the criteria for applying the simplified Premium allocation approach (PAA) method due to their insurance coverage duration being 12 months or less.

The remaining immaterial part which has insurance coverage duration longer than 12 months passes PAA eligibility criteria having similar outcome of LRC applying PAA and GMM, and therefore only PAA method is used for all non-life insurance contracts.

In PAA model, liability for remaining coverage is analogous to the provision for unearned premiums mechanism, without separate presentation of Risk adjustment and Contractual service margin, while the liability for incurred claims is measured using the General Measurement Model, wherein the insurance liability is calculated as the sum of discounted value of the best estimate of future cash flows and risk adjustment.

On initial recognition of each group, the carrying amount of the liability for remaining coverage is measured at the premiums received net of acquisition cash flows on initial recognition.

Subsequently, the carrying amount of the liability for remaining is increased by any further premiums received and decreased by acquisition cash flows paid and the amount recognized as insurance revenue for services provided. Lietuvos draudimas does not adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk, i.e. the liability for remaining coverage is not discounted.

If at any time during the coverage period, facts and circumstance indicate that a group of contracts is onerous, then Lietuvos draudimas will recognize a loss in income statement and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

Lietuvos draudimas recognizes the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows (best estimate liabilities including risk adjustment) relating to incurred claims, and all the future cash flows are discounted under IFRS 17.

Currently under IFRS 4 no explicit risk adjustment is considered and only MTPL annuities are discounted.

For Lietuvos draudimas this means that unearned premium reserve is similar to liability for remaining coverage (no impact on equity), unexpired risk reserve is replaced by loss component (negative impact on equity) and outstanding claims reserve is replaced by liability of incurred claims, which consists of best estimate liability (positive impact on equity) and risk adjustment (negative impact on equity) components.

Measurement – significant judgement and estimates

Estimates of future cash flows

In estimating future cash flows, Lietuvos draudimas 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.

Discounting rates

Lietuvos draudimas applies EIOPA risk-free rates.

Risk adjustment for non-insurance risk

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

The risk adjustment for non-financial risk is determined using a confidence level technique.

The parameters for risk adjustment are selected so that the final value of the risk adjustment for financial risk corresponds to 75-85% confidence level determined by the PZU Group as the confidence level expected for the purpose of determining non-financial risk in IFRS 17 financial reporting.

For Lietuvos draudimas this means that new IFRS 17 risk adjustment element (having negative impact on equity) is added to best estimate liability (having positive impact on equity) which are both discounted (having positive impact on equity).

Presentation and disclosures

IFRS 17 will significantly change how insurance contracts are presented and disclosed in Lietuvos draudimas financial statements. Under IFRS 17, portfolios of insurance contracts that are assets and those that are liabilities are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis in insurance liabilities.

Under IFRS 17, amounts recognized in the statement of profit or loss and OCI are disaggregated into:

a) an insurance service result, comprising insurance revenue and insurance service expenses;
b) insurance finance income and expenses.

The separate presentation of insurance service and insurance finance results will provide added transparency about the sources of profits and quality of earnings.

Insurance service result

For contracts measured using the PAA, insurance revenue is recognized based on an allocation of expected premium receipts to each period of coverage, which is based on the expected timing of passage of time. Administrative expenses that relate directly to fulfilment of contracts are recognized in profit or loss as insurance service expenses, generally whey they are incurred. Only costs which meet definition of acquisition costs definition under IFRS 17 are deferred. Expenses that do not relate directly to fulfilment of contracts are presented outside the insurance service result.

Insurance finance income and expenses

Under IFRS 17, changes in the carrying amounts of group of contracts arising from the effects of the time value of money and financial risks are presented as insurance finance income or expenses. Lietuvos draudimas chooses to disaggregate insurance finance income or expenses between profit or loss and OCI. This is expected to reduce accounting mismatch in profit or loss as bonds are measured at FVOCI. The amount included in profit or loss will be determined by a systematic allocation of the expected total insurance income or expenses over the duration of the group of contracts.

Disclosure
IFRS 17 requires new extensive disclosures about amounts recognized in the financial statements, including detailed reconciliation of contracts as well as disclosures about judgements made when applying IFRS 17. Financial statements will also contain expanded disclosures about the nature and extent of risk from insurance and reinsurance contracts. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.
For Lietuvos draudimas this means that completely new statement of profit or loss, financial position and disclosures formats will be introduced as described above.

Transition
Lietuvos draudimas applies IFRS 17 Insurance Contracts for the first time on 1 January 2023. Due to the need to prepare comparative figures, 1 January 2022 is assumed as the date of transition to the new standard.

Lietuvos draudimas has applied a full retrospective approach for the transition to IFRS 17, except for pre-2015Q4 liabilities for incurred claims, for which the fair value approach was applied. A full retrospective approach means that Lietuvos draudimas measures groups of insurance contracts as if the standard had been applied from the beginning for those contracts.

(i) Annual Improvements to IFRS 2018-2020 Cycle (issued on 14 May 2020. Effective for later periods.)

The amendments pertain to:

- IFRS 1 – the amendment permits a subsidiary that adopts IFRS for application later than its parent and applies paragraph D16(a) of IFRS 1 to measure cumulative foreign exchange differences using the amounts reported in the parent's consolidated financial statements based on the date of the parent's transition to IFRS;
- Amendments to IFRS references to Conceptual Framework (amendments to IFRS 3);
- Definition of accounting estimates (amendments to IAS 8);
- IFRS 9 – the amendment clarifies that for the purposes of the "10 percent" test, only fees paid or received between the borrower and the lender, including fees paid or received by the borrower or lender on behalf of the other party, should be considered in making a decision on the possible derecognition of a financial liability;
- IFRS 16 – the amendment has removed the example concerning the reimbursement of lease improvements by the lessor (due to related uncertainties).

None of these changes are expected to have a material impact on the financial statements of the Company.

Other standards

The following amended standards are not expected to have a significant impact on the Company's consolidated financial statements:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) (not yet endorsed by EU);
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (not yet endorsed by EU);
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

2.3 Insurance contracts, reinsurance

a) Classification of contracts

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. All contracts concluded are classified as non-life insurance contracts and the Company does not conclude any investment contracts.

b) Ceded reinsurance

The Company cedes reinsurance in the normal course of business for limiting its net loss potential. Assets, liabilities, income, and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Reinsurance assets include the recoveries due from reinsurance companies in respect of claims paid and the reinsurance share in the technical reserves.

Amounts recoverable from reinsurers are measured on the basis of the reserve for outstanding claims or the settled claims from policies falling within the scope of a reinsurance contract.

Reinsurance commissions include commissions received or receivable from reinsurers based on the reinsurance contracts. Non-life reinsurance commissions are deferred in a manner consistent with the deferral of acquisition costs in non-life insurance.

Unearned reinsurance commissions are included in the statement of financial position under item Accrued expenses and deferred income.

The main obligatory reinsurance contract forms in reinsurance are excess-of-loss treaties. For risks exceeding the limits of obligatory reinsurance treaties or falling outside their scope due to their nature, facultative reinsurance is used.

c) Premiums

Written insurance premiums are insurance premiums for policies, which become effective during the year, irrespective of whether the premium has become due or not. Premiums underwritten are decreased by the premiums cancelled and terminated over the accounting year. Premiums are disclosed gross of commission payable to intermediaries.

The earned portion of premiums written is recognised as revenue. Premiums are recognised as earned on a pro-rata basis over the term of the related policy coverage. The unearned portion of premiums is recognised as an unearned premium technical reserve.

Ceded reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received and the portion of reinsurance premiums attributable to future periods are recognised as assets under the reinsurance part of the unearned premium reserve.

d) Incurred claims

Claims incurred include claims attributable to the reporting year and loss claims handling expenses. Claims paid are decreased by the amount received from salvage or subrogation.

e) Administrative expense

Administrative expense is related to the collection of premiums, management of portfolios, processing of bonuses and discounts and incoming and outgoing reinsurance. They include personnel expenses and depreciation to the extent they are not included in acquisition, claims handling or investing expenses. Expenses are accounted on an accrual basis.

Administrative expenses that are not directly related to a specific type of insurance are divided by type of insurance proportionally to the amount of gross written premiums, net earned premiums and insured objects.

f) Client acquisition costs

Acquisition costs of insurance contracts arise from the conclusion of insurance contracts and consist of direct costs such as commissions and indirect expenses incurred related to the conclusion of contracts.

g) Deferred client acquisition costs (DAC)

Direct incremental costs associated with acquisition of new or renewal of insurance contracts are deferred, to the extent that such costs are deemed recoverable from future premiums or gross profits. Commissions and other acquisition costs, such as, among others, sales personnel remuneration and social contributions and maintenance, that in the Company's management judgement, vary with and are related to securing new contracts and renewing existing contracts are capitalised as assets. All other client acquisition costs are recognised as expenses when incurred. Deferred client acquisition cost assets are attributed to profit or loss over the terms of the corresponding policies and lines of insurance as premium is earned.

h) Technical reserves

Unearned premium reserve comprises written gross premium related to the period from the reporting date to the expiry of insurance agreement to cover all claims and expenses in accordance with insurance agreements in force.

Unexpired risk reserve is set aside for unexpired risks arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting period end date exceeds the unearned premium reserve in relation to such policies.

On each reporting date, the Company prepares a liability adequacy test by assessing whether the insurance liabilities recognised during the reporting year for valid policies are adequate.

If the liability adequacy test shows a deficiency in the carrying amount of liabilities, the deficiency is recognised as a loss for the financial year by setting unexpired risk reserve (Note 34), recognised in the same way as changes in unearned premium reserve.

Outstanding claims reserve is an amount provided at the end of the reporting year in respect of estimated losses incurred but not yet paid. Outstanding claims reserve includes reserves for reported but not settled claims and reserve for incurred but not reported claims. The claims reserve is also created for claims handling expenses that will be necessary in order to settle the claims incurred during the reporting and previous years. Only MTPL annuities are discounted due to low discounting effect for other liabilities.

i) Fronting insurance

As a part of regular business operations, the Company insures risks, which it fully cedes to reinsurers, not keeping the insurance risk or taking full risks to itself. Assets, liabilities, as well as income and expenses, which arise from the fronting reinsurance agreements, are presented in statement of financial position of the Company, as full ceding of the insurance risk does not release the Company from the direct liabilities to the insurance policyholder.

2.4 Interest income and expense

Interest income and expense are recognised in the profit and loss for all interest-bearing instruments on an accrual basis using the effective interest rate method. Interest income includes coupons earned on fixed income debt securities, interest on bank deposits and other loans and accrued discounts and premiums on discounted instruments.

2.5 Financial instruments

The Company classifies its financial assets in the following categories: measured at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Company classifies non-derivative financial liabilities into the following categories:

(i) Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Company initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

<u>Measured at amortized cost</u>

These assets are initially measured at fair value plus any directly attributable transaction costs. Assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

A financial asset is measured at amortized cost if the following two conditions are met and is not designated at fair value through profit loss:

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

<u>Financial assets measurement at fair value</u>

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

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

<u>Debt instruments measured at fair value through other comprehensive income</u>

Debt securities are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling debt securities. These assets do not generate any other sort of income, which is why they are carried at fair value through other comprehensive income. These assets are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

<u>Equity investments at fair value through other comprehensive income</u>

The Company holds equity instruments for strategic purposes for a long time. Trading equity securities is not a normal part of the business model. For these reasons, the Company has opted to measure equity instruments at fair value through other comprehensive income.

For equity investments held for non-trade purpose the Company elects to apply fair-value-through-other-comprehensive income option. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequently these financial instruments are measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial instruments at fair value through profit or loss

The Company's investments in collective investment undertakings do not meet the criteria to account for these investments in other categories of financial assets than the assets measured at fair value through profit or loss.

These assets are initially measured at fair value plus any directly attributable transaction costs. The fair value option is available on initial recognition to irrevocably designate a financial asset as recognised at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or recognising gains and losses on them on a different basis.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in profit or loss.

(ii) Non-derivative financial liabilities – Measurement

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

2.6 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

2.7 Receivables from direct insurance operations

When amounts due from policyholders and intermediaries become overdue, the policy is cancelled and respective amounts are reversed against premiums written. No impairment allowances are made with respect to amounts that have not yet become due and, accordingly, no portion of the premiums is taken to income.

2.8 Intangible assets

Intangible assets are stated at historical cost, less any subsequent accumulated amortisation and accumulated impairment losses, if any. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. Assets are amortized on a straight-line basis over their estimated useful lives, which are from 1 to 14 years. The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in intangible assets.

(All amounts in thousands of euro unless otherwise stated)

2.9 Property and equipment

Assets are controlled and managed by the Company, it is reasonably expected to gain economic benefit from the assets in the future periods, which will be used in the supply of services or for administrative purposes by the Company for more than one-year period, the acquisition cost can be reliably measured and which is higher than EUR 1 000 including VAT.

Assets are stated at acquisition cost less any subsequent accumulated depreciation and accumulated impairment losses, if any. Land is not depreciated.

Calculation of depreciation is started from the month following the month of putting the asset into operation using the straight-line method over the estimated useful life of the tangible asset. Estimated useful lives of key groups of assets are as follows:

Buildings	30–80 years
Vehicles	8 years
Office equipment	3–6 years

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Leasehold improvements are depreciated on a straight-line basis during leasehold period.

Profit or loss from disposal of property and equipment is calculated as the difference between the book value of the property and equipment and income generated from sale, and charged to profit or loss as incurred.

Property and equipment also include assets from operating leases of land and premises. The value of such assets in the financial statements is shown at the present value of all future lease payments.

2.10 Investment property

Investment property constitutes real estate maintained in order to earn lease revenue and/or profit from property value increase, and is accounted for at fair value, and the depreciation thereof is not calculated. The fair value of investment property is reviewed each time financial statements are drawn up, and any changes thereof are reflected in the profit and loss.

Any repair works for the investment property reflected in the financial statements at their fair value are recognised as costs of the period during which they were incurred.

2.11 Foreign currency revaluation

Foreign currency transactions are translated into euro applying the euro foreign exchange reference rate published by the European Central Bank at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date foreign exchange reference rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss of the respective period.

	31.12.2022	**31.12.2021**
1 USD	EUR 0.9376	EUR 0.8823
1 GBP	EUR 1.1275	EUR 1.1915
1 PLN	EUR 0.2136	EUR 0.2176

2.12 Corporate income tax

Corporate income tax expense represents the sum of the tax currently payable and deferred income tax change.

<u>Income tax</u>

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the date of the statement of financial position. Income tax rate applied for the Company was 15% in 2022 (15% in 2021).

Deferred income tax

Deferred income tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is accounted for in profit or loss, except when it relates to items accounted for directly in equity, in which case the deferred tax is also dealt with in equity and the change of deferred tax is recognised in OCI. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.13 Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Impairment

Impairment of property and equipment and intangible assets

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

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

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

Impairment of financial assets

Impairment of financial assets is recognised based on expected credit loss (ECL) which could be suffered due to counterparty default. Expected credit losses model is applied on financial assets measured at fair value through other comprehensive income (except equity instruments) and on financial instruments measured at amortised cost. It is not applicable on financial instruments measured at fair value through profit or loss as well as on equity instruments measured at fair value through other comprehensive income.

Terms and definitions:

Expected Credit Loss (ECL) – the probable decrease in future cash-flows due to default event or impairment of receivables;
Probability of default (PD) – probability that over particular time liabilities to the Company will not be fulfilled.
Loss Given Default (LGD) – share of financial asset expected to lose in the case of default event;
Exposure at Default (EAD) – the amount which is exposed to default risk and for which expected credit losses are calculated;
Lifetime ECL – the expected credit losses from all possible default events over the expected life of the financial instrument;
12-month ECL – the part of the credit loss for the period of validity, resulting from loss events likely to occur within the next 12 months from the assessment date;
Recovery rate – is the extent to which defaulted debt can be recovered.

ECL on debt instruments measured at FVOCI

ECL on debt instruments is calculated based on probability of counterparty default (PD) and expected loss given default (LGD). PDs are determined by using statistics (default history of issuers with the same rating) published by major credit rating agencies. Certain probabilities of default are calculated and assigned to each financial instrument according credit rating of issuer. LGDs evaluation is also based on historical recovery rates published by credit agencies.

The Company applies 12-month ECL on debt instruments. Except if credit risk of a financial asset at the reporting date increased significantly compared to credit risk at date of initial recognition the Company applies Life-time ECL. Credit risk is determined based on external credit rating. Company considers that a financial asset's credit risk has not increased significantly if the asset has low credit risk (credit rating is under investment-grade class) at the reporting date.

Presentation in financial statements

For financial assets measured at amortised cost the loss allowance is deducted from the gross carrying amount of the assets. For debt investments measured at FVOCI the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position. The impairment on receivables is recognised in profit or loss for the period.

2.15 Employee benefits

The Company calculates annual bonuses for personnel based on the Company's reporting year's financial results and the achievement of personal goals. Short-term employee benefits, including salaries and social security contributions, bonuses and vacation benefits, are included in Administrative expenses on an accrual basis. For some employees, a part of the annual bonus may be deferred and paid out in up to several years subsequent to the calculation year. The accruals for personnel bonuses represent the amount accrued as at the year end. The Company pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees in accordance with local legal requirements. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

3. USE OF JUDGEMENTS AND ESTIMATES

Management makes judgments, estimates and assumptions that are applied in the process of preparation of the financial statements and affect the reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Outstanding claims reserve is one of the main Company's evaluations which estimate the ultimate liability arising from claims made under insurance contracts. Outstanding claims reserve includes the reserve for reported but not settled claims (RBNS), incurred but not reported claims (IBNR), claims handling provision and recourse outstanding provision. Outstanding claims reserve is disclosed in Note 7.

The reserve for reported but not settled claims (RBNS) is calculated automatically when entering preliminary case settlement amount into the insurance system set by claims specialists as at the accounting date. For newly reported cases initial case estimates derived by actuaries from claims data are used, which are then updated by claims specialists based on additional information received.

The reserve for incurred but not reported claims (IBNR) is calculated by lines of business using Bornhuetter-Ferguson, Loss Ratio and Average Pay-out methods. Loss Ratio for Bornhuetter-Ferguson method is derived using frequency, severity and average premiums, also taking seasonality effect into account. It means that the method is supported by Chain-Ladder and Average Pay-out or Loss Ratio methods.

IBNR for most reserving classes in Lithuania and Estonia is calculated using Bornhuetter-Ferguson method due to sufficient claims history and stable development pattern. IBNR for other reserving classes is calculated using simplified Bornhuetter-Ferguson method where development pattern is assumed. For remaining reserving classes, due to insufficient claims data or unstable development pattern, Loss Ratio method is used. Also, IBNR is formed for specific liabilities arising from particular situations such as pain and suffering claims periodic payments, indexation of net retention and reopening claims.

Claims handling provision is calculated as a percentage from outstanding claims assuming that on average half of reported, but not settled claims are not yet handled. Coefficients for claims handling reserve are selected analysing historical ratios of claims handling expenses.

Reserves for recourse outstanding and recourse asset are calculated deriving historic recovery percentages by accident quarters and applying them on outstanding claims amounts.

(All amounts in thousands of euro unless otherwise stated)

4. NET WRITTEN PREMIUMS

	2022			2021		
	Gross amount	**Reinsurers' share**	**Net amount**	**Gross amount**	**Reinsurers' share**	**Net amount**
Motor vehicle third party liability insurance	103 695	(1 923)	101 772	81 702	(1 638)	80 065
Motor own damage insurance	99 801	(2 366)	97 436	80 569	(1 632)	78 937
Fire and other damage to property insurance	84 277	(4 323)	79 954	69 488	(3 531)	65 957
Income protection insurance	18 145	(57)	18 087	15 741	(63)	15 678
Medical expense insurance	17 391	(21)	17 369	12 540	(13)	12 526
General liability insurance	6 727	(882)	5 845	5 947	(537)	5 410
Credit and suretyship insurance	2 709	(150)	2 560	2 458	(309)	2 149
Miscellaneous financial loss	2 702	(1 664)	1 038	2 385	(1 310)	1 075
Marine, aviation and transport insurance	2 271	(735)	1 536	1 331	(68)	1 263
	337 718	**(12 121)**	**325 597**	**272 161**	**(9 101)**	**263 060**

Premiums earned

	2022			2021		
	Gross premiums earned	**Reinsurers' share**	**Net premiums earned**	**Gross premiums earned**	**Reinsurers' share**	**Net premiums earned**
Motor vehicle third party liability insurance	93 337	(1 887)	91 450	81 965	(1 633)	80 332
Motor own damage insurance	89 671	(2 373)	87 298	77 221	(1 638)	75 583
Fire and other damage to property insurance	79 577	(4 173)	75 404	67 272	(3 510)	63 762
Income protection insurance	16 953	(57)	16 896	14 852	(63)	14 789
Medical expense insurance	15 831	(21)	15 810	10 818	(13)	10 805
General liability insurance	6 364	(845)	5 519	6 030	(474)	5 556
Marine, aviation and transport insurance	2 594	(174)	2 420	1 178	(68)	1 110
Credit and suretyship insurance	2 467	(1 611)	856	3 092	(513)	2 579
Miscellaneous financial loss	1 546	(191)	1 355	2 549	(1 208)	1 341
TOTAL	**308 340**	**(11 332)**	**297 008**	**264 977**	**(9 119)**	**255 857**

(All amounts in thousands of euro unless otherwise stated)

5. UNEARNED PREMIUM RESERVE

a) Movement in unearned premium reserve

	Gross amount	Reinsurers' share	Net amount
Balance at 31 December 2020	**127 303**	**(1 096)**	**126 207**
Written premiums	272 161	(9 101)	263 060
Earned premiums	264 976	(9 119)	255 857
Total change for the year	7 185	18	7 203
Balance at 31 December 2021	**134 488**	**(1 078)**	**133 410**
Written premiums	337 718	(12 121)	325 597
Earned premiums	308 340	(11 332)	297 008
Total change for the year	29 378	(789)	28 589
Balance at 31 December 2022	**163 866**	**(1 867)**	**161 999**

b) Changes in unearned premium reserve and distribution by type of insurance for the year 2022

Motor vehicle third party liability insurance	10 358	(36)	10 322
Motor own damage insurance	10 130	7	10 137
Fire and other damage to property insurance	4 700	(150)	4 550
Medical expense insurance	1 560	-	1 560
Income protection insurance	1 192	-	1 192
Marine, aviation and transport insurance	725	(544)	181
General liability insurance	363	(37)	326
Credit and suretyship insurance	235	(53)	182
Miscellaneous financial loss	115	24	139
	29 378	**(789)**	**28 589**

c) Changes in unearned premium reserve and distribution by type of insurance for the year 2021

	Gross amount	Reinsurers' share	Net amount
Miscellaneous financial loss	3 348	6	3 354
Medical expense insurance	2 216	(21)	2 195
Income protection insurance	1 722	-	1 722
Fire and other damage to property insurance	889	-	889
General liability insurance	153	-	153
Marine, aviation and transport insurance	(83)	(63)	(146)
Credit and suretyship insurance	(164)	(103)	(267)
Motor own damage insurance	(263)	(5)	(268)
Motor vehicle third party liability insurance	(633)	204	(429)
	7 185	**18**	**7 203**

(All amounts in thousands of euro unless otherwise stated)

d) Gross unearned premium reserve as at end of year

	31.12.2022	31.12.2021
Motor own damage insurance	52 392	42 261
Motor vehicle third party liability insurance	47 139	36 781
Fire and other damage to property insurance	39 099	34 400
Income protection insurance	9 361	8 169
Medical expense insurance	7 901	6 341
General liability insurance	3 595	3 231
Miscellaneous financial loss	1 801	1 273
Credit and suretyship insurance	1 388	1 566
Marine, aviation and transport insurance	1 190	466
	163 866	**134 488**

6. CLAIMS PAID

	2022			2021		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Motor own damage	(62 382)	690	(61 692)	(49 720)	704	(49 015)
Motor vehicle third party liability insurance	(52 875)	688	(52 187)	(46 138)	352	(45 787)
Fire and other damage to property insurance	(37 241)	533	(36 708)	(31 689)	230	(31 459)
Medical expense insurance	(15 182)	-	(15 182)	(9 371)	-	(9 371)
Income protection insurance	(5 605)	-	(5 605)	(5 028)	46	(4 982)
General liability insurance	(2 688)	8	(2 680)	(2 608)	-	(2 608)
Marine, aviation and transport insurance	(508)	-	(508)	(445)	237	(208)
Miscellaneous financial loss	(248)	46	(202)	(1 044)	20	(1 023)
Credit and suretyship insurance	(30)	14	(16)	(150)	223	72
Other	-	-	-	-	-	-
	(176 759)	**1 979**	**(174 780)**	**(146 193)**	**1 812**	**(144 381)**

(All amounts in thousands of euro unless otherwise stated)

7. OUTSTANDING CLAIM RESERVES

a) Movement in outstanding claims reserve:

	2022			2021		
	Gross amount	**Reinsurers' share**	**Net amount**	**Gross amount**	**Reinsurers' share**	**Net amount**
At beginning of year						
Notified claims	94 152	(13 898)	80 254	84 132	(13 050)	71 082
Incurred, but not reported	39 655	(1 044)	38 611	39 352	(761)	38 591
Total at beginning of year	**133 807**	**(14 942)**	**118 865**	**123 484**	**(13 811)**	**109 673**
Cash paid for claims notified in prior years	(35 031)	803	(34 228)	(23 821)	948	(22 873)
Changes in liabilities arising from current and prior year claims	39 169	1 796	40 965	34 145	(2 080)	32 065
Total change in year	4 138	2 599	6 737	10 324	(1 132)	9 192
Total at end of year	**137 945**	**(12 343)**	**125 602**	**133 807**	**(14 943)**	**118 864**
Notified claims	93 995	(11 557)	82 438	94 152	(13 899)	80 253
Incurred, but not reported	43 950	(786)	43 164	39 655	(1 044)	38 611
Total at end of year	**137 945**	**(12 343)**	**125 602**	**133 807**	**(14 943)**	**118 864**

b) Change in outstanding claims reserve and distribution by type of insurance for the year 2022:

	Gross amount	**Reinsurers' share**	**Net amount**
Motor vehicle third party liability insurance	3 821	1 438	5 259
Motor own damage insurance	1 550	6	1 556
Fire and other damage to property insurance	1 457	(188)	1 269
Credit and suretyship insurance	385	(194)	191
Medical expense insurance	81	-	81
Income protection insurance	34	-	34
Miscellaneous financial loss	(281)	462	181
Marine, aviation and transport insurance	(559)	57	(502)
General liability insurance	(2 350)	1 018	(1 332)
	4 138	**2 599**	**6 737**

c) Change in outstanding claims reserve and distribution by type of insurance for the year 2021:

	Gross amount	**Reinsurers' share**	**Net amount**
Motor vehicle third party liability insurance	6 751	(662)	6 089
Motor own damage insurance	3 793	(36)	3 756
General liability insurance	1 110	(965)	146
Marine, aviation and transport insurance	297	22	319
Income protection insurance	103	-	103
Medical expense insurance	(31)	-	(31)
Credit and suretyship insurance	(88)	(145)	(233)
Miscellaneous financial loss	(670)	74	(596)
Fire and other damage to property insurance	(941)	580	(361)
	10 324	**(1 132)**	**9 192**

(All amounts in thousands of euro unless otherwise stated)

d) Gross outstanding claims reserve as at end of year:

	31.12.2022	31.12.2021
Motor vehicle third party liability insurance	90 246	86 427
Fire and other damage to property insurance	21 405	19 948
Motor own damage insurance	12 509	10 960
General liability insurance	6 098	8 448
Credit and suretyship insurance	2 620	2 234
Medical expense insurance	2 033	1 951
Income protection insurance	1 386	1 352
Miscellaneous financial loss	1 185	1 465
Marine, aviation and transport insurance	463	1 022
	137 945	**133 807**

8. ACQUISITION COSTS

	2022	2021
Commissions to brokers and other intermediaries	(39 812)	(27 813)
Personnel expenses	(16 773)	(15 722)
Commissions and other agent related expense	(8 685)	(7 533)
Office expenses	(3 181)	(2 633)
Premises expenses	(1 722)	(1 503)
Marketing and representation expenses	(1 324)	(1 612)
Depreciation and amortisation	(728)	(701)
Other acquisition costs	(529)	(551)
Compulsory state social security contributions related to agents	(440)	(353)
Reinsurance commission	860	786
Change in deferred client acquisition costs	4 221	1 682
	(68 113)	**(55 953)**

Deferred client acquisition costs

As at 31 December 2020	**20 981**
Deferred client acquisition costs additions to new contracts	38 428
Amortisation of deferred acquisition costs	(36 747)
As at 31 December 2021	**22 663**
Deferred client acquisition costs additions to new contracts	45 668
Amortisation of deferred acquisition costs	(41 469)
As at 31 December 2022	**26 862**

Deferred acquisition cost (DAC) change during 2022 is EUR 4 221 thousand (during 2021: EUR (1 681) thousand) and presented in Statement of comprehensive income Acquisition costs position as disclosed above.

9. ADMINISTRATIVE EXPENSE

	2022	2021
Wages and salaries:		
- salaries to staff	(11 241)	(10 015)
- state compulsory social insurance contributions	(1 005)	(942)
Information technology and communication expense	(2 002)	(1 633)
Premises utility, maintenance, repair expense and rent	(999)	(710)
Advertisement and public relations	(813)	(688)
Depreciation and amortisation	(679)	(273)
Professional services	(517)	(406)
Other administrative expense	(187)	(1 504)
Transport	(185)	(76)
	(17 628)	**(16 247)**

(All amounts in thousands of euro unless otherwise stated)

10. OTHER EXPENSE RELATED TO INSURANCE ACTIVITIES

	2022	2021
Motor Bureau fee	(1 766)	(1 585)
Fees to regulatory institutions and other expenses	(729)	(581)
	(2 495)	**(2 166)**

11. INVESTMENT ACTIVITY RESULT

	2022	2021
Interest income:		
Government debt securities	1 981	2 207
Corporate debt securities	508	270
	2 489	**2 477**
Other profit (loss) from investment activity:		
Equity instruments measured at FVOCI:	113	102
Dividend income	-	-
Realisation result		
Debt instruments measured at FVOCI realised gains/(losses):		
Government debt securities	(9)	4
Corporate debt securities	(43)	-
Financial assets at fair value through profit or loss:		
Collective investment undertakings unrealised gains/(losses)	(1 166)	1 447
Investment valuation and management expenses:		
Revaluation of investment property	-	-
Investment management expenses	(595)	(637)
	(1 700)	**915**
	789	**3 392**

There were no derecognised equity and debt instruments measured at FVOCI dividend income during the 2022 financial year (EUR 0 thousand in 2021), fair value at the date of derecognition in 2021 was EUR 0 thousand.

12. EXPECTED CREDIT LOSS ON FINANCIAL ASSETS AND NET IMPAIRMENT PROFIT (LOSS)

ECL amounts and amounts of assets exposed to ECL at reporting date are presented in the table below:

	Exposure 31.12.2022	ECL 31.12.2022	Change in ECL 31.12.2022	Exposure 31.12.2021	ECL 31.12.2021	Change in ECL 31.12.2021
Debt instruments measured at FVOCI (Note 19)	298 974	(69)	44	291 319	(113)	(16)
Other receivables (Note 24)	4 196	(55)	-	2 949	(55)	-
	303 170	**(124)**	**44**	**294 268**	**(168)**	**(16)**

Net impairment profit (loss) in 2022 is EUR 0 thousand (EUR 0 thousand in 2021).

13. FINANCIAL INCOME AND EXPENSE

	2022	2021
Financial income		
Gain from foreign currency fluctuations	32	4
Financial expense		
Bank commission	(810)	(858)
Interest from operating lease (see Note 38)	(52)	(52)
Total financial expense	**(862)**	**(910)**

(All amounts in thousands of euro unless otherwise stated)

14. OTHER INCOME AND EXPENSES

	2022	2021
Other income		
Income from properties	114	112
Other income	827	525
Total other income	**941**	**637**
Other expenses	**(52)**	**(76)**

15. CORPORATE INCOME TAX

	2022	2021
Corporate income tax for the reporting year	(3 712)	(3 876)
Change in deferred income tax recognized through profit or loss	397	9
Total income tax expense	**(3 315)**	**(3 867)**

Corporate income tax is different from the theoretically calculated amount of tax to be paid if the Company's losses were taxed at the statutory rate.

	2022	2021
Taxable profit (loss) before tax	**23 499**	**25 230**
Non-taxable profit (loss) before tax	**4 731**	**5 540**
Total profit / (loss) before tax	**28 230**	**30 770**
Theoretically calculated tax at a tax rate of 15% for total result	4 235	4 616
Theoretical effect of non-deductible expenses and non-taxable income	(920)	(749)
Total tax	**3 315**	**3 867**

Effective corporate income tax rate in 2022 for total result is 11.7% (2021: 12.6%).

Deferred tax assets (liabilities) at the end of the reporting period

	2022	2021
Deferred income tax asset (liability) as at the beginning of the reporting year	(103)	(796)
Deferred income tax changes recognised through profit or loss	397	10
Deferred income tax changes recognised through other comprehensive income	3 619	683
Deferred income tax asset (liability) as at the end of the reporting year	**3 913**	**(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:

	31.12.2022	31.12.2021
Deferred income tax effect of:		
temporary difference for accrued expenses	1 908	1 783
temporary difference for impairment for overdue debtors	93	107
temporary difference for property revaluation and depreciation	(48)	16
other temporary differences	(766)	(736)
temporary difference for recoverable regress	(263)	(196)
temporary difference for financial assets at fair value through other comprehensive income revaluation	3 089	(530)
temporary difference for financial asset at fair value through profit or loss revaluation	(100)	(547)
Deferred income tax asset (liability) as at the end of the reporting year	**3 913**	**(103)**

The Company does not have significant tax positions that are subject to uncertainties and therefore does not form an amount of uncertainty in the calculation of income tax in accordance with IFRIC Interpretation 23 Uncertainties relating to the measurement of income taxes.

(All amounts in thousands of euro unless otherwise stated)

Movement in deferred income tax balances:

	Net balance 31 December 2021	Recognised In P/L	Recognised In OCI	Net balance 31 December 2022	31 December 2022 Deferred tax asset	31 December 2022 Deferred tax liability
Accrued expenses	1 783	125	-	1 908	1 908	-
Trade and other receivables	107	(14)	-	93	93	-
Property	16	(64)	-	(48)	-	(48)
Other amounts causing temporary differences	(736)	(30)	-	(766)	-	(766)
Recoverable regress	(196)	(67)	-	(263)	-	(263)
Financial assets at fair value through other comprehensive income (former available-for-sale)	(530)		3 619	3 089	3 089	
Financial asset at fair value through profit or loss	(547)	447	-	(100)	-	(100)
Deferred tax asset/ (liability) before set-off					**5 090**	**(1 177)**
Set-off of tax					(1 177)	1 177
Net deferred tax asset/ (liability)					**3 913**	**-**

	Net balance 31 December 2020	Recognised In P/L	Recognised In OCI	Net balance 31 December 2021	31 December 2021 Deferred tax asset	31 December 2021 Deferred tax liability
Accrued expenses	1 568	215	-	1 783	1 783	-
Trade and other receivables	99	8	-	107	107	-
Property	16	-	-	16	16	-
Other amounts causing temporary differences	(755)	19	-	(736)	-	(736)
Recoverable regress	(179)	(17)	-	(196)	-	(196)
Financial assets at fair value through other comprehensive income (former available-for-sale)	(1 213)	-	683	(530)	-	(530)
Financial asset at fair value through profit or loss	(332)	(215)	-	(547)	-	(547)
Deferred tax asset/ (liability) before set-off					**1 906**	**(2 009)**
Set-off of tax					(1 906)	1 906
Net deferred tax asset/ (liability)					**-**	**(103)**

(All amounts in thousands of euro unless otherwise stated)

16. INTANGIBLE ASSETS

	Software	Total
As at 31 December 2020		
Acquisition cost	24 254	24 254
Accumulated amortisation	(20 664)	(20 664)
Net book value	**3 590**	**3 590**
In 2021		
Additions	2 348	2 348
Amortisation charge	(949)	(949)
Closing net book value	**4 989**	**4 989**
As at 31 December 2021		
Acquisition cost	26 602	26 602
Accumulated amortisation	(21 613)	(21 613)
Net book value	**4 989**	**4 989**
In 2022		
Additions	1 674	1 674
Amortisation charge	(996)	(996)
Closing net book value	**5 667**	**5 667**
As at 31 December 2022		
Acquisition cost	28 276	28 276
Accumulated amortisation	(22 609)	(22 609)
Net book value	**5 667**	**5 667**

(All amounts in thousands of euro unless otherwise stated)

17. PROPERTY AND EQUIPMENT

	Land and buildings	Lands and premises lease by IFRS 16[1]	Other (structures)	Construction in progress and prepayments	Leasehold improve-ments	Motor vehicles	Office and other equipment	Total
As at 31 December 2020								
Acquisition cost	14 895	3 743	1 067	3 061	822	4 337	2 624	**30 549**
Accumulated depreciation	(7 549)	(1 233)	(767)	-	(647)	(1 888)	(2 339)	**(14 423)**
Net book value	**7 346**	**2 510**	**300**	**3 061**	**175**	**2 449**	**285**	**16 126**
In 2021								
Additions	41	-	74	3 584	111	147	116	**4 073**
Additions by IFRS 16	-	473	-	-	-	-	-	**473**
Disposals	(1)	-	-	-	-	(1 438)	(5)	**(1 444)**
IFRS 16 decreases (cancellations)	-	(754)	-	-	-	-	-	**(754)**
Reclassification	-	-	-	-	-	-	-	**-**
Discarded	-	-	(20)	-	-	-	(5)	**(25)**
Depreciation charge	(281)	-	(61)	-	(49)	(412)	(153)	**(956)**
Depreciation by IFRS 16	-	(130)	-	-	-	-	-	**(130)**
Depreciation on disposed assets	1	-	-	-	-	831	5	**837**
Depreciation on discarded assets	-	-	20	-	-	-	5	**25**
Closing net book value	**7 106**	**2 099**	**313**	**6 645**	**237**	**1 577**	**248**	**18 225**
As at 31 December 2021								
Acquisition cost	14 935	3 462	1 121	6 645	933	3 046	2 730	**32 872**
Accumulated depreciation	(7 829)	(1 363)	(808)	-	(696)	(1 469)	(2 482)	**(14 648)**
Net book value	**7 106**	**2 099**	**313**	**6 645**	**237**	**1 577**	**248**	**18 225**
In 2022								
Additions	19	-	-	7 770	134	226	234	**8 383**
Additions by IFRS 16	-	333	-	-	-	-	-	**333**
Disposals	(980)	-	-	-	-	(202)	(5)	**(1 187)**
IFRS 16 decreases (cancellations)	-	(377)	-	-	-	-	-	**(377)**
Reclassification	-	-	-	-	-	-	-	**-**
Discarded	-	-	-	-	-	-	(30)	**(30)**
Depreciation charge	(275)	-	(66)	-	(68)	(303)	(133)	**(845)**
Depreciation by IFRS 16	-	78	-	-	-	-	-	**78**
Depreciation on disposed assets	634	-	-	-	-	126	4	**764**
Depreciation on discarded assets	-	-	-	-	-	-	30	**30**
Closing net book value	**6 504**	**2 133**	**247**	**14 415**	**303**	**1 424**	**348**	**25 374**
As at 31 December 2022								
Acquisition cost	13 974	3 418	1 190	14 415	1 067	3 070	2 929	**40 063**
Accumulated depreciation	(7 470)	(1 285)	(943)	-	(764)	(1 646)	(2 581)	**(14 689)**
Net book value	**6 504**	**2 133**	**247**	**14 415**	**303**	**1 424**	**348**	**25 374**

The major part of construction in progress consists of the construction of a new building at Basanavičiaus str. 10 Vilnius.

[1] Land and premises lease by IFRS 16 is disclosed in Note 38.

(All amounts in thousands of euro unless otherwise stated)

18. INVESTMENT PROPERTY

Net book value at 31 December 2020	**1 500**
Change in fair value in 2021	-
Net book value at 31 December 2021	**1 500**
Change in fair value in 2022	-
Net book value at 31 December 2022	**1 500**

Investment property comprises commercial property, building located in Vilnius, that the Company rents out to a third party. The fair value of investment property is reviewed at each reporting date, and any changes are reflected in profit or loss. No disposal or reclassification of investment property during 2022 and 2021 respectfully were recognised. Rental income during 2022 year is EUR 114 thousand (2021: EUR 112 thousand) recognised in the statement of Comprehensive Income under Other income as disclosed in Note 14. No operating expenses for Investment property were recognised during 2022 and 2021 respectfully.

Measurement of investment property is sensitive to macroeconomic environment (e.g. economic growth, inflation rate, interest rate), supply and demand on individual local property markets, the value may change depending on the current market situation. The Company assesses the fair value of investment property based on the opinion of independent property valuation agency that holds a recognised and relevant qualification. Fair value measurement for Investment property of EUR 1 500 thousand in 2022 (2021: EUR 1 500 thousand) has been categorised as Level 3 in the fair value hierarchy. Valuation technique used measuring fair value of investment property, as well as the significant unobservable inputs used as at 31 December 2022 was discounted cash flows technique. Discount rate used was 8.98% and rental income per sq. m. is in the range between EUR 9 to 16. Anticipated future rental price growth is from 0% to 3%.

(All amounts in thousands of euro unless otherwise stated)

19. FINANCIAL INVESTMENTS

	31.12.2022		31.12.2021	
	Acquisition cost	**Fair value**	**Acquisition cost**	**Fair value**
Financial investments at fair value through other comprehensive income:				
Lithuania government debt securities	118 997	109 134	130 179	130 737
Poland government debt securities	36 460	31 946	36 460	34 727
Romania government debt securities	19 451	17 092	19 451	18 969
Croatia government debt securities	9 889	8 661	21 926	21 101
Bulgaria government debt securities	11 161	10 312	12 138	11 987
Hungary government debt securities	12 591	8 758	12 591	12 495
Latvia government debt securities	11 435	10 983	5 286	5 420
Spain government debt securities	17 243	17 153	2 414	2 425
Ireland government debt securities	1 744	1 510	1 744	1 585
Italy government debt securities	19 727	15 778	17 707	17 176
Mexico government debt securities	1 469	1 245	1 469	1 483
Serbia government debt securities	1 496	1 192	1 496	1 469
Peru government debt securities	1 496	1 211	1 496	1 525
Morocco government debt securities	1 484	1 214	1 484	1 487
France government debt securities	15 855	15 804	-	-
Indonesia government debt securities	6 897	6 942	-	-
Israel government debt securities	1 994	2 044	-	-
Corporate debt securities	41 884	37 995	28 386	28 734
Shares (irreversible option)	1 422	2 426	1 422	2 571
Total Financial investments at fair value through other comprehensive income:	**332 695**	**301 400**	**295 647**	**293 890**
Financial investments at fair value through profit or loss:				
Collective investment undertakings	13 466	14 388	22 022	25 781
Total financial investments:	**346 161**	**315 788**	**317 669**	**319 671**

Financial investments at FVOCI in total of EUR 301 400 thousand at fair value are quoted. In accordance with IFRS 13 definitions, based on inputs used in the valuation techniques, fair values of quoted assets are categorised into the fair value hierarchy Level 1: unadjusted quoted prices in active markets for identical assets. As at 31 December 2022, the Company did not have unquoted financial investments measured at FVOCI.

Financial investments at FVTPL in total of EUR 11 743 thousand at fair value are quoted (Level 1 - listed equity financial instruments in the fair value hierarchy). Assets amounting to EUR 2 645 thousand are categorised as Level 2 as unlisted equity financial instruments in the fair value hierarchy.

No movements between levels of the fair value hierarchy occurred throughout the financial year.

(All amounts in thousands of euro unless otherwise stated)

Changes in ECL of financial instruments are presented below:

Debt instruments measured at FVOCI	12-month ECL	Life-time ECL not credit-impaired	Life-time ECL credit-impaired	Total
As at 31 December 2020	**(97)**	-	-	**(97)**
ECL measurements	4	-	-	4
New assets acquired	(24)	-	-	(24)
Financial assets derecognised	4	-	-	4
As at 31 December 2021	**(113)**	-	-	**(113)**
ECL measurements	32	-	-	32
New assets acquired	(19)	-	-	(19)
Financial assets derecognised	30	-	-	30
As at 31 December 2022	**(69)**	**-**	**-**	**(69)**

Equity instruments measured at FVOCI and financial assets measured at FVTPL are not subject to the ECL model.

20. OTHER COMPREHENSIVE INCOME (OCI)

	2022	2021
Items that are or may be reclassified to profit or loss:		
Revaluation of debt securities measured at fair value through OCI	(25 803)	(4 002)
Realisation result reclassified to profit or loss	-	4
Items that will not be reclassified to profit or loss:		
Revaluation of equity instruments measured at fair value through OCI	(92)	229
	(25 895)	**(3 769)**

Amounts are presented net of related tax effect.

21. RECEIVABLES FROM DIRECT INSURANCE OPERATIONS

	31.12.2022	31.12.2021
Gross receivables from direct insurance operations	70 178	55 314
Impairment for receivables from direct insurance operations	(412)	(564)
	69 766	**54 750**

The ageing of receivables from direct insurance operations at the reporting date was as follows:

	Gross 31.12.2022	Life-time ECL 31.12.2022	Gross 31.12.2021	Life-time ECL 31.12.2021
Current	67 833	(165)	54 368	(311)
Past due 0-30 days	2 073	(64)	648	(54)
Past due 31-60 days	88	(9)	78	(7)
Past due more than 60 days	184	(174)	220	(192)
	70 178	**(412)**	**55 314**	**(564)**

(All amounts in thousands of euro unless otherwise stated)

The movement in the allowance for impairment in respect of receivables from direct insurance operations during the year was as follows:

As at 31 December 2020	**366**
Additional allowances	650
Recovered debts	(123)
Written-off debts	(329)
As at 31 December 2021	**564**
ECL assessment	467
Recovered debts	(447)
Written-off debts	(172)
As at 31 December 2022	**412**

22. REINSURANCE RECEIVABLES

	31.12.2022	**31.12.2021**
Gross receivables from reinsurance operations	1 973	1 296
Impairment for receivables from reinsurance operations	(193)	(125)
	1 780	**1 171**

23. OTHER ACCRUED INCOME AND DEFERRED EXPENSES

	31.12.2022	**31.12.2021**
Deferred Motor Bureau fee	968	684
Deferred information system maintenance fees	576	970
Other deferred expenses	752	622
	2 296	**2 276**

24. OTHER RECEIVABLES

	31.12.2022	**31.12.2021**
Receivables for subrogation transactions	2 142	1 608
Receivables from the Motor Bureau	786	807
Other receivables	796	271
Receivables from prepayments	472	263
Impairment of other receivables	(55)	(55)
Total other receivables	**4 141**	**2 894**

Other receivables are due within 12 months from the Statement of Financial Position date and carry no interest.

The movement in the allowance for impairment in respect of other receivables during the year was as follows:

As at 31 December 2020	**55**
ECL measurements	-
Debts recovered	-
Debts written-off	-
As at 31 December 2021	**55**
ECL measurements	-
Debts recovered	-
Debts written-off	-
As at 31 December 2022	**55**

(All amounts in thousands of euro unless otherwise stated)

25. CASH AND CASH EQUIVALENTS

	31.12.2022	31.12.2021
Cash in banks	9 274	9 223
	9 274	**9 223**

In 2022 and 2021, the Company did not have any term deposits in credit institutions.

26. SHARE CAPITAL AND RESERVES

a) Issued and fully paid share capital

The total authorised number of ordinary shares is 805 620 (as at 31 December 2021 the number of ordinary shares was the same). The nominal value of one share as at 31 December 2022 is EUR 14.48 (as at 31 December 2021, the nominal value of one share was the same). All issued shares are fully paid. The share capital of the Company as at 31 December 2022, is EUR 11 665 thousand (as at 31 December 2021 – EUR 11 665 thousand).

The Company's shares are not listed.

b) The shareholder

As at 31 December 2022 and as at 31 December 2021, the shareholder of the Company with 100% shares was POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A., a stock company.

c) Share premium

According to the share issue rules, a share premium was set in addition to the nominal value of the shares.

d) Reserve capital and other reserves

Reserves include legal reserve and revaluation reserve for financial instruments measured at fair value through OCI. The Company's legal reserve as at 31 December 2022 was the same as at 31 December 2021 and amounted to EUR 2 333 thousand. Legal reserve was formed in full capacity and cannot be distributed.

The revaluation reserve decreased throughout the year from EUR 3 002 thousand at 31 December 2021 to EUR (22 893) thousand at 31 December 2022.

e) Profit distribution as dividends

In accordance with the Company's Dividend Policy, the amount of dividends determined as available for distribution for the year ended 31 December 2022 is EUR 8 million. The final amount of dividends is subject to recommendation of the Management Board, proposal of the Supervisory Board and the decision of the General Shareholders' Meeting.

f) Dividends per share

Dividends paid during 2022 for 2021 year results value per share is EUR 16.76. Planned value of dividends paid per share for 2022 year results is EUR 9.93 as at 31 December 2022.

27. TAXES

	31.12.2022	31.12.2021
Compulsory state social security contributions	**278**	**254**
- social tax due	249	227
- unemployment tax due	18	16
- person contribution due	11	11

(All amounts in thousands of euro unless otherwise stated)

28. ACCRUED EXPENSES AND DEFERRED INCOME

	31.12.2022	31.12.2021
Accrued expenses		
Commissions	9 000	7 438
Operating expenses	5 819	5 783
Intermediary commissions	1 430	1 013
Additional sales bonuses	653	706
Audit expenses and related services	64	39
Total accrued expenses	**16 966**	**14 979**
Other accrued expenses and deferred income		
Not settled insurance prepayments	3 010	2 059
Other deferred income	284	216
Total accrued expenses and deferred income	**3 294**	**2 275**
	20 260	**17 254**

	Accruals for commissions	Accruals for operating liabilities	Other accrued expenses and deferred income	Total
As at 31 December 2021	**7 438**	**5 783**	**4 033**	**17 254**
Additions	47 420	7 768	32 965	88 153
Used and reversed	(45 858)	(7 732)	(31 557)	(85 147)
As at 31 December 2022	**9 000**	**5 819**	**5 441**	**20 260**
Long-term part	**-**	**-**	**-**	**-**
Short-term part	**9 000**	**5 819**	**5 441**	**20 260**

	Accruals for commissions	Accruals for operating liabilities	Other accrued expenses and deferred income	Total
As at 31 December 2020	**7 225**	**5 044**	**3 933**	**16 202**
Additions	40 651	7 479	25 818	73 948
Used and reversed	(40 438)	(6 740)	(25 718)	(72 896)
As at 31 December 2021	**7 438**	**5 783**	**4 033**	**17 254**
Long-term part	**-**	**-**	**-**	**-**
Short-term part	**7 438**	**5 783**	**4 033**	**17 254**

29. OTHER LIABILITIES

	31.12.2022	31.12.2021
Payable salaries, bonuses and other related payments	10 899	10 553
Finance lease liability by IFRS 16 (see Note 38)	2 235	2 177
Due to the Motor Insurers' Bureau	314	151
Other payables related to insurance activities	409	320
Other liabilities	6 074	4 583
	19 931	**17 784**

(All amounts in thousands of euro unless otherwise stated)

30. RESULT OF CEDED REINSURANCE

	2022	**2021**
Reinsurers' share in written premiums (see Note 4)	(12 121)	(9 101)
Reinsurers' share in changes in unearned premiums (see Note 5)	(789)	(18)
Reinsurance commission income (see Note 8)	860	786
Reinsurers' share in claims (see Note 6)	1 979	1 812
Reinsurers' share in changes in outstanding claims reserve (see Note 7)	(2 599)	1 132
Net result of ceded reinsurance activities:	**(12 670)**	**(5 389)**

31. RELATED PARTIES TRANSACTIONS

Related parties represent both legal entities and private individuals related to the Company in accordance with the following rules:

a) A person or a close member of that person's family is related to the Company if that person:
   i) Has control or joint control over the Company;
   ii) Has significant influence over the Company; or
   iii) Is a member of the key management personnel of the Company or of a parent of the Company.

b) An entity is related to the Company if any of the following conditions applies:
   i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   iii) Both entities are joint ventures of the same third party.
   iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
   vi) The entity is controlled, or jointly controlled by a person identified in (a).
   vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

During the reporting year, the following transactions were carried out with related parties:

a) Transactions with related parties

Reinsurance and fronting insurance

	2022	**2021**
POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A. (PZU) (shareholder):		
Reinsurance premiums ceded	(8 021)	(6 765)
Change of reinsurance unearned premium reserve	1	(117)
Reinsurance claims	785	990
Change of reinsurance outstanding claims reserve	(2 522)	940
	(9 757)	**(4 952)**

	2022	**2021**
Balta AAS (Group company):		
Master agreement's premiums	75	229
Reinsurance premiums ceded	-	-
Change of reinsurance unearned premium reserve	-	-
Reinsurance claims	-	-
Change of reinsurance outstanding claims reserve	-	-
	75	**229**

(All amounts in thousands of euro unless otherwise stated)

Other transactions

	2022	2021
POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A. (PZU) (shareholder):		
Dividends paid	(13 500)	(15 000)
Indemnity cost and handling fee	215	213
	(13 285)	**(14 787)**

	2022	2021
Other Group companies (Balta AAS, LINK4, PZU Lietuva Gyvybės Draudimas JSC, PZU TFI, PZU CENTRUM OPERACIJI S.A.):		
Indemnity cost and handling fee	(194)	(142)
Compensation of expenses	16	18
Other purchases	-	-
	(178)	**(124)**

Balances with related parties

There are the following outstanding balances with related parties as at the reporting date:

	31.12.2022	31.12.2021
Reinsurers' share in unearned premium reserves with PZU	722	721
Reinsurers' share in outstanding claims reserves with PZU	9 948	12 471
Reinsurers' share in unearned premium reserves with Balta AAS	-	-
Reinsurers' share in outstanding claims reserves with Balta AAS	-	-
Reinsurance receivables from PZU	17	248
Reinsurance receivables from Balta AAS	42	59
Receivables from PZU	216	136
Receivables from Balta AAS	8	10
Receivables from other related parties	23	39
Reinsurance payables to PZU	(1 903)	(739)
Reinsurance payables to Balta AAS	-	-
Payables to other related parties	(39)	(49)
	9 034	**12 896**

b) Management remuneration

In 2022, the Company paid remuneration, including compulsory state social security contributions, to the Management Board in the amount of EUR 2 095 thousand (2021: EUR 2 072 thousand) and to the Supervisory Board in the amount of EUR 0 thousand (2021: EUR 0 thousand).

32. CONTINGENT LIABILITIES AND COMMITMENTS

a) General claims

In the normal course of business, the Company constantly receives requests for claim payments. Such claims have been reviewed by the Company's management who is of the opinion that no material unrecognised losses will be incurred.

b) Litigation

The Company, like other insurers, is subject to litigation in the normal course of its business. As at 31 December 2022 there were EUR 3 773 thousand (31 December 2021: EUR 3 673 thousand) where the Company is defendant in legal disputes. The management is of the opinion that no material unrecognised losses will be incurred.

c) Capital commitments

The Company has significant capital commitment to AB Panevėžio statybos trestas which is related to new building construction works. Total amount of the construction works contract is EUR 20 364 thousand.

33. RISK MANAGEMENT

The Risk Management Strategy defines a consistent framework of the Risk Management System (including security management as part of operational risk management) and the Internal Control System (including Compliance function) as the element supporting Risk Management System in the Company.

The Company implements the Strategy, policies and methodologies with specific rules for risk identification, measurement and assessment, monitoring and control, reporting as well as taking management actions in response to this risk.

Risk Management Strategy is the main document describing the risk management framework in the Company. Risk Management Strategy is supported by the risk management policies and various additional documents (procedures, methodologies, etc.). Risk Appetite document as an integral part of Risk Management Strategy determines the maximum level of admissible risk by setting limits and thresholds for risks categories.

The risk management process consists of the following steps:

- Identification;
- Measurement and assessment;
- Monitoring and control;
- Reporting;
- Management actions.

The Risk Appetite framework is established in order to determine the maximum level of admissible risk when setting limits and thresholds on risks categories and as a level which, if exceeded, determines management actions necessary to reduce further growth of the risk.

34. INSURANCE RISK MANAGEMENT

The Company's activity is a conclusion of contracts between the insured and the Insurer by which the Insured (policyholder) transfer the risk to the Insurer (the Company). An insurance contract is one that contains an agreement by the Insurer to provide, in exchange for insurance premiums, benefits to a beneficiary of the contract upon occurrence of specified uncertain future events affecting the life or property of the insured party (the Insured). This section summarises these risks coming from that process and the way the Company manages them.

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 calculating the amount and type of risk to insure, the distribution of possible losses should be evaluated and understood. The quantity of losses within a specific period is the frequency of loss. In addition to loss frequency, the insurance company should be also concerned with the severity of losses. Loss severity is typically the amount that an insurer pays out for a benefit or a claim. These principal risks are due to the claims paid varying in size, number, or timing of benefit payments and actual calculation premiums amount covering possible indemnities paid. For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims payments will exceed the carrying amount of the insurance liabilities.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of indemnities paid 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 Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. It is achieved by managing different type of insurance contracts aggregated into insurance portfolios grouped by similar lines of business or similar type of insurance contracts.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Types of significant insurance contracts

Motor third party liability insurance

It is a compulsory insurance type, the policy conditions and indemnification rules of which are prescribed by the Motor Third Party Liability Insurance Act and other related legislation.

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. However, long-term indemnities may also be possible, such as pensions and permanent incapacity for work benefits which may be paid out over decades.

Accident insurance

The accident insurance is a money compensation for the facts of bodily injury where one type of contracts indemnifies death, permanent incapacity for work or trauma arising from an accident. It includes some insurance cover of costs for medical treatment as well as medical expenses, caused by accident. In addition, it is possible to get daily allowances for the time spent in a hospital or temporary disability. Typical losses are generally small and they are indemnified as lump sums. Death events rarely occur on the basis of accident insurance contracts.

Travel insurance

The travel insurance indemnifies for the medical treatment costs incurred during a trip abroad if such costs are caused by an illness or an accident started during the trip, repatriation, if needed. As an additional cover, the cover loss of a baggage, insurance against trip cancellations, travel interruptions and delays as well as General Third-Party Liability (GTPL) or personal accident coverage could be included. The indemnity limit for the medical treatment and repatriation costs of passenger is usually limited to EUR 100 thousand. A larger risk is related to potential natural disasters in holiday areas or transport crashes, where the number of the injured is large.

Typical losses are generally small. The amount of an indemnity depends on the location of the loss occurrence and the number of claims depends on the season.

Motor own damage insurance

The insurance indemnifies for losses which arise from damage to the vehicle, its destruction, theft or robbery. Several additional insurance covers may also be purchased (like possibility to repair the vehicle with new spare-parts for vehicles up to certain year age, possibility to choose auto repair workshop, cover for additional equipment, cover for passengers). Insurance premiums are determined individually for each customer based on both customer as well as vehicle-based risk criteria. Product package includes road assistance and a replacement car.

Property insurance, business interruption insurance and building risks insurance

Property insurance covers losses arisen because of fire, weather, leakage of liquid or steam, explosion, malicious acts by third parties (robbery, burglary), collision. Client has an option to insure by All Risks cover for extra premium. There is a possibility for individuals (private persons) to insure their contents (property) and civil third-party liability in addition to private property insurance.

Business interruption insurance covers lost business profits and fixed costs incurred, which arise as a result of any risk covered by property insurance of the Insured.

The largest losses arise from fire risks, which in turn give rise to indemnification for business interruptions. The loss is particularly large if the property (buildings and structures with movables in them) insured to a full extent is destroyed and this leads to a business interruption indemnity until the production object is again put in operation.

The most frequent events for private property are from all Risks cover, water leakage, theft, fire and weather losses (storm, snowing and flood). The largest losses usually are because of fire.

Livestock insurance also includes risks related to the injuries resulting in death of animals. Most risky part of the cover is against very dangerous epizootic diseases.

(All amounts in thousands of euro unless otherwise stated)

Largest losses resulting from property type damages are managed by concluding appropriate reinsurance contracts depending on realistic risk scenarios based on accepted exposure under insurance contracts.

General liability insurance

This insurance provides coverage for bodily injury and property damage caused to a third party by an insured person, due to its activity or inactivity or by an insured company, due to its operations or products. In respect of property damages, only direct losses are covered, but in respect of bodily injuries, direct as well as consequential loses are covered, such as unearned income because of temporary or permanent inability and allowances for dependents.

Reinsurance contract assets

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

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

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

Sensitivity to insurance risk

Based on the fact that the Company provides non-life insurance services, only the accounting estimates and assumptions for reserve for incurred but not reported claims, as disclosed in Note 3, are assessed by the Company to have a material effect on the timing and uncertainty of the Company's future cash flows. The Company performs sensitivity testing of IBNR claims reserves and the amounts below represent the test losses impacting result before taxes. Sensitivity of RBNS relating to annuities is also considered, which depends on indexation of social benefits and discounting rate used. The Company applies a joint 5% rate which did not change compared to the last year. Annuity RBNS as consisting of non-current liabilities naturally is rather sensitive to the rate, and small 0.1% change would result in RBNS change of approximately EUR 0,35 million.

Sensitivity analysis for claims reserves at 31.12.2022:

	Impact if loss ratio 1 percent points higher than used in IBNR estimates	**Impact if loss ratio 1 percent points lower than used in IBNR estimates**	**Impact if claims handling expenses 1% higher than used in reserve estimates**	**Impact if claims handling expenses 1% lower than used in reserve estimates**
Motor vehicle third party liability insurance	836	(836)	23	(23)
General liability insurance	132	(132)	8	(8)
Fire and other damage to property insurance	45	(45)	6	(6)
Miscellaneous financial loss	22	(22)	1	(1)
Credit and suretyship insurance	20	(20)	1	(1)
Income protection insurance	20	(20)	1	(1)
Motor own damage insurance	14	(14)	6	(6)
Marine, aviation and transport insurance	5	(5)	1	(1)
Medical expense insurance	(3)	3	1	(1)
Total	**1 091**	**(1 091)**	**48**	**(48)**

(All amounts in thousands of euro unless otherwise stated)

Concentration by territory

All insurance contracts have been issued in Lithuania and Estonia. The insured risk territorial coverage is mainly Lithuania and Estonia except travel policies and MTPL policies in cases of abroad insurance accidents.

Geographical concentration of financial assets, financial liabilities and claims reserves as at the reporting date:

Year 2022	**Lithuania**	**OECD countries**	**Total**
Financial assets and reinsurers' share of outstanding claims reserves			
Financial assets at fair value through other comprehensive income	121 181	180 219	301 400
Financial asset at fair value through profit or loss	4 609	9 779	14 388
Insurance and reinsurance debtors	50 657	20 889	71 546
Reinsurers' share of outstanding claims reserves	8 962	3 381	12 343
Cash and cash equivalents	7 872	1 402	9 274
Other receivables	3 815	326	4 141
Total financial assets and reinsurers' share of outstanding claims reserves	**197 096**	**215 996**	**413 092**
Financial liabilities and outstanding claims reserves			
Outstanding claims reserves	(73 840)	(64 105)	(137 945)
Insurance and reinsurance creditors	(5 985)	(2 521)	(8 506)
IFRS 16 lease liability	(1 259)	(974)	(2 233)
Other financial liabilities	-	(278)	(278)
Total financial liabilities and outstanding claims reserves	**(81 084)**	**(67 878)**	**(148 962)**
Net position as at 31 December 2022	**116 012**	**148 118**	**264 130**

Year 2021	**Lithuania**	**OECD countries**	**Total**
Financial assets and reinsurers' share of outstanding claims reserves			
Financial assets at fair value through other comprehensive income	143 534	150 356	293 890
Financial asset at fair value through profit or loss	4 891	20 890	25 781
Insurance and reinsurance debtors	38 758	17 163	55 921
Reinsurers' share of outstanding claims reserves	9 913	5 030	14 943
Cash and cash equivalents	8 125	1 098	9 223
Other receivables	2 810	84	2 894
Total financial assets and reinsurers' share of outstanding claims reserves	**208 031**	**194 621**	**402 652**
Financial liabilities and outstanding claims reserves			
Outstanding claims reserves	(72 478)	(61 329)	(133 807)
Insurance and reinsurance creditors	(3 050)	(2 416)	(5 466)
IFRS 16 lease liability	(1 013)	(1 164)	(2 177)
Other financial liabilities	(103)	(254)	(357)
Total financial liabilities and outstanding claims reserves	**(76 644)**	**(65 163)**	**(141 807)**
Net position as at 31 December 2021	**131 387**	**129 458**	**260 845**

(All amounts in thousands of euro unless otherwise stated)

Reinsurance coverage

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company for each insurance risk has following own retention:

Maximum own retention:

	2022	**2021**
Personal accident & Travel medical expense	98	98
Motor own damage	300	150
Motor vehicle third party liability	600	600
Cargo insurance	200	200
Hull, CMR Property	200	200
Property insurance	1 087	1 083
General TPL insurance	326	325
Debt securities and guarantees	435	433

Liability adequacy test

The technical provision for unexpired risks is formed for unexpired risks under general insurance contracts when the probable value of insurance benefits and expenses attributable to unexpired periods of insurance policies valid at the end of the reporting period exceeds the technical provision for unearned premiums related to these insurance policies. At the end of the financial reporting period, the Company assesses the adequacy of liabilities and determines whether the insurance liabilities recognized for insurance policies valid during the reporting year are sufficient. If the assessment of the adequacy of liabilities reveals that the carrying amount of liabilities is insufficient, this shortfall is recognized as a loss for the financial year in the formation of a technical provision for unexpired risks.

Unexpired risk reserve as at 31 December 2022 is EUR 4.2 million (31 December 2021: EUR 5.2 million). The reserve is included in Unearned premium and unexpired risk reserves statement of financial position item and is disclosed below:

	31.12.2022	**31.12.2021**
Medical expense insurance	1 434	1 101
Motor vehicle third party liability insurance	1 365	1 583
General liability insurance	425	372
Credit and suretyship insurance	417	403
Motor own damage insurance	350	1 470
Fire and other damage to property insurance	164	425
Miscellaneous financial loss	39	54
Income protection insurance	0	130
	4 194	**5 538**

35. FINANCIAL RISK MANAGEMENT

Risk management framework:

The Company's management has overall responsibility for the establishment and oversight of the Company's risk management framework. The management monitors the Company's risk management policies, which are established to identify and analyse and manage the risks faced by the Company. Policies aim to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products offered and emerging best practice.

The operations of the Company and investment management activities in particular expose it to a variety of financial risks, including credit risk, liquidity risks and market risks, which include interest rate risks, currency risks, as well as fair value risks. The Company's management seeks to minimise potential adverse effects of financial risks on the financial performance of the Company by placing limits on the level of exposure that can be taken.

(All amounts in thousands of euro unless otherwise stated)

35.1 Credit risk

The Company takes an exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one issuer of securities, debtor, borrower, or group of the above. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Actual exposures against limits are monitored regularly.

Exposure to credit risk is managed through regular analysis of the ability of issuers, borrowers, and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

The impairment model in IFRS 9 is based on an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. This requires considerable judgement about how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. The impairment model applies to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments. The Company considers expected credit loss for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific expected credit loss. All individually significant receivables found not to be specifically impaired are then collectively assessed for expected credit loss. Receivables that are not individually significant are collectively assessed for expected credit loss. As the Company's receivables are mostly short-term, the Company estimates that the expected credit loss allowances for Receivables from ceded reinsurance and other debtors according to IFRS 9 are not material.

a) Maximum credit exposure:

	31.12.2022	**31.12.2021**
Lithuania government debt securities	109 133	130 736
Corporate debt securities	37 995	28 734
Poland government debt securities	31 946	34727
Spain government debt securities	17 153	2 425
Romania government debt securities	17 092	18 969
France government debt securities	15 804	-
Italy government debt securities	15 778	17 176
Collective investment undertakings	14 388	25 781
Latvia government debt securities	10 983	5 420
Bulgaria government debt securities	10 312	11 987
Cash and cash equivalents	9 274	9 223
Hungary government debt securities	8 758	12 495
Croatia government debt securities	8 661	21 101
Indonesia government debt securities	6942	-
Shares	2 426	2 571
Israel government debt securities	2 044	-
Ireland government debt securities	1 510	1 585
Mexico government debt securities	1 245	1 483
Morocco government debt securities	1 214	1 487
Peru government debt securities	1 211	1 525
Serbia government debt securities	1 193	1 469
Credit risk	**325 062**	**328 894**
Receivables due from policyholders	68 261	53 473
Outstanding claims reserve, reinsurers' share	12 343	14 943
Other receivables	4 141	2 894
Reinsurance debtors	1 780	1 171
Receivables due from intermediaries	1 505	1 277
Reinsurers' share in unearned premium reserve	1 867	1 078
	89 897	**74 836**
Maximum credit exposure, total	**414 959**	**403 730**

(All amounts in thousands of euro unless otherwise stated)

b) Reinsurance risk breakdown by counterparty ratings as at reporting date:

Rated:	**31.12.2022**	**31.12.2021**
AA	1 277	1 331
A	13 010	14 497
Without rating	1 704	1 363
Assets related to reinsurance	**15 991**	**17 191**

c) Investment breakdown by ratings as at the reporting date:

Year 2022	**Rated AAA**	**AA**	**A**	**BBB**	**BB**	**Without rating**	**Total**
Government debt securities	-	17 314	171 260	70 000	2 406	-	260 980
Corporate debt securities	-	-	6 030	14 244	1 154	16 567	37 995
Collective investment undertakings	-	-	-	-	-	14 388	14 388
Shares	-	-	-	-	-	2 425	2 425
Total investment assets	**-**	**17 314**	**177 290**	**84 244**	**3 560**	**33 380**	**315 788**

Year 2021	**Rated AAA**	**AA**	**A**	**BBB**	**BB**	**Without rating**	**Total**
Government debt securities	-	1 585	170 882	87 161	2 956	-	262 584
Corporate debt securities	-	-	2 652	22 016	4 066	-	28 734
Collective investment undertakings	-	-	-	-	-	25 781	25 781
Shares	-	-	-	-	-	2 571	2 571
Total investment assets	**-**	**1 585**	**173 535**	**109 177**	**7 022**	**28 352**	**319 671**

35.2 Liquidity risk

The Company is exposed to regular calls on its available cash resources from claims settlements. The Management sets the minimum level of cash resources, which must be available to meet its liabilities.

There has been the following distinction of financial assets, financial liabilities and claim reserves by their remaining maturities as at the reporting date:

Year 2022	**Up to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Financial assets and reinsurers' share of outstanding claims reserves				
Financial investments	87 333	158 924	69 531	315 788
Insurance and reinsurance debtors	71 382	145	19	71 546
Reinsurers' share of outstanding claims reserves	10 395	911	1 037	12 343
Cash and cash equivalents	9 274	-	-	9 274
Other receivables	4 141	-	-	4 141
Total financial assets and reinsurers' share of outstanding claims reserves	**182 525**	**159 980**	**70 587**	**413 092**
Financial liabilities and outstanding claims reserves				
Outstanding claims reserves	(80 481)	(37 581)	(19 883)	(137 945)
Insurance and reinsurance creditors	(8 506)	-	-	(8 506)
IFRS 16 lease liability	(513)	(1 316)	(404)	(2 233)
Other financial liabilities	(278)	-	-	(278)
Total financial liabilities and outstanding claims reserves	**(89 778)**	**(38 897)**	**(20 287)**	**(148 962)**
Net position as at 31 December 2022	**92 747**	**121 083**	**50 300**	**264 130**

(All amounts in thousands of euro unless otherwise stated)

Year 2021	**Up to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Financial assets and reinsurers' share of outstanding claims reserves				
Financial investments	40 739	167 954	110 978	319 671
Insurance and reinsurance debtors	55 642	244	35	55 921
Reinsurers' share of outstanding claims reserves	10 554	2 002	2 387	14 943
Cash and cash equivalents	9 223	-	-	9 223
Other receivables	2 894	-	-	2 894
Total financial assets and reinsurers' share of outstanding claims reserves	**119 052**	**170 200**	**113 400**	**402 652**
Financial liabilities and outstanding claims reserves				
Outstanding claims reserves	(75 037)	(35 642)	(23 128)	(133 807)
Insurance and reinsurance creditors	(5 466)	-	-	(5 466)
IFRS 16 lease liability	(444)	(1 239)	(494)	(2 177)
Other financial liabilities	(357)	-	-	(357)
Total financial liabilities and outstanding claims reserves	**(81 304)**	**(36 881)**	**(23 622)**	**(141 807)**
Net position as at 31 December 2021	**37 748**	**133 319**	**89 778**	**260 845**

35.3 Market risk

The Company takes an exposure to market risks, which include interest rate risks, currency risks, as well as fair value risks. Market risks arise from open positions in interest rate, share price and currency instruments, all of which are exposed to general and specific market movements. The management sets limit on the value of risk that may be accepted, which is monitored regularly.

a) Exposure to interest rate risk

The Company's exposure to interest rate risk is limited as significant part of liabilities are not bearing interest and the dominant part of interest bearing financial instruments have fixed interest rates. Maturity dates are materially equal to reassessment dates on all interest-bearing assets and liabilities. Weighted average effective interest rates, as applicable, for the interest bearing financial instruments, excluding insurance contracts, were as follows:

	2022	**2021**
Corporate debt securities	2,19%	1,25%
Government debt securities	0,94%	0,74%
Collective investment undertakings	5,51%	0,03%

Risk measurement is regularly analysed by applying back tests and comparing revaluation profit / (loss) from positions with the respective potential risk.

Change in investment value and effect on net result due to market interest rate changes was as follows:

		2022	**2021**
Market interest rate and impact on fair value	+0.5 percent point	(4 347)	(6 028)
	-0.5 percent point	4 247	6 028

(All amounts in thousands of euro unless otherwise stated)

b) Fair value determination

Financial assets fair value hierarchy consists of three levels. Level 1 – measured based on listed prices (unadjusted) from active markets for identical assets, i.e. listed liquid debt instruments, listed shares, listed derivatives. Level 2 assets measured based on input data other than listed prices, classified to Level 1, which can be directly (as prices) or indirectly (on the basis of prices) observed on the market, i.e. fund units, listed debt instruments measured based on the valuations published by an authorised information service and others. Level 3 are assets measured based on input data unobserved on existing markets, they include investment property. The split of financial values by levels is described in Notes 18 and 19.

Financial assets and financial liabilities other than those reflected at their fair value are receivables, term deposits with credit institutions and cash and cash equivalents.

Insurance, reinsurance and other financial debtors and financial liabilities have their remaining maturities of less than one year and carry no interest, thus, their fair value is deemed not to materially differ from their carrying amounts.

Term deposits with credit institutions and cash and cash equivalents are short-term financial instruments that have their remaining maturities of less than one year and that carry no or little interest, thus, their fair value is deemed not to materially differ from their carrying amounts.

c) Currency risk

The Company is not exposed to significant currency risk as the reinsurance coverage is provided in, and other transactions are, as a rule, denominated in euros. Management of the Company seeks to limit currency risk through an investment portfolio created in respective currencies in the amount equal to respective amounts of outstanding claims reserves and other liabilities.

Split of financial assets, financial liabilities and claim reserves by currencies as at the reporting:

Year 2022	**EUR**	**Other**	**Total**
Financial assets and reinsurers' share of outstanding claims reserves			
Financial assets at fair value through other comprehensive income	301 400	-	301 400
Financial asset at fair value through profit or loss	14 388	-	14 388
Insurance and reinsurance debtors	71 546	-	71 546
Reinsurers' share of outstanding claims reserves	11 814	529	12 343
Cash and cash equivalents	9 258	16	9 274
Other receivables	4 141	-	4 141
Total financial assets and reinsurers' share of outstanding claims reserves	**412 547**	**545**	**413 092**
Financial liabilities and outstanding claims reserves			
Outstanding claims reserves	(131 936)	(6 009)	(137 945)
Insurance and reinsurance creditors	(8 506)	-	(8 506)
IFRS 16 lease liability	(2 233)	-	(2 233)
Other financial liabilities	(278)	-	(278)
Total financial liabilities and outstanding claims reserves	**(142 953)**	**(6 009)**	**(148 962)**
Net position as at 31 December 2022	**269 594**	**(5 464)**	**264 130**

(All amounts in thousands of euro unless otherwise stated)

Year 2021	EUR	Other	Total
Financial assets and reinsurers' share of outstanding claims reserves			
Financial assets at fair value through other comprehensive income	293 890	-	293 890
Financial asset at fair value through profit or loss	25 781	-	25 781
Insurance and reinsurance debtors	55 921	-	55 921
Reinsurers' share of outstanding claims reserves	14 304	639	14 943
Cash and cash equivalents	9 223	-	9 223
Other receivables	2 894	-	2 894
Total financial assets and reinsurers' share of outstanding claims reserves	**402 013**	**639**	**402 652**
Financial liabilities and outstanding claims reserves			
Outstanding claims reserves	(128 169)	(5 638)	(133 807)
Insurance and reinsurance creditors	(5 466)	-	(5 466)
IFRS 16 lease liability	(2 177)	-	(2 177)
Other financial liabilities	(357)	-	(357)
Total financial liabilities and outstanding claim reserves	**(136 169)**	**(5 638)**	**(141 807)**
Net position as at 31 December 2021	**265 844**	**(4 999)**	**260 845**

Changes in the exchange rates do not have a material impact on net position. The main share of financial assets and liabilities is held in euros.

36. CAPITAL RISK MANAGEMENT

The Company is obliged to achieve and continuously maintain an appropriate level of capital to cover the solvency requirement. The Risk Appetite determines a targeted minimum level of own funds ensuring the defined minimum solvency ratio. The Management Board must be confident that the business holds enough capital to sustain it through significant (but realistic) negative impacts, yet at the same time provide itself with enough capital resource to satisfy its future growth ambitions.

In addition, the Company must ensure it maintains capital levels that comply with European solvency regulations and the requirements of the Bank of Lithuania. Starting from 1 January 2016, the Solvency II legislation is effective, and since then Solvency Capital Requirement (SCR) for the Company is calculated using the Standard Formula.

Own Risk and Solvency Assessment (ORSA) process is designed to make a clear link between the risks the Company has and the capital requirements resulting from taking on these risks as well as the prospective capital positions over the planning period. This Capital Management Plan is a significant element of the ORSA process that communicates the current capital position and the prospective capital position over the planning period and the need for any capital issuance or redemption.

Capital Management policy sets the minimum requirement for the capital management planning, organization, monitoring and remediation actions as well as for the measurement and reporting of capital position in order for the management of the Company to take timely and necessary actions.

The Company aims at:

- Maintenance of target solvency ratio above the lower level provided for the green zone, as defined in Risk Appetite;
- Effective capital management by optimizing the use of capital;
- Total shareholders return maximization for parent company investors in particular by optimizing the use of capital while maintaining safety;
- Maintenance of sufficient funds to cover the Company's liabilities to clients.

(All amounts in thousands of euro unless otherwise stated)

The Company's capital management process consists of the following stages:

- Planning;
- Organization;
- Monitoring;
- Remediation actions.

The main principles of determining the amount of proposed dividends to be paid out, as well as its approval and payment process are defined in the Company's Dividend Policy.

As at 31 December 2022, the Company assessed facts and circumstances to determine that it manages its capital adequacy requirements in accordance with Solvency II rules.

37. LOSS DEVELOPMENT TABLE

Loss development table illustrates the Company's estimate of ultimate claims outstanding for each accident year:

	2012 and earlier	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Gross outstanding claims reserves at the end of accident year and cumulative incurred claims in subsequent years												
At end of accident year	0	0	19 338	26 224	29 434	41 760	49 543	57 996	54 583	55 851	64 812	
1 year later	0	4 877	19 759	24 529	29 008	40 625	45 888	51 882	45 655	49 432		
2 years later	14 431	6 301	18 553	24 692	28 891	38 795	43 160	47 912	40 162			
3 years later	11 853	5 450	17 955	23 934	28 131	37 475	40 079	45 676				
4 years later	9 975	4 674	17 094	21 365	26 652	34 746	33 181					
5 years later	9 906	4 581	17 263	20 157	24 991	34 229						
6 years later	9 436	4 451	17 033	19 693	24 507							
7 years later	9 951	4 593	16 858	19 264								
8 years later	9 791	4 583	15 626									
9 years later	9 103	4 131										
10 years later	7 621											
Estonia Branch gross outstanding claims reserves as at acquisition date, 31 May 2015												
	635	**1 979**	**2 923**	**4 319**	**-**	**-**	**-**	**-**	**-**	**-**		**9 856**
Gross claims paid												
1 year later	0	0	11 995	15 930	17 128	26 774	27 475	24 817	19 844	31 569		
2 years later	0	855	1 190	1 139	3 317	1 520	1 872	2 146	1 868			
3 years later	926	361	473	651	826	635	765	647				
4 years later	576	263	580	192	488	566	172					
5 years later	490	281	26	239	266	924						
6 years later	900	46	(31)	109	88							
7 years later	(27)	55	84	19								
8 years later	(118)	40	(242)									
9 years later	(0)	18										
10 years later	(32)											
Cumulative gross claims paid	**2 715**	**1 919**	**14 075**	**18 279**	**22 113**	**30 419**	**30 284**	**27 610**	**21 712**	**31 569**		**200 695**
CY (deficiency) excess	**1 481**	**452**	**1 232**	**429**	**485**	**517**	**6 898**	**2 236**	**5 493**	**6 419**		**25 642**

(All amounts in thousands of euro unless otherwise stated)

38. ASSET LEASE

a. Lease when a company is a lessee

The Company assesses lease agreements concluded during the financial period to determine whether they meet the criteria for right-of-use assets under IFRS 16. In assessing a lease, the leased asset is identified, the consideration for the use of the property, the contractual right to control the use of the property and the right to receive full economic benefits from its use over a period of time. At the inception of the lease, the right-of-use asset is measured at its acquisition cost, at the present value of all future payments. In the statement of financial position, right-of-use assets are classified in 'Property and equipment' position.

IFRS 16 right-of-use assets as at 31 December 2022 consist of the lease of office premises of EUR 1 712 thousand (EUR 824 thousand in Lithuania and EUR 888 thousand in Estonia) and lease of land under buildings where insurance activities are carried out in Lithuania of EUR 420 thousand. As at 31 December 2022, the total value of right-of-use assets amounts to EUR 2 132 thousand. As at 31 December 2021, lease of office premises right-of-use assets amounted to EUR 1 673 thousand (EUR 585 thousand in Lithuania and EUR 1 088 thousand in Estonia) and the lease of land in Lithuania amounted to EUR 426 thousand. Total value of right-of-use assets as at 31 December 2021 amounted to EUR 2 099 thousand.

When the contract lacks interest rate implicit in the lease the Company sets lessee's incremental borrowing rate. Lessee's incremental borrowing rate is settled based on average interest rates for loans of similar characteristics as lease liabilities. As at 31 December 2022 the weighted average interest rate on recognition of lease liabilities in Lithuania was 3.18%, for the Estonian branch 2.29%. As at 31 December 2021, the weighted average interest rate on recognition of lease liabilities in Lithuania was 2.94% and 2.28% for the Estonian branch.

IFRS 16 right of use assets liabilities change:

31 December 2020	**2 569**	**31 December 2021**	**2 177**
New agreements, amendments	(62)	New agreements, amendments	521
Lease liability payment	(382)	Lease liability payment	(517)
Lease liability interest	52	Lease liability interest	52
31 December 2021	**2 177**	**31 December 2022**	**2 233**
Short-term	444	Short-term	513
Long-term	1 733	Long-term	1 720

Short-term and long-term lease liability:

	2022	**2021**
Short-term (payable up to 1 year)	**513**	**444**
Up to 3 months	161	150
From 3 months to 1 year	352	294
Long-term (payable after 1 year)	**1 720**	**1 733**
From 1 to 2 years	442	362
From 2 to 3 years	387	301
From 3 to 4 years	349	285
From 4 to 5 years	138	291
More than 5 years	404	494
Total lease liability	**2 233**	**2 177**

IFRS 16 lease liabilities are classified in the statement of financial position under "Other liabilities".

(All amounts in thousands of euro unless otherwise stated)

The Company paid lease expenses for right-of-use assets for the total amount of EUR 517 thousand during 2022, which are attributed to the item "Amounts from other financial activities" in the statement of cash flows (during 2021: EUR 382 thousand).

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

	2022	**2021**
Depreciation of right-of-use assets:	**(545)**	**(549)**
- Land lease	(2)	(2)
- Premises lease	(543)	(547)
Right-of-use assets interest	(52)	(52)
Expenses relating to short-term leases and low value assets	(432)	(492)
Total lease expense	**(1 029)**	**(1 093)**

Depreciation of land as right-of-use asset is included in the statement of comprehensive income item "Acquisition costs" and depreciation of premises lease presented in an item of "Administrative expense". Right-of-use assets interest is attributed to the statement of comprehensive income, item "Financial income and expense".

b. Lease when a company is a lessor

The Company leases premises and classifies those leases as operating leases as it does not transfer substantially all the risks and rewards of the asset. Premises subleases are short-term or low value assets and are therefore classified as operating leases.

	2022	**2021**
Premises lease income:	**231**	**218**
- rent income from investment property	114	112
- rent income from other properties	117	106

The table below provides an analysis of the off-balance sheet receivables for undue operating lease payments. Undiscounted amounts receivable after the reporting period from operating leases are disclosed.

Receivable amounts	**2022**	**2021**
Up to 1 year	222	211
From 1 to 2 years	115	175
From 2 to 3 years	23	101
From 3 to 4 years	2	10
From 4 to 5 years	1	2
More than 5 years	-	1
Total	**363**	**500**

39. SUBSEQUENT 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 Lietuvos draudimas AB as at and for the year ended on the reporting date.