Lietuvos draudimas AB

Independent Auditor's Report,
Annual Management Report, Sustainability report and
Consolidated Financial Statements for the Year
Ended 31 December 2023

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Independent Auditor’s Report

To the Shareholder of Lietuvos draudimas AB

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Lietuvos draudimas AB and its subsidiaries (“the Group”). The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023,
- the consolidated statement of comprehensive income for the year then ended,
- the consolidated statement of changes in shareholders’ equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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.

KPMG

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

The carrying amount of LIC – insurance contracts under PAA: EUR 146,3 million as at 31 December 2023 and EUR 126,1 million as at 31 December 2022.

Reference to the consolidated financial statements: Note 7.3. "Insurance contracts, reinsurance" and Note 9.3 "Movement in Insurance contract assets and liabilities".

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

Other Information

The other information comprises the information included in the Group's annual management report, including Corporate Social Responsibility Report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Group's annual management report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements and whether the Group's annual management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of consolidated financial statements, in our opinion, in all material respects:

- The information given in the Group's annual management report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- The Group's annual management report has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of 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 Group. 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group’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 Group’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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 Group's consolidated financial statements. Our appointment to audit the Group's consolidated financial statements is renewed each two years under decision of the general shareholders 'meeting, and the total uninterrupted period of engagement is 11 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 Group and its Audit Committee.

We confirm that in light of our knowledge and belief, services provided to the Group 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 the course of audit, in addition to the audit of separate and consolidated financial statements, we have provided reporting to the PZU Group auditors in accordance with their instructions.

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
26 March 2024

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
Jakub Sajkowski	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 filial
Simonas Lisauskas	Board Member, Commercial Sales Department Director
Arūnas Rumskas	Board Member, Finance Department Director
Dainius Brandišauskas	Board Member, Operations and IT 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:	*9831*
Address:	*Rondo Ignacego Daszyńskiego 4, 00-843 Warsaw, Poland*
Position:	*Director of Supervision of Foreign Operations Department*
Organisation:	*PZU Zycie SA*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*30211*
Address:	*Rondo Ignacego Daszyńskiego 4, 00-843 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:	*J. Basanavičiaus 10B, LT-01118 Vilnius, Lithuania*
Position:	*Member of the Supervisory Board*
Organisation:	*Voxel SA*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*238176*

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: *9831*
Address: *Rondo Ignacego Daszyńskiego 4, 00-843 Warsaw, Poland*

Position: *Executive Director of PZU Group Strategy*
Organisation: *PZU Zycie SA*
Legal form of the organisation: *Joint Stock Company*
Company code: *30211*
Address: *Rondo Ignacego Daszyńskiego 4, 00-843 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: *J. Basanavičiaus 10B, LT-01118 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: *Coordinator*
Organisation: *PZU SA*
Legal form of the organisation: *Joint Stock Company*
Company code: *9831*
Address: *Rondo Ignacego Daszyńskiego 4, 00-843 Warsaw, Poland*

Position: *Coordinator*
Organisation: *PZU Zycie SA*
Legal form of the organisation: *Joint Stock Company*
Company code: *30211*
Address: *Rondo Ignacego Daszyńskiego 4, 00-843 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: *J. Basanavičiaus 10B, LT-01118 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:	*Chairman of Management Board*
Organisation:	*SA „PZU Cash“*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*688411*
Address:	*Rondo Ignacego Daszyńskiego 4, 00-843 Warsaw, Poland*

Position:	*Member of the Management Board*
Organisation:	*PZU Zdrowie*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*395215*
Address:	*Rondo Ignacego Daszyńskiego 4, 00-843 Warsaw, Poland*

Jan Pstragowski

Position:	*Head of Project Management*
Organisation:	*TFI PZU SA*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*19102*
Address:	*Rondo Ignacego Daszyńskiego 4, 00-843 Warsaw, Poland*

Position:	*Head of the Project Management*
Organisation:	*PZU SA*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*9831*
Address:	*Rondo Ignacego Daszyńskiego 4, 00-843 Warsaw, Poland*

Position:	*Head of the Project Management*
Organisation:	*PZU Zycie SA*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*30211*
Address:	*Rondo Ignacego Daszyńskiego 4, 00-843 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:	*9831*
Address:	*Rondo Ignacego Daszyńskiego 4, 00-843 Warsaw, Poland*

Position:	*Director of Credit Risk and Related Parties*
Organisation:	*PZU Zycie SA*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*30211*
Address:	*Rondo Ignacego Daszyńskiego 4, 00-843 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:	*J. Basanavičiaus 10B, LT-01118 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*

Jakub Sajkowski

Position:	*Managing director - Commercial insurance*
Organisation:	*PZU SA*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*9831*
Address:	*Rondo Ignacego Daszyńskiego 4, 00-843 Warsaw, Poland*

Disclosure of Board Members participating in other organisations

Kęstutis Šerpytis

Position:	*Member 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:	*Chairman 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*

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:	*9831*
Address:	*Rondo Ignacego Daszyńskiego 4, 00-843 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:	*J. Basanavičiaus 10B, LT-01118 Vilnius, Lithuania*

Aurelija Kazlauskienė

Position:	*Chairperson of the Board*
Organisation:	*UAB "LTG Link"*
Legal form of the organisation:	*Joint Stock Company*
Company code:	*305052228*
Address:	*Geležinkelio g. 16, LT-02100 Vilnius, Lithuania*

Julius Kondratas

Position:	*Member of the Management Board*
Organisation:	*UAB PZU Lietuva gyvybės draudimas*
Legal form of the organisation:	*Insurance Joint Stock Company*
Company code:	*110082737*
Address:	*J. Basanavičiaus 10B, LT-01118 Vilnius, Lithuania*

Dainius Brandišauskas

Position:	*Operations and IT director*
Organisation:	*UAB PZU Lietuva gyvybės draudimas*
Legal form of the organisation:	*Insurance Joint Stock Company*
Company code:	*110082737*
Address:	*J. Basanavičiaus 10B, LT-01118 Vilnius, Lithuania*

Name and address of the independent auditor:

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

Letter from the General Manager

Kęstutis Šerpytis, General Manager and Chairperson of the Board

In 2023, we achieved exceptional sales and profitability results. For the first time in Lithuania's history, we have exceeded EUR 300 million in written premiums. In the private customer segment, sales growth was strongest in motor, home and personal insurance products. In the commercial segment, the highest growth was recorded in property, health, motor third party liability and motor insurance.

In 2023, there was an upward pressure on prices, especially in the construction sector as well as in the pricing of car parts and service work. We have managed these challenges through the discipline of insurance risk assessment and enhanced cost control. As the frequency of motor claims has recovered since the COVID-19 pandemic, the average payout for virtually all types of insurance has risen, due to the so-called claims inflation factor. But despite this, our financial performance has remained consistently strong.

Another challenge for 2023 was the rising interest rates and a falling stock market, therefore we invested cautiously and diversified our investments. Our solvency ratio for 2023 has remained at a relatively high level, so the company's customers can feel secure.

In 2023, our team was particularly focused on the quality of customer service, improving and developing our existing applications and tools to be the most innovative on the market and to meet the needs of our customers. At the same time, we have been looking for solutions to make insurance services more convenient, quicker and simpler, and to settle out claims even faster and more neatly. In 2023, we introduced a mobile application where customers can conveniently register their health insurance claims. The vital digitisation decisions we have taken and implemented, the steady growth of premiums for health insurance and other products, and the close cooperation within the organisation have contributed to the consistent growth of our results. Although we faced new challenges in August with record storms and damages worth millions, this did not prevent us from providing high quality claims settling and compensation services, while doing our utmost to ensure the safety of our customers and their assets. Future priorities include further digitisation of processes and even better management of the growing amount of data for the benefit of customers and the organisation.

We apply the principles of sustainable and safe living in our operations and internal organisational culture. Together, we are building a modern and responsible organisation that fosters communion with partners and customers who support sustainability. We have developed three sustainable insurance propositions for customers purchasing home, Casco and business property insurance, and included ESG evaluation criteria in the selection of suppliers. We plan to continue to develop our insurance products in a way that encourages customers to make more sustainable choices and reduce their risks. 100% of the electricity we buy is generated from green energy sources, and in 2023 we signed a purchase agreement to acquire part of a solar power plant in a remote solar park. In 2024, we plan to start using a power plant that will generate up to a third of our electricity needs. We also make efficient use of office space for hybrid working and invest part of our investment portfolio in green securities.

We focus on safety education and awareness-raising. For the 24th consecutive September, we provided free insurance to 340,000 Lithuanian schoolchildren as part of the “Protect Me” campaign. We donated Lithuanian Red Cross first aid lectures to 1,000 people in different regions of the country and took part in the First Aid Festival. We are constantly discussing the need to protect ourselves and our assets in various media channels and communicating such information to our customers. We will continue to talk about security with all stakeholders and run campaigns to educate the public on security.

We achieve these and other goals thanks to our dedicated, motivated and professional staff. We work together in a sustainable way by measuring success not only in terms of financial indicators but also in terms of ESG indicators. All our employees contributed 6,780 hours of volunteering, exceeding our 2-year target in one year. We focus on employee health and education – we received the “Workplace of the Year 2023” award at the National Responsible Business Awards. Investing in the well-being of our employees and nurturing talent will continue to be one of our priority areas.

In this Sustainability Report, you will find more information on our main achievements and targets in each area. We will continue to honour our commitments and engage with our stakeholders in order to develop our activities sustainably.

About the Report

This Annual Management and Sustainability Report of Lietuvos draudimas AB (hereinafter referred to as the Company) (hereinafter referred to as the Sustainability Report), as well as the Solvency and Financial Position Report, is provided for the period from 1 January to 31 December 2023, covers all of our business activities, and is prepared annually. The information in the Sustainability Report covers the activities of Lietuvos draudimas AB in both Lithuania and Estonia. The Sustainability Report is an overview of our performance and achievements in the environmental, social and governance (ESG) areas. The report contains the most recent and up-to-date data available at the time of publication. This report also complies with the requirements of the Social Responsibility Report of the Republic of Lithuania and takes into account the European Commission's Guidelines on Non-Financial Reporting and the Bank of Lithuania's Recommendations on the Disclosure of Sustainability Related Information.

The report is the first to be produced with reference to the Global Reporting Initiative (GRI) standards, the latest version 2021. Disclosures are made on a materiality basis and reflect the Company's progress in implementing the principles of the United Nations Global Compact (UNGC) as well as our contribution to the Sustainable Development Goals (hereinafter referred to as SDG). The report includes a list of ESG indicators that measure the impact and progress of our activities.

The Annual Management Report of Lietuvos draudimas AB, together with the Sustainability Report, is first submitted to members of the Board of Directors and department directors for review and comment. It is then approved by the Board of Directors and finally submitted to the meeting of shareholders for approval. As required by law, the external independent auditor reviews the Annual Management Report but does not audit it.

Our previous Corporate Social Responsibility Report, together with our 2022 Annual Management Report, and other information on our sustainability management and activities can be found on the ld.lt website under the section "Sustainability".

Stakeholders' views are important to us and we welcome your feedback and questions about this report and our sustainability activities at tvarumas@ld.lt

GRI 2-2; GRI 2-3; GRI 2-4; GRI 2-5; GRI 2-14

1. General Information

1.1. About the Company

We are the largest and longest-established non-life insurance company in the Baltics – we celebrated our centenary in 2021. We are part of PZU SA, one of the largest insurance groups in Central and Eastern Europe. Our core business is the provision of motor, third party liability, property and personal lines insurance services to private and commercial customers in Lithuania and Estonia. We remain a very strong leader in terms of market share in Lithuania. In 2023, our market share was 30%, which means that every third person in Lithuania chooses us as their insurer. Meanwhile, our market share in Estonia in 2023 was 15%, where we were the fourth largest insurance company by market share. We stand out among all insurers operating in Lithuania and Estonia with a very secure capital position while maintaining a high and stable solvency ratio.

We have the widest service network of any insurance company operating in Lithuania. We have nearly 100 branches across the country, located in cities and towns both large and small, as well as an online store. We have four branches and an online store in Estonia. We have a professional customer service centre and an electronic self-service website where customers can conveniently register claims and handle other insurance-related services.

Year after year, we are valued by the Lithuanian population as the most trusted brand in the insurance sector. We are not only regarded in the insurance sector as the best insurance experts, but we are also recognised by our customers as the most objective in assessing claims, handling them simply and smoothly, and settling them quickly. And that is very important to us as insurance is a promise that once the need for help arises, you will get it quickly. 93% of Lithuanians are familiar with the Lietuvos draudimas AB brand, while 66% of Estonians recognise our brand (Brand Study 2023). *GRI 2-6*

Mission and Values

Mission

We work to ensure that your future is secure and peaceful.

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

Customers and Their Experience

At the end of 2023, we had 663,953 unique customers in Lithuania (627,250 natural persons, 36,703 legal entities) and 651,739 customers in 2022. In the Estonian branch, we had 195,041 unique customers at the end of 2023, of which 168,494 were natural persons and 26,547 legal entities, and 188,375 unique customers in 2022.

In order to improve our services and points of contact with customers, we have been using Net Promoter Score since 2010, which allows us to listen to and take into account our customers' views. In 2023, the Net Promoter Score in Lithuania was 72% (75% in 2022), while in the Estonian branch it reached 64% (51% in 2022).

In 2023, the fastest growth in the number of private customers was in transport, home and personal insurance products. In the legal segment, the highest growth was recorded in health and property insurance.

Shareholders and Structure

Lietuvos draudimas AB is owned by the Polish insurance company Powszechny Zakład Ubezpieczeń Spółka Akcyjna (hereinafter referred to as PZU SA, PZU, PZU Group), which held 100% of the shares in Lietuvos draudimas AB in 2023. Our head office is located at J. Basanavičiaus st. 10, Vilnius.

(All amounts in thousands of euro unless otherwise stated)

We did not acquire, dispose any shares during 2023 and as at 31 December 2023 we did not have our own shares. In 2023, we set up two subsidiaries: UAB B10 biurai, UAB B10 apartamentai. We have a branch in Estonia, registered under the name Lietuvos Draudimas AB Eesti filiaal (legal entity code – 12831829, registered office address: Parnu mnt. 141, Tallinn, Estonia).

GRI 2-1; GRI 2-6

Associations

We cooperate with the following associations and organisations:

Lithuanian/Estonian Insurers Association	An organisation which aims to formulate a common policy for non-life insurance companies, to coordinate members' activities, to represent members' interests and to present non-life insurance companies' services and relevant information to the public in a clear and simple way.
Lithuanian/Estonian Motor Insurers' Bureau	An organisation of insurance companies authorised to carry out compulsory motor third-party liability insurance. Membership in the organisation is compulsory.
Lithuanian/Estonian Association of HR Professionals	A public organisation of HR professionals dedicated to raising the level and effectiveness of HR management. We consult and share best practices with the association.
Lithuanian Red Cross	A humanitarian aid agency working to protect human life and dignity, alleviate human suffering and provide assistance to people in distress in Lithuania and abroad. We organise first aid training together with the Red Cross.
Estonian Taxpayers Association	The Estonian Taxpayers Association protects the interests of all taxpayers and provides them with advice and education. It ensures that tax laws are fair and understandable, that the tax burden is optimal, that administrations act fairly and professionally, and that taxpayers' money is used for its intended purpose.

GRI 2-28

1.2. Overview of the Market

Overview of the Lithuanian Market

According to the data of the Bank of Lithuania, the country's non-life insurance market (including branches of foreign insurance companies operating in the country) reached EUR 1.1 billion of insurance premiums written for 2023. Strong growth was observed in all major lines of insurance, with total written premiums growing by 21.5% compared to 2022.

Compulsory third-party liability insurance remained the largest type of non-life insurance, generating EUR 336 million in written premiums in 2023, accounting for 31% of the total non-life insurance market premiums. The growth in premiums written in the residential segment was 13.8%, while in the business segment this type of insurance grew by 22.8%.

Land vehicles Casco insurance with EUR 251 million written premiums in 2023 accounted for 23% of the total non-life insurance market. In the residential segment, this type of insurance grew by 20.6%, while in the business segment the growth of written premiums was 22.5%.

Property insurance accounted for EUR 236 million of premiums written and 22% of total non-life premiums. Premiums written for personal property insurance grew by 17.5%, while in the business segment this type of insurance grew by 48.8%.

Together, these three main types of insurance – compulsory motor third party liability, Casco and property insurance – accounted for the majority (76%) of the Lithuanian non-life insurance market in terms of written premiums. Supplementary voluntary health insurance also contributed significantly to the growth of the market, with EUR 100 million of premiums written in 2023, which is 32.3% more than in 2022.

We have written EUR 329 million in premiums in the Lithuanian market in 2023 – 23.2% more than in 2022. The amount of premiums written in the residential segment grew by 13.3% and by 36.6% in the business segment. We maintain our leading position in the Lithuanian non-life insurance market, growing faster than the market for the third consecutive year, with a market share of 30.3%.

Overview of the Estonian Market

The Estonian non-life insurance market in 2023 has written EUR 554.5 million in premiums, an increase of 17.6% or EUR 83.1 million compared to 2022. The Estonian branch of Lietuvos draudimas AB has written EUR 84.4 million in premiums, which grew by 18.7% compared to 2022, thus exceeding the market growth by 1.1 p.p. The market share of the Estonian branch of Lietuvos draudimas AB has increased to 15.2% and we are the fourth largest insurance company in this market.

The market growth was mainly driven by Casco insurance, which grew by 17.6% or EUR 26.7 million, and compulsory motor third party liability insurance, which grew by 20.9% or EUR 21.6 million. Private property insurance also grew significantly by 18.8% or EUR 15.6 million while business property insurance increased by 19.7% or EUR 10 million.

In December 2023, there were 14 companies operating in the country's non-life insurance sector (including 6 branches of foreign insurance companies). Among them, the 4 largest companies accounted for around 67% of the Estonian non-life insurance market. The Estonian branch of Balcia Insurance SE's non-life insurance business started operating since November 2023.

1.3. Financial results

Non-life insurance premiums written in 2023 by Lietuvos draudimas AB together with its Estonian branch amounted to EUR 414.8 million and, compared to the EUR 337.7 million of premiums written in 2022, achieved a 22.8% growth. We have successfully grown in both our Lithuanian and Estonian markets.

We were profitable in both our markets. The net profit, including the result of the Estonian branch, amounts to EUR 33.5 million in 2023 (EUR 21.6 million in 2022). Our operations were profitable in both the non-life insurance activities and investment portfolio management in 2023.

The result of our insurance service in 2023 was EUR 36.4 million (EUR 24.7 million in 2022). The successful performance of our non-life business and stable profits were driven by continued growth in insurance income, which is a consequence of the increasing volume of our business. Our control of non-current costs and claims costs, efficiency-enhancing actions and rigorous risk-assessment discipline also contribute to maintaining profitability.

In 2023, we continued our conservative investment policy, concentrating our investments in European government debt securities and safe securities of strong companies.

2023 was also a successful year for us in terms of investment activity. We generated a profit of EUR 5.3 million from investment activities together with the Estonian branch, compared to a profit of EUR 0.8 million from investment activities in 2022.

The amount of claims paid out to customers is growing every year. Together with the Estonian branch, we settled non-life insurance claims of our customers for EUR 216.1 million in 2023, an increase of 25% compared to the previous year (EUR 173.0 million in 2022).

In 2023, our income tax expense amounted to EUR 4.5 million (EUR 3.0 million in 2022).

Detailed financial information on our activities can be found in the Solvency and Financial Position Report of 2023 and the Financial Statements part below.

GRI 201-1

2. Sustainability within the Company

2.1. Sustainability Strategy

For more than 100 years, we have dutifully taken responsibility for the well-being and safety of our employees and customers. We are entering the new century with sustainability at the forefront of our environmental, social responsibility and governance priorities. In 2022, we have carefully planned and identified concrete actions that we will take in 2023 – 2024 to be even more proactive on sustainability.

Our sustainability principles and commitments are outlined in the Company's strategy and policies and we follow internationally recognised standards:

- We integrate the economic, environmental and social aspects of our activities into our business processes.
- Our strategy incorporates the relevant United Nations Sustainable Development Goals (SDGs).
- We are guided by the 10 principles of the Global Compact in the areas of human rights, employee rights, the environmental protection and anti-corruption.
- We promote the rational and sustainable management and use of resources.
- We are contributing to Europe's Green Deal as well as the Paris Agreement:
    - We only use "green" electricity (based on certificates of origin for renewable energy sources from suppliers with whom we have direct contracts). In 2023, we developed and evaluated the ESG actions of suppliers in the procurement process in the Lithuanian division, and we plan to apply this process in the Estonian division in the coming year.
    - We strive to ensure that by 2040 the activity of our key partners and subcontractors is carbon neutral.
    - We strive to ensure that by 2050 the activities of all insurance customers and investments are carbon neutral, in accordance with the European undertakings.

	#Trusted Partner in green transformation	**#Better quality of life**	**#Responsible organisation**
	We support the development of a low-emission economy, contributing to sustainable transformation	We encourage communities to adopt a sustainable and safe lifestyle	We build a modern organisation, which is managed responsibly
Our ambitions	• Development of insurance offers that support climate and energy transformation. • Introduction of green plant services, use of renewable energy and promotion of the environmentally sound management of used spare parts. • Green organisation that bases its decisions and management on the principle of sustainability.	• Support for education of road participants about safety of children on roads. • Inspire others to take action to make communities safer. • Trusted partner for financial literacy and sustainable lifestyles.	• Employer promoting responsible leadership and responsible attitudes among employees.

For sustainable development, we focus on			

GRI 2-22; GRI 2-23; GRI 2-24

2.2. Management of Sustainability

We have developed a Sustainability Strategy in 2022 and set sustainability targets for 2023 – 2024. We review the Company's strategy every two to three years, and at the time of the next review of the strategy, we intend to integrate environmental, social and governance (ESG) factors into the overall strategy. Monitoring of the sustainability targets is carried out on a quarterly basis during the meetings of the Board of Directors. Sustainability objectives have become an important part of the strategy of Lietuvos draudimas AB, some of which have been included in the company's non-financial objectives on which bonuses for employees depend.

The principles for the implementation of the Sustainability Strategy and for cooperation are set out in the Sustainability Policy. The Sustainability Policy sets out the key principles for responsible business conduct, taking into account environmental, social and governance factors. The Policy applies to all areas of the Company's organisation where sustainability-related risks are generated. In addition, we have complementary policies that provide guidance on the implementation of the principles of sustainability in areas such as the environment, human rights, prevention of corruption and others.

Sustainability management is integrated into the responsibilities of different divisions. The Supervisory Board makes proposals on the strategy and objectives of the ESG on an as-needed basis or at least once a year. The Internal Audit Division audits compliance with internal procedures and legislation on an as-needed basis and/or as part of an overall audit plan. The Board of Directors is responsible for approving and overseeing the strategy and policies. The implementation of the sustainability programmes is coordinated by a designated responsible project manager. Sustainability targets, achievements and other initiatives are regularly discussed by the members of the Sustainability Working Group and the working groups formed to pursue the sustainability objectives. The group holds regular meetings/discussions to discuss various sustainability initiatives, which are disseminated within the Company to make employees aware of sustainability topics and opportunities to contribute to such initiatives. A dedicated Board member attends working group meetings and contributes to the implementation of initiatives. Each department is responsible for the implementation of their assigned sustainability initiatives, which are delegated according to departmental responsibilities. Every year, we review the monitored indicators, adjust the limits and set new ones if necessary. Sustainability indicators are monitored on a quarterly/annual basis, depending on the indicator. The risk function is responsible for monitoring the performance of the indicators, while the compliance function is responsible for monitoring the implementation of the internal control plan. The Company's Board of Directors is informed on a quarterly basis about the performance of the indicators. Depending on the area, sustainability issues are/may also be addressed and discussed in the Capital Management, Investment and Insurance Product Committees.

The Board of Directors may be informed of critical issues related to the sustainability of the Company during regular meetings of the Board of Directors and informal weekly meetings between the Board of Directors and the General Manager. No critical problems of particular concern were recorded in 2023.

In order to implement our Sustainability Strategy, we educate management and employees on sustainability issues. In 2023, we organised Sustainability Month, featuring presentations by experts in various fields, raising the sustainability challenge and inviting colleagues to share their sustainability achievements. We have focused on communicating the ESG objectives and progress to employees.

In 2023, we developed Sustainability Policy and, in line with the activities of our shareholder PZU SA, we updated our Environmental Protection Policy, which aims to minimise our impact on the environment and to provide our division with a coherent framework within which to measure and record their environmental impact. The Human Rights Policy was also updated (with equal opportunities, violence and harassment prevention programmes)

GRI 2-12; GRI 2-13; GRI 2-16; GRI 2-17

Information on Violations

Reports of potential sustainability violations or suggestions can be made through the internal whistleblowing channel or by e-mailing tvarumas@ld.lt. Anonymous reports of violations of the law, fraud and ethics can be made both by our employees and by members of the public by filling in an online form at ld.lt or pzu.ee.

Details of our governance structure are set out in the Solvency and Financial Condition Report available on ld.lt.

GRI 2-25; GRI 2-26

2.3. Stakeholder Involvement

Close and high quality dialogue with stakeholders is crucial for the implementation of our operational strategy. We have identified our stakeholders by analysing the parties we involve in our activities, those who are relevant and have a significant impact on our activities, and those who are likely to have a significant impact on the implementation of our strategy. We have an interest and a responsibility to ensure ongoing and meaningful cooperation, to enable all stakeholders to access information about our Company and to provide suggestions for improving our performance. We promote ethical, transparent and honest engagement with customers, employees, shareholders, suppliers, communities, media and other stakeholders based on sustainability principles. The Company participates in sustainability events, conferences and discussions, and shares its sustainability best practices with the media, partners and suppliers.

The stakeholders we have identified and the main themes and forms of dialogue with them are listed in the table below.

Table 1 **Stakeholders, themes and forms of dialogue**

Stakeholders	Themes / Expectations	Forms of dialogue
Customers	• Fast and high quality service • Products to meet their needs • Convenient use of the company's sales and communication channels • Education on safety and sustainability	• Customer service (call centre, service points, partner sales channels) • Digital channels (website, self-service, application, social networks, newsletters, SMS messages) • Customer research (brand research, Net Promoter Score (NPS)) • Advertising, media, events • Plain language when communicating with customers • Reporting channel – for complaints and improvements • Customer complaint management procedure

Employees	• Comfortable, safe working conditions, transparency, workload balance • Competitive salary • Development of skills, career opportunities • Corporate social responsibility	• Employee engagement survey and possible actions to improve its results • Clear, achievable targets – annual, quarterly, monthly • Internal, team meetings, 121 meetings • LD lunch, roadshow of the executives • Meetings with experts in various fields • Private Facebook group for employees • Internal intranet • Internal events • Topical presentations • Reporting channel to inform about detected violations
Shareholder	• Running of a smooth and profitable organisation • Achievement of business, social, environmental and governance objectives	• Meetings of shareholders • Periodic reports
Suppliers	• Transparent supplier selection procedure • Favourable purchasing terms, prompt settlement, long-term contracts, performance of obligations	• Regular and periodic meetings, negotiations, discussions • Frequent cooperation on topical issues
Regulatory (public) authorities	• Compliance with legislation and provision of correct information	• Annual ORSA (Own Risk and Solvency Assessment) report, which also analyses sustainability management • Annual Monitoring Report • Solvency and Financial Position Report (submitted to the Bank of Lithuania and made public) • Individual e-mail enquiries and meetings
Society	• Openness, transparency, access to information • Security education	• Publicly available environmental protection, sustainability policies • Annual Social Responsibility Report and Solvency and Financial Reports • Measurement – Brand research • Customer complaint management procedure

GRI 2-29

2.4.Sustainability Risks and Management

Monitoring sustainability risks is a regular process, including improving the effectiveness of risk management tools to ensure that risks remain properly managed and controlled. Sustainability risks are managed like other risks within the framework of the Risk Management Strategy. Sustainability risk management is embedded in all aspects of our business: human resources management, investments, insurance, procurement, etc. This is defined in various internal documents such as: Sustainability Policy, PZU Group Green Standard, Environmental Protection Policy, Human Rights and Equal Opportunities Policy, Market Risk Management Policy, Insurance Product Supervision and Management Policy, Procurement Procedure, etc. We monitor various sustainability key risk indicators (called KRIs) defined in the Risk Appetite document. Where significant sustainability risks arise, they can be identified in Risk Maps, which assess the impact and likelihood of the relevant risks and measures. The table below lists the main sustainability risks and measures to manage them.

These risks have been taken into account in the definition of our key sustainability themes and corresponding ESG targets.

Table 2 **Sustainability risks and their management measures**

Risk	**Risk management measures**
SOCIAL	
Workforce shortages, substitutability, talent attraction and rising labour costs	Regular remuneration reviews
	Regular monitoring of employee turnover
	Retention bonus plan
	Additional benefits
	Hybrid working model
	Training programmes
Risk of failure to provide a safe and healthy working environment, including human rights violations (discrimination on grounds of race, sex, religion, etc.)	Employee well-being programme "I feel good"
	Employee NPS survey
	Human Rights Policy (with equal opportunities and violence and harassment prevention programmes), training
	Ability to report violations anonymously
	Investigation of violations
	Physical security policy and procedure, evacuation training
Provision of the correct information to customers	Reputation and external communication policy (including social networks)
	Regular review and updating of documents
	Training and certification of insurance consultants
	Insurance risk advice (clarification of needs)
	Expert communication on insurance products, risks, security
	Compliance with legislation and ethics in communications
Delivery of products that meet customers' expectations and needs	Continuous product review and adaptation to environmental changes
	Brand research
ENVIRONMENTAL	
Climate change and the resulting increase in the number of claims, their changing nature, customer needs and legal frameworks	Ongoing analysis of claims patterns, application of preventive measures, operational actions including tariffs and formulations
	Sufficient and appropriate reinsurance limit
	Climate monitoring, flood mapping and inclusion in risk appetite
	Tailoring of insurance products
Risks related to direct environmental impacts	Waste sorting
	Economical use of stationery (implementation of paper reduction projects)
	Use of energy from renewable sources
	Efficient use of space for hybrid working
	Shared electric vehicles and other transport might be bought more environmentally friendly
	Implemented ISO 14001 environmental management system, training of employees
	CO_2 reduction target has been set (Scope 1 and 2)
Risks related to indirect environmental impacts	Environmentally focused investments
	Integration of the sustainability survey into the choice of suppliers
GOVERNANCE	
Risk of disclosure or mismanagement of personal data, breaches of	Legal framework for the protection of personal data, training
	AUP policy, training
	Information and cyber security policy, training
	Cybersecurity testing

system stability and cybersecurity	Development of cyber security recovery plans and testing of cyber security recovery
Regulatory non-compliance risk (including sanctions requirements) and reputational risk	Monitoring of new and evolving legislative developments
	Recording and monitoring of non-conformities (Operational Risk Management Policy)
	Adapting of systems to meet the requirements of international sanctions
Risk of conflict of interest, inadequate anti-corruption enforcement	Anonymous messaging channels (internal, external)
	Policy: Anti-corruption programme of Lietuvos draudimas AB, training
	Policy on the alignment of private interests, training

Detailed information on the risk management framework is provided in the Solvency and Financial Condition Report 2023, which is published on ld.lt.

GRI 3-3

2.5.Material Topics

We have started to organise our sustainability work more consciously and have identified key material topics, see table below. We have identified material topics by taking the following steps:

- We reviewed international trends and best practices in the insurance sector, drawing on the experience of PZU SA and recommendations of international organisations.
- We have assessed current sustainability activities and the positive and negative impacts on the environment and society. During the working sessions, we reviewed and evaluated topics of relevance to us with the employees responsible for the relevant areas.

In 2024, we plan to carry out an additional assessment in order to identify key sustainability themes, based on the principle of double materiality and involving stakeholders.

Table 3 **Material topics and directions**

Topic	Description and direction
ENVIRONMENTAL PROTECTION	
Climate change and energy consumption	Reduction of CO2 emissions, energy consumption and switching to renewable energy sources.
Promotion of the circular economy	Proper waste management, encouraging business partners (e.g. vehicle service stations) and customers to reduce, recycle and properly recover waste.
Creation of insurance products that promote sustainable development	Special offers for environmentally friendly customers (e.g. those with energy-efficient homes, vehicles with lower CO2 emissions, etc.).
Sustainable investments	Investments in green securities.
SOCIAL GOVERNANCE	
Employee welfare	Taking care of employees' physical and psychological health, ensuring equal pay, a safe workplace and improving work-life balance.
Staff development and competency improvement	Provision of opportunities for employees to improve and develop their skills.
Education on safety and sustainability	Implementation of social initiatives to raise awareness on sustainability and security (e.g. first aid, safety of children on the road, asset protection).
Responsible attitude and cooperation	Encouraging of employees to volunteer and contribute to social initiatives.
Human rights	Human rights and equal opportunities are guaranteed and equal and non-discriminatory treatment is promoted.
Excellence in claims handling	Reliable and fast claims management, transparency.

Comprehensive insurance	Comprehensive and high-quality insurance cover against natural risks, health problems and accidents.
GOVERNANCE	
Responsible management	Compliance with the law, transparency, prevention of corruption, high ethical and governance standards, fair competition, financial stability.
Responsibility in the supply chain	Suppliers of goods and services are chosen taking into consideration the impact on the environment, human rights and communities, as well as the transparency of their operations.
Cyber and data protection	Data privacy and security are ensured, and information is collected and managed responsibly.

GRI 3-1; GRI 3-2

2.6.EU Taxonomy

The European Union's Taxonomy Regulation (EU) 2020/852 and its implementing legislation provide a framework for classifying sustainable economic activities and investments. It defines activities that are considered to make a significant contribution to the achievement of environmental objectives and is designed to channel private investment into environmentally sustainable activities that contribute to the implementation of the European Green Deal. Insurance and reinsurance companies have been obliged to review their products and business models and to determine the extent to which their activities are environmentally sustainable. For the first two years of the EU Taxonomy, i.e. 2021 and 2022, only the EU Taxonomy's criteria for selecting eligible economic activities were applied. Reporting for 2023 and onwards requires the reporting of activities aligned with the technical screening criteria. In this context, we have taken the following steps:

- 2020 – we have identified which of our product lines are eligible for EU Taxonomy requirements. We have assessed whether the premiums are potentially taxonomic by selecting products that are specified in the Regulation and protect against at least one climate-related risk. We have started providing this information to the shareholder PZU SA, which publishes the consolidated information in its Non-Financial Report.
- 2023 – we have identified which of the activities covered by the EU Taxonomy are aligned with the criteria for sustainable activities. PZU SA has developed guidelines for the interpretation of the EU Taxonomy of Insurance and Reinsurance Activities. The purpose of the Guidelines is to ensure a uniform understanding of the EU Taxonomy across the PZU SA Group, so that the specified economic activities are presented consistently. Based on the group's recommendations, we carried out an analysis to assess:
    - whether the activity makes a significant contribution to one of the six environmental objectives (substantial contribution to climate change adaptation);
    - whether there is no significant harm to other environmental objectives (do no significant harm criteria);
    - whether activities meet minimum safeguards of social responsibility.

Premiums for product lines that are or not eligible and aligned with the EU Taxonomy criteria are reported to the shareholder, who publishes the Group's consolidated information in its non-financial statement.

In 2024, we have set ourselves the goal of improving at least one of our products to meet the EU Taxonomy requirements, by providing additional incentives for our customers to reduce their risks, and by providing guidance to our customers on climate risks and preventive measures.

(All amounts in thousands of euro unless otherwise stated)

3. Social responsibility

Target	Result of 2023	Link to the SDGs
Lithuania		
60% of employees covered by the well-being program (jointly all the employees in 2021-2024, without employees on long-term leaves)	**2022 – 69%***	3 GOOD HEALTH AND WELL-BEING
1 million recipients of 18-65 years to be reached with social activities and education in the area of safety and sustainable activities per 2023-2024 in total	**1 million**	4 QUALITY EDUCATION
Assigning 6 400 hours of employee volunteerism from 2023-2024 in total	**6,780 hours**	11 SUSTAINABLE CITIES AND COMMUNITIES

*Data for 2023 were not yet available at the time the report was published.

Key achievements:

- **Workplace of the Year 2023** (National Responsible Business Awards)
- **Protect Me –** for the 24th consecutive September, we provided free insurance for 340,000 Lithuanian schoolchildren
- **I Can Help –** we donated 1,000 first aid trainings
- We launched a **health insurance mobile application** and continued to improve the self-service portal

3.1. Employee Welfare

We have a long-standing commitment to employee well-being. As a result of our long-standing work in this area, we have received the "Workplace of the Year 2023" award for a working environment that meets the expectations of employees. This recognition was received at the "National Responsible Business Awards" organised by the Ministry of Social Security and Labour of the Republic of Lithuania. We have been recognised for a working environment that responds to the very diverse needs of our employees. For carrying out the hybrid working model and flexible working arrangements, for opportunity to have up to 182 days of workation in Europe, and for the new B10 office for 400 colleagues, which has been set up to meet their expressed needs. For additional benefits and social guarantees that go beyond what the law provides (e.g. extended parental days, extra holidays, health days, vaccinations, health insurance, etc.). For various incentives (e.g. bonuses, premiums, training, events, wellness programmes). For the periodic Voice of LD surveys, which make it possible to listen to employees' needs and create better working conditions. For introducing sustainability principles into the organisation and for active volunteering in the selected areas – be it support for Ukraine, seniors, children or nature.

The "I Feel Good" employee well-being programme also contributes to the well-being of employees, which has been running for the past three years and promotes the mental and physical health of employees within the organisation.

Employee Engagement

Employee engagement and feeling is one of the priority areas we focus on at Company level. It is important for us to give employees the space to voice their opinions, experiences and share their suggestions. It involves employees in the process of decision-making and allows us to improve and create a working environment where we feel safe, listened to and motivated to do our best. To this end, we carry out two surveys: the Voice of LD employee opinion survey and a new employee survey.

(All amounts in thousands of euro unless otherwise stated)

The Voice of LD survey consists of two parts – the eNPS measurement and questions on employee well-being, a psychologically and physically safe and healthy working environment, internal culture, growth opportunities, learning, managerial performance, feedback and one-to-one interviews. The survey also provides the opportunity to express personal views in an open commentary format, which allows the employees to add their own insights on other topics of interest to them. We are pleased that this format is working well, with more than 90% of all employees who passed their probationary period taking part in the survey. The results of the Voice of LD are discussed at both management and employee levels. Discussions are held at those same levels about achievements, areas to improve and how that could be done. The discussions result in concrete action plans to sustain the good results and focus on areas for improvement. We carry out this survey twice a year to see how we are doing.

We pay special attention to new employees – it is important to us whether and how well our newcomers integrate into the Company. The new employee survey consists of questions about how they feel after their first months with the Company, whether they have received enough attention and feedback from their supervisors, whether they have had an assigned buddy (a teammate who is responsible for their successful induction into the team and the Company) who has helped them to integrate into the Company and to minimise stress, whether their job responsibilities and roles have been clarified, and how they feel about the additional benefits provided by the company. All these questions not only allow us to assess the newcomer's feelings and motivation, but also the quality of our induction process.

Number of Employees and Breakdown

On 31 December 2023, Lietuvos draudimas AB had 904 employees (901 on 31 December 2022). The average length of service is 10.3 years and the average age of employees is 42 years (41 years in 2022 and 42 years in 2016-2021). In 2023, the employee turnover rate was 17.4% (15.4% in 2022) and voluntary turnover was 12.5% (11% in 2022). In 2023, the Estonian branch had 157 employees (157 in 2022), with an average total working time of 7 years and an average age of 45 years. The following tables provide a detailed breakdown of employee numbers, recruitment and turnover rates.

Table 4 **Number of employees by type of employment contract**

		2023			2022		
		Total	**Female**	**Male**	**Total**	**Female**	**Male**
Lithuania							
Total		904	694	210	901	688	213
By age	up to 30 years old	141	102	39	171	127	44
	30-50 years old	538	408	130	503	370	133
	50 years old and higher	225	184	41	227	191	36
By type of employment contract	Permanent employment contracts	822	616	206	812	604	208
	Fixed-term employment contracts	82	78	4	89	84	5
	Full-time employees[1]	897	689	208	896	684	212
	Part-time employees[1]	7	5	2	5	4	1
Estonia							
Total		157	114	43	157	111	46
By age	up to 30 years old	9	7	2	12	8	4
	30-50 years old	96	67	29	96	66	30
	50 years old and higher	52	40	12	49	37	12
By type of employment contract	Permanent employment contracts	157	114	43	157	111	46
	Fixed-term employment contracts	0	0	0	0	0	0
	Full-time employees[1]	154	112	42	152	110	42
	Part-time employees[1]	3	2	1	5	1	4

[1]Full-time employees are those who work full-time (40 hours per week) and part-time employees are those who work part-time (less than 40 hours per week).

GRI 2-7

(All amounts in thousands of euro unless otherwise stated)

Table 5 **Employee turnover**

		All employees	Newly recruited employees		Turnover of employees	
			Units	Rate in each category, %	Units	Rate in each category, %
Lithuania						
All employees, of which:		904	164	18%	156	17%
By gender	Male	210	25	12%	30	14%
	Female	694	139	20%	126	18%
By age	up to 30 years old	141	57	40%	64	45%
	30-50 years old	538	102	19%	77	14%
	50 years old and higher	225	5	2%	15	7%
Estonia						
All employees, of which:		157	22	14%	14	9%
By gender	Male	43	3	7%	6	14%
	Female	114	19	17%	8	7%
By age	up to 30 years old	9	3	33%	5	56%
	30-50 years old	96	16	17%	8	8%
	50 years old and higher	52	3	6%	1	2%

GRI 401-1

Collective Agreements and Information for Employees

The Company has a collective agreement with the Lithuanian trade union association Lietuvos draudimas AB, which was approved by a conference of employees and applies to all employees of the Company. It provides employees with more opportunities, benefits, advantages and social guarantees than those provided for by law. There are no collective agreements in the Estonian branch.

We have an active 11-member Works Council, of which one member is a delegate from the Company's trade union association. In 2023, we elected a new group of Works Council. Two representatives of the Company are delegated members of the Labour Dispute Committee of the Republic of Lithuania in Vilnius, one is from the Trade Unions and the other – from the Employers' Organisation.

We hold regular meetings with trade unions and Works Councils. They cover topical employment issues, consultations on changes in organisational structure, remuneration, working time, health and safety as well as other matters. In accordance with established procedures, in 2023, new versions of the Work Rules Procedure, the Remuneration Policy and the Employee Performance Appraisal Procedure were coordinated with the Works Council, and an annual report on average salaries by gender and position level was submitted.

Employees are informed of important changes within the timeframes set out in the Labour Code and the Collective Agreement, i.e. at least five business days in advance during internal meetings, via the intranet and e-mails, newsletters, events and other internal channels. The Company holds periodic meetings (with virtual connectivity) to discuss ongoing strategic projects and other topical issues (LD lunch). All Company employees are invited to attend. If it is not a matter of common concern, meetings are held with employees from individual divisions. Once a year, the Company's Board of Directors also organises regional road-shows with employees to provide them with the most relevant information and to initiate discussion on issues of concern to them. Evaluations of these meetings show that this format is useful, informative and provides an opportunity for dialogue with employees.

GRI 402-1; GRI 2-30

Additional Benefits

Flexible working hours: Flexible working hours are available with the agreement of the supervisor, with a choice of commencement of work (within the interval from 7:00 to 9:00) and end of work (within the interval from 16:00 to 18:00), as well as the length of working time. This allows employees to flexibly combine work and private life commitments. If needed, opportunities are provided for employees to work part-time in order to combine work with studies and/or family needs.

Hybrid working model: We follow a hybrid working model where 50% of the time we work from the office and 50% of the time we work remotely. Hybrid working provides the possibility to flexibly choose the workplace in the office or at home, according to the specifics of the work to be done, balancing work and personal time, and taking into account the needs of employees in situations of illness and family needs. We have developed guidelines on hybrid working, which set out the principles of hybrid working with a view to achieving equity for all employees.

Workations: We have adopted workations in order to improve the balance between work and rest. Up to 182 days of workation can be arranged in EU countries, Schengen and/or NATO member countries in Europe. In 2021, 28 employees took advantage of this benefit (243 days), in 2022 – 58 employees (835 days), and 62 employees (1,066 days) in 2023. Employees find that workations help combine work and leisure to properly rest and get back to work more efficiently and creatively.

Additional days off:

- Five additional days of leave per calendar year in Lithuania. This additional benefit is available to employees who have been working for more than two years, after they have used their annual leave days. In Estonia, we provide 7 additional days from the commencement of work. We encourage employees to maintain a balance between work and leisure, and a good sense of well-being, which is why we make sure our employees take extra time to relax.
- Four days of wellness for Lithuanian employees, which can be used to recover from an illness at home without having to go to the doctors in order to receive a certificate of for sickness absence. Employees feel emotionally safer when they know they will be taken care of in case of health emergencies.
- Three days of paid special-purpose leave in Lithuania and one extra day in Estonia for family funerals.
- Paid days on the occasion of an employee's marriage and/or the wedding of his/her children, where only unpaid days are granted under the Labour Code of the Republic of Lithuania.
- Employees are given a full day off for the start of the school year, whereas only 0.5 working days are granted under the Labour Code of the Republic of Lithuania.
- Two days per calendar year are provided to employees of the Lithuanian branch for volunteering activities. We encourage team volunteering.

Health and employee insurance: The Company also contributes to the well-being of its employees by providing health and accident insurance. Employees are covered by a health insurance, which allows them to have a health examination at any institution that is convenient for them, with reimbursement of part of the cost of the health insurance, as well as reimbursement of the purchase of other medical services or goods (medicines, supplements, optical aids, etc.), and access to individual counselling with psychologists. In addition, all employees are covered by accident insurance from their first day of work. The health insurance that comes into force after the probationary period remains in force while employees are on parental leave. We also offer free flu vaccinations for employees and discounts for family members.

"I Feel Good" programme: In line with PZU SA's overall sustainability strategy, we started to implement the employee well-being programme "I Feel Good" from autumn 2021. In 2023, we implemented the following activities in the "I Feel Good" programme:

- **Lectures for all employees:** getting to know different generations and working together in our organisation, fostering a culture of feedback, lectures on how to recognise sources of inspiration and tension in the company, how to resolve conflict situations and build relationships together, how to work in a hybrid way and how to create an effective and emotionally supportive work environment. All these lectures are designed to help us get to know each other better, to recognise stressful situations and to have the inner resources to deal with them when they arise. Lectures on volunteering and the meaning of volunteering were also held.

- **LD Hike**, which attracted more than 200 employees, took place in the Kaunas Lagoon Regional Park. Step challenges are in our Company's DNA, which is why we support them not only by participating in #Walk15 challenges, but also by organising internal company hikes. Physical activity contributes significantly to emotional health, therefore, we encourage such activities Company-wide.
- **LD's internal festival** "I Feel Good", where we talked about what is important for us to feel good in the Company. Together we took part in various sports activities, gong therapy, drawing therapy, a wellness challenge, and got to know each other interactively through the Company values.
- **Managers talks** with employees about their emotions in one-to-one meetings.
- **Useful links,** videos, readings, smart applications and recordings of lectures are regularly shared on the intranet in the "I Feel Good" section.

Through all these activities, we aim to ensure that employees are not only aware how to maintain their well-being, but can also apply this knowledge in their daily work. We foster an environment of mutual trust, which is why this year we have paid particular attention to fostering a culture of feedback. We also talked a lot about the emotional intelligence of the manager, how to build and maintain relationships with employees, how to have quality one-to-one conversations with employees, and how to discuss what is important to the employee, how they feel, the difficult situations they face, and how the manager can help them to deal with such situations.
Events: We also encourage our employees through various events. We organise and/or fund various cultural, sporting and/or tourist activities and events: "LD Leaders Conference", "PKD Professional League", "VKD Champions Club", "ŽingsniuOK" initiative, "Itynės", quizzes, tournaments, hikes, various team building events, etc.
GRI 403-6

3.2. Employee Development and Competency Improvement

Training is a key part of our work culture and development, with 100% of the Company's workforce receiving training during the year. In Lithuania all employees have mandatory training in the eLDa e-learning system, as well as professional and generic competency training, managers are trained in the LD Managers Club, the LD HUB programme for change and project leaders, and all employees have the opportunity to participate in the "I Feel Good" lectures.

Employee development is organised in accordance with the Employee Training and Development Procedure. The Company provides equal opportunities for all employees to improve their qualifications, professional development, retraining and practical work experience in accordance with transparent and clear criteria.

Employee development and education actions are discussed with the manager during the performance review process and in periodic one-to-one interviews. Upon agreeing on what competences are lacking in order to achieve the set objectives, employees are able to expand their competences in their current role or by planning a vertical/horizontal career. Depending not only on individual but also on organisational needs, training courses are organised to enhance specific competences, such as the LD HUB programme intended to develop competences in change and project leadership, and the LD Managers Club the aim of which is to enhance managerial competences.

Quality attention from managers to employees is very important, which is why this year we have focused on continuing management development for middle managers by bringing them together in the LD Managers Club. In this club, we focused on the emotional intelligence of a manager, ways to build and maintain a quality and sustainable relationship with employees, ways to maintain a positive demanding attitude, ways to provide the feedback needed for employee development, and what it takes to have meaningful and effective one-to-one conversations with employees.

(All amounts in thousands of euro unless otherwise stated)

Table 6 **Average annual training hours per employee.**

	2023	
	Lithuania	**Estonia**
Total:	56	27
Managers	67	36
Non-managers	55	35

GRI 404-2; GRI 404-1

Internal Career

We care about our employees' careers and growth opportunities. We value the knowledge and competences of our employees and want to give them every opportunity to develop new ones and realise their full potential. At Lietuvos draudimas AB, 51% of vacancies in 2023 were filled by internal candidates (55% in 2022). In 2023, 76 employees made internal vertical or horizontal careers (95 in 2022) and 6 specialists became managers (5 in 2022). In the Estonian branch, 24% of vacancies in 2023 were filled by internal candidates (including temporary employees converted to permanent positions).

Specific and timely feedback is one of the best and most proven tools for employee development. We aim to make it clear to every employee what is expected of them, the meaning of what they do and how they contribute to the achievement of common goals. This is ensured by the employee performance review process. Even before the performance review interviews begin, calibration sessions are held at managerial level to receive and provide feedback on the performance, results and behaviour of employees in the division. This helps to ensure a fair and equitable review process.

Every year, we conduct semi-annual and annual performance reviews with each employee. This format is designed to discuss achievements and to help employees understand what they are doing well and where they need to improve. This is done by discussing the goal, value, career and development dimensions. We also focus on the career part: the employee can indicate how he/she plans his/her career and let the manager help him/her with the career planning steps. The performance review system also includes a feedback form where we can share praise and comments with colleagues.

We use the Voice of LD survey to find out what employees think about their internal careers, asking them to evaluate the internal career opportunities at Lietuvos draudimas and to comment on why they think so. We also start working on internal career issues from the very first steps in the Company, i.e. we organise Newcomers' Days, during which they get to know more about Lietuvos draudimas, the divisions and their functions, as well as the heads of those divisions.

GRI 404-3

Remuneration Policy

The remuneration system has been in place at the Company for more than a decade and is based on the world-renowned Korn Ferry Job Evaluation Methodology and the Lithuanian General Compensation Survey data. This ensures its swift and smooth implementation and maintains its relevance and objectivity regardless of the gender of the employee.

Our remuneration structure is governed and determined by the Company's Remuneration Policy. The Company's Remuneration Policy is in line with our business strategy and objectives. Remuneration takes into account the experience, competence, knowledge and skills of the employees performing the relevant functions.

Each position is given a weighting which determines its salary. The grade of a position is determined by assessing the level of knowledge and competences required by the position, the complexity of the problems that must be solved and the level of responsibility. Employees working in the same position (a position of equal weight), irrespective of gender, are subject to the same remuneration scale. We monitor equal pay through reports, analysis and annual submission to the Works Council of Lietuvos Draudimas AB. As a result, employee representatives are also involved in the process of implementing the remuneration system. On their initiative, in both 2022 and 2023, information-consultation procedures were organised on the implementation of the Remuneration Policy and the review of employee remuneration, an annual report on average remuneration by gender and grade level was submitted annually to the Works Council of the Lietuvos Draudimas AB, the provisions of the Rules of Procedure, the Remuneration Policy, and the Performance Appraisal Policy were harmonised in accordance with the established procedures, and surveys were organised for the employees, including the remuneration-related issues.

For more information on the Company's Remuneration Policy, please refer to the Solvency and Financial Position Report available at ld.lt.

GRI 2-20

3.3.Education of Employees and the Public on Safety and Sustainability

"Protect Me" Initiative

"Protect Me" is our initiative on safety of children on roads, launched in 2000, which insures all Lithuanian schoolchildren. The "Protect Me" campaign encourages the country's drivers to be extra attentive on the road and to pay special attention to the youngest road users, who are returning to the city streets after the summer holidays. We provide free road accident insurance for all Lithuanian schoolchildren. The insurance applies throughout September for pupils travelling on foot or by bicycle. The sum insured is EUR 5,000.

A toothbrush can protect children from accidents on the road. Based on research by psychologists, we developed a fun way to teach children the rules of road safety last year and continued this process in 2023. Scientific evidence shows that children find it easier to learn new skills when they relate them to what they already know. That is why we have created a song that reminds people to brush their teeth and teaches them about road safety.

"I Can Help" Project

The idea of the "I Can Help" project was born six years ago, with the ambitious goal of ensuring that everyone in Lithuania knows how to provide first aid. It is important for the people of Lithuania to be able to decide quickly what and how should be done if a sudden need to help someone nearby arises. That is why, for more than six years, we have been working towards the great goal of a first aid-literate Lithuania! This year, during the first aid campaign, we gave away as many as 1,000 free first aid lectures and reminded people of the rhythm of the Lithuanian folk song, which can help save lives in the future. In cooperation with our close partners from the Lithuanian Red Cross, from the first days of June we invited Lithuanian residents to register and attend first aid lectures in Vilnius, Kaunas, Klaipėda, Šiauliai, Panevėžys, Rokiškis, Raseiniai and Tauragė.

We also share educational material on choking, bleeding and initial resuscitation on our website ld.lt. We support public events to raise awareness about first aid training and work closely with the Lithuanian Red Cross.

Public Education on Security and Sustainability

Last year, we continued our proactive communication to customers and the public on a wide range of insurance topics. Taking into account the main lines of insurance, i.e. home, transport, health and personal, travel, business, we provided information in the form of press releases and advice/expert commentary on how to protect your assets and health, and what to do in the event of a claim. We also responded to the media's demand for topical commentary on damage caused by natural disasters or seasonal challenges to people's property. In total, we issued more than 70 press releases last year. The most covered topics in proactive communication were home and motor third party liability insurance as well as related claims.

3.4. Promotion of a Responsible Approach and Cooperation with Non-Governmental Organisations

Volunteering initiative “I Want to Help”

We have been supporting employee volunteering for many years and each employee in Lithuania is given two days of paid leave per year to volunteer. Historically, employees have always been most active in this regard on December. However, in 2023, we have put a strong emphasis on year-round volunteering initiatives, and in December we gave an extra volunteering day to employees who had already used two days. This change has allowed us not only to reach more organisations in need, but also to expose employees to a wider range of volunteering opportunities. Volunteering is one of ESG's goals, but we are not only working towards our KPIs, but we also see how important it is for our employees to do meaningful work, and how much value there is not only for those we help, but for us too. We encourage volunteering in teams and have organised corporate volunteering which let us see how good deeds bring us closer together as employees. In 2023, our employees contributed 6,780 hours of volunteering.

3.5. Ensuring Human Rights and Equal Opportunities, Promotion of Diversity and Inclusion

We uphold the human rights principles set out in the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the ILO Core Conventions on Labour Rights and the OECD Guidelines for Multinational Enterprises. We respect and uphold the right to equal opportunities and non-discriminatory treatment, the right to human security, children's rights, freedom of association and the right to collective bargaining. We make sure employees have a safe and healthy workplace, are paid fair wages, are free from bribes and our products are not used for human rights abuses. We are committed to ensuring that our activities are free from any violation of human rights.

Since 2010, we have a well-established and effectively implemented Human Rights Policy. Since 2018, in accordance with the requirements of the Labour Code of the Republic of Lithuania, this Policy has been supplemented by the Gender Equality Implementation Programme, and since 1 November 2022, after consultations with the Works Council of Lietuvos draudimas AB, it has been supplemented by a new Violence and Harassment Prevention Programme. All employees are briefed on this Policy and the above-mentioned programmes digitally upon acknowledgement of receipt of information by signature. Periodic training and knowledge testing are provided to employees on this subject.

Since 2015, we have a well-established and successful Whistleblowing Procedure, with a variety of reporting methods and channels available, both internally and externally via our website. Responsible persons within the Company are appointed to investigate reports received and, if necessary, an investigation committee is set up. Personalised cases of violations are made public to prevent their recurrence in the future. We provide the following opportunities for employees to report or otherwise speak to their employer if their emotional health is at risk:

- They are encouraged to discuss it in person, through their immediate supervisor and/or higher level managers;
- Anonymously by filling in the Voice of LD Voice survey;
- By reporting violations of the law to the Company's responsible persons, either in writing, by e-mail, or through the Company's internal/external website channel;
- By contacting the HR Business Partner of a specific department;
- By contacting the assigned buddy.

We do not tolerate unethical behaviour in the work environment, which occur in the working environment only sporadically, and informal conversations with employees are usually sufficient. In 2023, two reports were received and investigated in which the Commission found no signs of violence and harassment at work. However, this experience has led to practical recommendations to ensure a smoother investigation process. We have not received any complaints about unequal pay or other working conditions. The Company has also never had any cases of violations of labour law and/or any labour disputes arising from discrimination or violence and harassment.

(All amounts in thousands of euro unless otherwise stated)

Table 7 **Workforce diversity in 2023**

	Board of Directors	**Top level managers**	**Middle level managers**	**Other employees**
Lithuania				
All employees	8	5	92	799
Female	13%	60%	60%	79%
Male	88%	40%	40%	21%
Up to 30 years old	0%	0%	2%	17%
30-50 years old	63%	40%	84%	57%
50 years old and higher	38%	60%	14%	26%
Estonia				
All employees	1	12	16	128
Female	0%	50%	69%	76%
Male	100%	50%	31%	24%
Up to 30 years old	0%	0%	0%	7%
30-50 years old	0%	83%	63%	60%
50 years old and higher	100%	17%	38%	33%

In 2020, the State Labour Inspectorate of the Republic of Lithuania carried out scheduled inspections of financial institutions in relation to the disparity between men's and women's remuneration and other terms and conditions of employment, and it has been exceptionally noted that our Company has an effective practice of implementation of the Policy of Equal Opportunities.

GRI 406-1; GRI 405-1

3.6. Excellence in Claims Handling

Improvement of the Customer Experience of Recording and Calculating Claims

In 2023, we continued to develop our self-service capabilities in Lithuania – in addition to the existing automatic claims registration for all major insurance products, we created a personal insurance claims calculator and upgraded the entire personal insurance claims registration process. We have also renewed the process of registering and administering Casco insurance claims and set up an automated payment process for health insurance costs. These innovations allow customers to register and manage claims at their convenience. This ensures the security of both the information provided and the personal data. In addition, the customer's claims management on the self-service website speeds up the claims management process by putting all the customer's information in one place, showing the status of the situation, the documents and photographs provided, and making it easy to exchange additional information. Automated processes for small claims management are in place for all products (property, transport, personal). In Estonia, we have fully automated the vehicle windscreen claims process and handled more than 500 claims in Q4 2023. For business customers, we have expanded our self-service platform so that business customers and partners could report claims.

Impact of Innovation on Claims Management

By the end of 2023, around 80% of private customers in Lithuania and 61% in Estonia were already actively using the new claims registration options on the self-service website. In Lithuania, as many as 70% of customers did not need direct contact with a claims expert to receive a payout of a claim. Automated processes are particularly convenient for customers in the case of mass claims, such as storms, hail, etc., as the information is presented in a straightforward way and minor damages can be adjusted very quickly. Given our increased risk of natural disasters, we intend to expand these and other innovations in 2024.

(All amounts in thousands of euro unless otherwise stated)

Control of Claims

The number of claims registered in Lithuania in 2023 grew by 17% in units compared to 2022, with a total of 461,957 claims registered. The largest share of claims settled by us in Lithuania in 2023 was for health claims which amounted to 64%, followed by transport claims – 17%, property claims – 14% and personal injury claims – 5%. In Estonia, the number of claims registered per unit increased by 5% compared to 2022, with a total of 40,181 claims registered. Motor third party liability claims accounted for the largest share of settled claims – 54%, while property damage accounted for 14% and personal injury claims accounted for 22%.

Regulation of Claims in Large-Scale Incidents

In order to manage the damage caused by large-scale disasters in an expeditious and rational manner, we have prepared a specific procedure describing a model for the organisation of work during large-scale incidents, including natural disasters.

In 2023, we recorded 11 large-scale incidents, the same number as in 2022, but the number of claims differs: in 2022 the total number of large-scale incident claims was 7,600, while in 2023 – 10,000. In 2023, we recorded the largest large-scale incident in our history in Lithuania, caused by the forces of nature, such as wind, rain, storm, hail. At the time of the incident, some 7,200 claims were registered, with payouts amounting to EUR 10.7 million. Our digitisation solutions have facilitated the claims registration and administration process. Customers could conveniently register their claims via our self-service portal and a short telephone number. In order to ensure that all affected customers have time to register their claims, we have not imposed a limit on the number of days to register a claim. As many as 49% of claims were administered in the first five days. Digitalised claims management has helped customers settle claims much faster and more efficiently. During large-scale incidents, we also inform our customers in the media, through our own channels, about the scale of the incident, as well as provide information on how to protect themselves and their property during storms.

3.7. Comprehensive Insurance Cover

We strive to provide our customers with comprehensive and high-quality insurance cover – for natural risks, health problems and accidents – tailored to their changing needs and expectations. We are constantly reviewing and updating our products, creating special offers for our customers and educating them on security issues. As well, we are constantly improving our customer service system and raising the qualifications of insurance consultants. We are committed to introducing customers to the insurance service and helping them assess their risks.

Improvement of the ways to meet the needs of private customers

Health insurance	Development of our health insurance product is our strategic direction. In 2022, we introduced private health insurance with unlimited outpatient services in Lithuania, and in 2023 we continued product development and expansion. We offer a large selection of services and a network of more than 600 partners across Lithuania. Insured persons can use services offered by both state and private institutions.
Compulsory driver's third-party liability insurance	We have improved and expanded the customer experience of product management on self-service and e-commerce sites, and focused on delivering quality value to customers. For Ukrainian citizens arriving in Lithuania by car, we offered a 50% discount on compulsory third-party liability insurance for drivers.
Casco insurance	We continued our product improvement strategy focused on customer experience and value enhancement, and the rules for providing the service in Lithuania were updated. In Estonia, we have improved our Casco insurance with flexible windscreen protection.
Home insurance	As we do every year, we have reviewed our home insurance product and offered both new and renewing customers a product that better suits their needs. In response to the rising prices of goods and services, we have offered new customers a fixed insurance price for a period of three years, with no long-term commitment from the customer.

Personal insurance	We have focused on product quality and a strategy to deliver value to existing customers. The "My Little One" programme was also continued, offering free insurance for babies up to 11 months of age.
Travel insurance	In response to the needs of travellers and different country requirements and restrictions, we have extended the availability of a travel insurance product with an optional COVID-19 risk for 2023.

Business Customers

A survey of small and medium-sized businesses in Lithuania in 2023, commissioned by us, revealed that the most pressing risks for these businesses are related to employees and market challenges. In more detail, these include the cost of wage growth, mistakes made by employees and concerns about their health and well-being. Market-related risks include increasing competition, declining demand for goods and services, and changes in the regulatory business environment. In 2023, the needs of business customers also responded to the general trend, with businesses looking for ways to improve the physical and psychological health of their employees, and people valued these steps taken by employers. With health protection remaining an important aspect, in 2023 we continued to increase the number of people covered by health insurance and to increase our market share for this product, by offering a set of complementary actions that helped us to increase the penetration of this segment and to increase the uptake of health insurance by companies that previously did not have this cover.

Insurance Protection Consultations

In 2023, we continued our insurance protection consultations in Lithuania. The purpose of the consultation is to discuss the customer's insurance risks and assess their security in order to help them better understand the risks and choose protection measures. Consultations are conducted remotely by video, and if the customer is unable to connect, they are welcome to visit the offices. Consultations create the conditions for high quality customer service, where we can provide all the information to the customer in one place. Using a questionnaire, the customer receives a detailed explanation of what insurance cover they have and where they are insecure. We create an opportunity for the customer to assess for themselves what their need is and whether it fits their actual situation. Insights and recommendations are provided in this context. This is another opportunity to show individual attention to the customer, to build trust, to listen to their needs and to offer the best solution. In 2023, 140,000 customers took part in insurance protection consultations.

Self-service Portal

2023 was another year of intense digitisation, which allowed our customers to create an even better experience in our self-service, handling their insurance remotely 24/7. Seeing the growing habits of our customers to handle their insurance matters on their own, this year we focused on e-servicing by further improving our self-service system and increasing the range of services that can be purchased in the online store. The number of successful self-service connections in Lithuania in 2023 increased by 42% compared to 2022.
During 2023, we have devoted a significant part of our IT resources to improving the customer experience on the self-service website and have made the following changes:
In Lithuania:

- Business customer registration and login
- Establishment of the roles and rights of business customer representatives
- Expansion of online banking connections
- Approval of process for personal insurance forms
- Administration of payment cards
- Automatic upload of offers to the self-service system

In Estonia:

- Machine learning solution for Health Insurance Payment File Recognition on self-service platform

- SEB online store was launched for SEB bankas customers

All of these actions have led to a significant increase in the share of active self-service customers. In Lithuania, 73% of active private customers (61% in 2022) and 56% of business customers (28% in 2022) used self-service in 2023. In Estonia, 50% of customers used self-service.

Health Insurance Application

Seeing the growing number of customers with health insurance and wanting to further improve the experience of these customers, we have invested in the development of a health insurance application in Lithuania in 2022 and 2023. Customers started using the new application in February 2023. In 2023, the number of active users of the application reached the 27.5 thousand. The application allows customers to quickly and conveniently see the conditions, limits and balances of their existing health insurance. Customers can also apply for reimbursement and view their entire health insurance usage history.

goLD – a Modern Sales System

In 2023, we continued the development of our goLD sales system, focusing on the integration of corporate liability products. The system has been complemented by three more business-specific products, enabling our sales team and our partners to execute sales faster and more efficiently. It gives the customer a more innovative insurance buying experience and the employee a modern, easy-to-use tool.

(All amounts in thousands of euro unless otherwise stated)

4. Environmental

Target	Result of 2023	Link to the SDGs
Lithuania		
Reduce CO_2 emissions by more than 10% compared to 2019	**over 50%**	13 CLIMATE ACTION 7 AFFORDABLE AND CLEAN ENERGY
Contribute not less than 1% of total UW result yearly by supporting green/ sustainable insurance products, offers, segments or technologies seeking energy and climate transformation till 2024	**0.6%**	13 CLIMATE ACTION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Increase in the current exposure to investments in support of climate and energy transformation by 5% of total investment portfolio by 2024	**6.3%**	13 CLIMATE ACTION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Estonia		
Increase the number of vehicle windscreens repaired to at least 11%	**12.3%**	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Key achievements:

- **100% of our energy** comes from green electricity
- We have created three special insurance offers for customers who **protect nature**
- We have moved to our new headquarters

4.1. Climate Change, Consumption of Energy and of Other Resources

While companies like ours in the service sector have a relatively low impact on nature and pollution, we are constantly looking for ways to save the resources we use on a daily basis and make an even greater contribution to the environment. We support a low-carbon economy and contribute to the movement towards sustainable business. The table below shows the energy consumption of our Company.

(All amounts in thousands of euro unless otherwise stated)

Table 8 **Energy consumption**

		Lithuania		Estonia	
	Units	**2022**	**2023**	**2022**	**2023**
Electricity	MWh	1 399	1 158	150	145
Energy for space heating/cooling	GJ	4 474	4 574	158	160
Water	cubic metres	3 395	2 862	501	542
Natural gas	cubic metres	27 000	24 241	19 822	18 500
Fuel (petrol, diesel)	t	154	176	N/A*	N/A*

*In Estonia, we do not own our own cars, we use taxis for work trips and no fuel information is collected.

Our employees drove a total of 1.97 million km in 2023 (1.7 million km in 2022). Diesel cars account for the largest share of the 1.45 million kilometres driven (1.13 million km in 2022), while petrol cars account for 517,000 km. In 2023, employees flew 319,000 km and travelled 5,700 km by train on business trips. Estonian employees drove 24,000 km in rented transport in 2023.

Our main document for managing environmental impacts is our internal Environmental Policy. We have also implemented ISO 14001 in 2022 with external consultants, and had an audit and certification for the new headquarters in 2023. The Environmental Management Certificate helps us to better identify and systematically manage our environmental impacts. All employees are made aware of the Policy and standards and have to take a knowledge test. Compliance with the requirements of the Environmental Management System in accordance with the LST EN ISO14001:2015 standard and the procedures of our Company's Environmental Management System related to our operations are included in the mandatory requirements of all employees' job descriptions.

GRI 302-1

Paper Consumption

For several years in a row, we have implemented various initiatives to reduce paper consumption in the Company. In 2023, we continued to reduce paper consumption in customer service. 80% of customers in Lithuania and 96% in Estonia are served in a paperless way. We have taken the decision to print documents for customers only in exceptional cases – we encourage everything to be done via the self-service portal. We are also promoting digital claims management by inviting customers to register claims via the self-service platform and submit documents/photographs digitally. We do not use paper and, in most cases, we carry out property damage inspections remotely. We also use paper made from recycled paper and reuse it.

In 2023, we adopted a project to digitise the Personnel Department in Lithuania, moving fully to electronic employment contracts and other electronic employee documents and/or records. This will significantly reduce the amount of paper used in the HR administration process, save time, reduce the likelihood of human error in the processing of data, and improve the employee experience in the labour relations management process. The personnel management and document digitisation project foresees that in 2024, all employees will be re-contracted and will continue to have only electronic employment contracts and related documents.

Table 9 **Paper consumption**

		Lithuania		Estonia	
	Units	**Quantity in 2022**	**Quantity in 2023**	**Quantity in 2022**	**Quantity in 2023**
Paper	T	2.95	1.5	1.06	0.7

We also contributed to recycling by recycling 0.508 tonnes of small household appliances and 1.72 tonnes of paper per year.

CO2 Emissions

Our first CO2 emissions reference ("base") year was 2019. CO2 emission reductions were measured relative to the first year of the accounting period – pre-COVID-19. Reductions in CO2 emissions (Scope 1 and Scope 2) have been achieved thanks to the successful implementation of fuel saving and energy efficiency initiatives, with savings of more than 50% in 2023 compared to 2019. Detailed information on the valuation and calculation of the issues is provided in the Non-Financial Report of PZU SA Group.

Key Areas and Measures to Reduce CO2 Emissions:

- We have reduced the size of the Company's car fleet and are renewing it with electric and hybrid vehicles. We have changed our Company procedures and increased the purchase limits for hybrid and electric vehicles. We also have electric scooters in three of our offices that employees can use for short trips.
- The principles of hybrid working are being implemented to optimise the network of administrative and sales offices to make working more convenient and energy efficient. In total, we have renovated 52 of our offices: 8 offices, including headquarters, were renovated in 2023, 13 in 2022, 26 in 2021, 5 in 2020 and 10 in 2019.
- We use LED lighting, we buy 100% green energy, and we have signed an agreement to buy part of a remote solar park, which is expected to generate up to 30% of our electricity needs. We plan to start using electricity from this park in 2024.

New Office Complex of Lietuvos draudimas Opened in Vilnius Old Town

In autumn 2023, we opened the doors of the new office complex B10 in the Old Town of the capital. It is a four-building complex comprising two office buildings and two residential buildings. The total area of the building complex is about 10.8 thousand sq. m and the project investment exceeded EUR 20 million. It was decided to build a new office complex by filling in and redeveloping an undeveloped land plot next to our old office building on Jono Basanavičiaus street.

Architects' office Archinova, in collaboration with architectural studio PLH Arkitekter A/S from Denmark, has come up with a project that harmoniously integrates into the environment of the Old Town and fulfils the street, complementing the historic former Pohulianka Block.

Focus on Employee Comfort and Sustainability

The idea of the B10 complex was conceived before the pandemic in 2018 in order to reflect one of the Company's core values – cooperation. The Company's new building has been designed to meet the different needs of its employees.

Each of the 5 floors has 500 sq. m of workspace, surrounding the core of each floor – the common areas with lifts. We estimate that the building can accommodate around 200 people at a time. The new premises have been designed in line with the findings of employee surveys, focus groups and testing. We have focused on ergonomic workplaces: height-adjustable desks, ergonomic chairs, soundproof walls and ceilings, video screens with safety guards, and booths for individual interviews. To avoid monotony, alternative workspaces have been set up, such as armchairs with comfortable computer tables, leisure areas and showers, making it easier to get to work by bicycle.

Sustainability and the promotion of sustainable travel have also been a major focus in the construction of the new complex. The facades of the buildings use durable and natural materials, as well as convenient storage space for employees' bicycles and scooters, and charging stations for electric vehicles. The buildings are designed to provide an optimal microclimate with energy from renewable sources, and comply with thermal conductivity class A+.

The courtyard of the complex is open not only to employees but also to the public. The unique stepped courtyard design features a plant oasis with a modern underground capillary irrigation system to provide the necessary moisture.

Discovered Archaeological Finds

During the preparation for the construction of the complex, an archaeological site was discovered – the remains of buildings dating from the late 16th – early 17th century. It is a vestige of the Baroque period – an outbuilding with a well-preserved stone floor, which may have been used for living quarters above. The period of the structure suggests that it was built by the Dominican monks who owned the site at the time. This archaeological discovery from the Baroque period adds significantly to the knowledge of the Vilnius suburb behind the Trakai Gate and the Vilnius monastic holdings in this area.

This discovery can be seen every day not only by our employees, customers and guests, but also by all passers-by on Jono Basanavičiaus street. The Baroque architectural treasure is modernly housed in the lobby of the administrative building, which is also visible through the stained-glass windows from Jono Basanavičiaus street.

4.2. Promotion of the Circular Economy

We are involved in green energy transition initiatives. We want all our key partners to be carbon neutral in their operations by 2040, and we expect all our customers and investments to have a zero carbon footprint by 2050.

Although we do not generate a lot of waste in our operations, in transport claims management we aim to work only with partners (vehicle service stations) that:

- properly dispose of end-of-life parts;
- collect the damaged parts for reuse on the secondary market;
- auction off vehicles that are beyond repair.

In Estonia, we have set a target to increase the number of car windscreens repaired to at least 11%. In 2023, we had 12.3% of such cars. We are trying to increase the repair of windscreen chips and cracks rather than replacing the entire windscreen. Customers have two options: they can choose to repair chips or cracks, in which case they do not have to pay a deduction, or they can choose to replace the whole glass, in which case they will be charged a deduction.

4.3. Development of Insurance Products and Offers to Promote Sustainable Development

One of the Company's strategic goals is to encourage customers to choose sustainable, environmentally friendly solutions. We believe we can best do this through our insurance service, offering exceptional conditions to customers who protect nature.

In 2022, we have set a target to allocate 1% UW result to the development of green, sustainable insurance products, offers, segments or to support green technologies.

At the beginning of 2023, we have analysed in detail international and other sectoral experiences, existing solutions and developed insurance offers for customers who care about nature:

- Business Property Policy holders can insure a solar power plant at the same address for EUR 1;
- up to 50% discount on Casco for electric vehicles;
- 0 EUR deductible for the forces of nature for new customers who have a home with an energy efficiency class of A+ and A++ and/or a solar power plant.

We also offer discounts for customers with fire protection systems. If a worn-out building is reconstructed, reinforced and made more climate-resilient, the customer is offered better terms, i.e. to insure at replacement cost instead of residual value. Property insurance for residents also includes coverage for environmentally friendly solutions such as solar power plants and panels, as well as electric vehicle charging stations. The Casco cover includes towing the electric vehicle to the charging station.

In business property insurance, we cover wind turbines and solar power plants. For certain risks (e.g. snow pressure), we encourage our customers to maintain their property (e.g. regularly clear snow from the roof), and in case of non-maintenance, the risk is not covered. For customers with good risk management, we apply lower premiums/deductibles. We do not make offers to customers whose risk management is not acceptable. We also carry out inspections to assess potential threats and make recommendations on how to improve the protection of the property in case of fire, natural forces and other risks.

4.4.Sustainable Investments

We only invest in assets and investment instruments of which the risks we can identify, monitor, assess, manage and control. The funds are invested subject to limits set by the Company (quality, diversification, liquidity) as well as Risk Appetite Limits (risk capital requirements, total solvency ratio).

We aim to invest in companies or collective investment undertakings that promote the application of ESG criteria and standards in their practices, but are not limited to such investments. The sustainable investment process is based on negative screening, limiting investments to sectors or companies involved in undesirable activities, in order to avoid investing in undesirable activities or companies with a particularly bad reputation. This is done by monitoring the media and other outlets that are designed to expose ESG issues, scandals, risks and reputations.

We aim not to invest in company shares or bonds if the company generates income from:

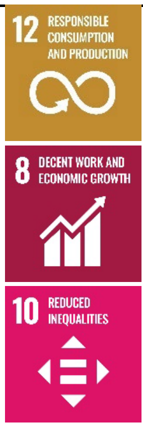
- production or sale of tobacco products (except for retailers specialising in non-tobacco products and alcohol);
- production or sale of distilled alcohol (except for retailers specialising in non-tobacco products and alcohol);
- manufacture or sale of arms and ammunition;
- organisation of gambling;
- pornography.

ESG risk and opportunity analysis is not the only tool for making investment decisions. Investment decisions are also based on an analysis of the issuers of financial instruments and the factors in their environment that affect the value of financial instruments, including sustainability risk. In the investment process, we take such risks into account as we do other risks such as financial, regulatory and legal, as well as at the level of managing the diversification of the entire portfolio of financial instruments.

We have set ourselves the target of increasing our investment in the fight against climate change and the transition to clean energy to 5% of our portfolio by 2024. In 2023, we invested 6.3% of our portfolio in green securities.

(All amounts in thousands of euro unless otherwise stated)

5. Governance

Target	Result of 2023	Link to the SDGs
Lithuania		
30% of key suppliers sustainable according to the green (ESG) assessment in 2024	**75%**	
Estonia		
Maintain gender parity, with women in leadership positions between 45% and 55%.	**59%**	

Key achievements:

- We have developed a **Sustainability Policy** for the Company
- We have included sustainability criteria in the **selection of suppliers**
- We have updated our **Human Rights and Environmental Protection** Policies

5.1. Responsibility in the Supply Chain

We ask all our suppliers to confirm that they comply with the provisions of the Code of Corporate Social Responsibility for suppliers of the PZU Group of companies, which requires suppliers to ensure that they comply with the mandatory requirements of the legislation on occupational safety, the prohibition of forced or compulsory labour, the prohibition of child labour, and the fundamental rights of employees (including the prohibition on collective bargaining). The Code is publicly available on our website. In 2023, we assessed the risks that may arise in the supply chain, but did not identify any significant risks.

In Lithuania, we have integrated a sustainability survey into the selection of suppliers in 2023 and are asking suppliers to fill in a questionnaire we have developed to assess their sustainability level. We ask service suppliers with a contract of more than one year and a purchase amount of more than EUR 100,000 to complete such questionnaires. We have set a target ensuring that the number of such suppliers in 2024 would be 70% while in 2023 we had 75%. In 2024, we plan to start assessing suppliers' compliance with the ESG criteria in the Estonian branch. We use green procurement criteria to ensure that the goods, services and works we buy have the lowest possible environmental impact. It becomes a lever that encourages the business environment and our partners to apply ever higher sustainability standards in their operations.

GRI 407-1; GRI 408-1; GRI 409-1; GRI 414-1; GRI 308-1

5.2. Cyber and Data Security

Protection of Personal Data

As part of the implementation of the General Data Protection Regulation (GDPR), we continuously maintain a high level of data protection, as evidenced by the internal audit carried out in 2022 and the State Data Protection Inspectorate's preventive inspection in 2023 regarding the processing of personal data in the context of the provision of compulsory insurance, which showed that the processing of data in the Company complies with the provisions of the legal regulation.

To ensure a high level of protection of personal data, we regularly review and update our internal procedures governing the processing of personal data and the investigation of personal data breaches, and employees are made aware of these documents and any amendments thereto. Every year, all employees improve their knowledge of personal data protection by attending training courses and taking a knowledge test. Our compliance experts and Data Protection Officer oversee compliance with the Personal Data Legal Protection Policy and the legal requirements governing the processing of personal data, as well as advise employees on personal data protection compliance issues.

In order to ensure the protection of personal data and all insurance-related information, we have continued to develop the self-service website and introduced additional features aimed at enabling customers to provide information in the most secure and convenient way. In 2023, in Lithuania we abolished the possibility for insurance advisers to send private customers documents attached to a letter to prevent human error and leaks of customer data. Customers with an authenticated login can securely view their documents in the self-service portal savasLD.lt. We have also made changes to the online calculators, so that to calculate the cost of insurance and get an insurance quote, the customer has to identify himself/herself and log into the self-service system. This way, we can always identify the person who sought the offer of insurance, even if the intention is to insure another person or property owned by another person.

Cyber Security

The Company's operations depend on the proper functioning of its systems. We are committed to ensuring the security of our employees' and customers' data, which is why we pay close attention to cybersecurity:

- We use artificial intelligence tools to help us fight back against cyber-attacks.
- We continuously train our employees and ensure their resilience to cyber-attacks, with a particular focus on the social engineering attack group.
- We apply the cybersecurity criteria set by the Bank of Lithuania to ourselves and our suppliers.
- We conduct ongoing risk assessment and management, regularly assess potential cybersecurity risks and develop risk mitigation plans.
- We scan our networks and systems daily for vulnerabilities and fix them immediately. We work with top foreign companies to carry out regular Pen-tests.
- We continuously train our developers in secure system design and programming, ensuring that cybersecurity is an integral part of system quality.
- We regularly carry out cyber security audits with major multinational companies.
- We collect and analyse cybersecurity data and strive to make decisions based on data rather than beliefs. An interesting fact is that cybersecurity databases are by far the largest of all databases company-wide.
- We are continuously improving our operations to keep up with the world's best cybersecurity practices.

5.3. Responsible Management

Prevention of Corruption and Bribery

We have a strict Anti-Corruption and Anti-Bribery Policy that applies to all employees and all their activities. Our employees must not give, offer or accept any bribes or "facilitation payments", inappropriate gifts or gratuities. This obligation applies both to relations with public officials and with natural persons or legal entities.

We also require our partners, contractors, suppliers, consultants and other persons associated with the Company to adhere to a strict Anti-Corruption and Anti-Bribery Policy, and they are made aware of the Anti-Corruption Programme published on the Company's website and undertake to adhere to it. The Company has also published on its intranet website a list of rules and tips on how and when employees can give and receive gifts or other favours in compliance with anti-corruption legislation.

All employees of the Company must receive relevant training on how to implement 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. We are committed to combating bribery and corruption in accordance with the legislation in force in Lithuania, ethical standards and in accordance with the best practices set out in the Company's Anti-Corruption Programme.

Our community itself also contributes to the fight against corruption by adhering to the Company's rules on donations, which do not allow donations to political parties, military organisations, organisations representing any one religion, or individuals seeking individual support.

In 2023, we had no legal cases or fines against us for competition infringements or non-compliance with legislation.

GRI 2-25; GRI 2-27; GRI 205-1; GRI 205-2; GRI 205-3; GRI 206-1

(All amounts in thousands of euro unless otherwise stated)

6. Consolidated Financial Statements

6.1. Consolidated statement of comprehensive income

	Note	2023	2022 (restated)
Insurance service result before reinsurance		**40.054**	**34.697**
Insurance revenue	9.1	381.866	307.089
Insurance service expenses	9.3	(341.812)	(272.392)
Income or expenses from reinsurance contracts held		**(3.648)**	**(10.019)**
Allocation of reinsurance premiums	9.2	(13.683)	(10.401)
Amounts recoverable from reinsurers	9.4	10.035	382
Insurance service result		**36.406**	**24.678**
Insurance finance income or expenses	10	(309)	269
Reinsurance finance income or expenses	10	27	(4)
Interest income	11	6.038	2.489
Other profit (loss) from investment activity	11	(529)	(1.616)
Movement in allowances for expected credit losses and impairment losses on financial instruments	12	(55)	26
Interest expenses	13	(129)	(52)
Other operating income and expenses	14	(3.411)	(1.232)
Profit / (loss) before tax		**38.039**	**24.558**
Income tax expense	15	(4.513)	(2.976)
Profit / (loss) for the year		**33.525**	**21.581**
Other comprehensive income (OCI)		**11.771**	**(18.410)**
Items that are or may be reclassified to profit or loss	16	11.377	(25.803)
Items that will not be reclassified to profit or loss	16	394	7.393
Total comprehensive profit / (loss) for the reporting year		**45.297**	**3.171**

All profit / (loss) is attributable to the owners of AB "Lietuvos draudimas".
Notes on pages 49 to 88 are an integral part of these consolidated financial statements.

Kęstutis Šerpytis
Chief Executive Officer
26 March 2024

Šarūnas Bazaras
Accounting and reporting manager

Kęstutis Gadeikis
Chief Actuary

(All amounts in thousands of euro unless otherwise stated)

6.2.Consolidated statement of financial position

	Note	2023.12.31	2022.12.31 (restated)	2021.12.31 (restated)
Total Assets		**457.255**	**382.557**	**377.156**
Intangibles	17	5.511	5.667	4.989
Other assets	18	2.360	2.301	2.182
Reinsurance contract assets	9.4	21.241	15.340	17.921
Property, plant and equipment	19	22.970	25.082	18.225
Investment property	20	13.145	1.500	1.500
Financial assets at fair value through other comprehensive income	21	359.013	301.400	293.891
Financial asset at fair value through profit or loss	21	15.019	14.388	25.781
Deferred tax asset	15	3.236	4.262	949
Receivables	22	4.332	3.342	2.494
Cash and cash equivalents	23	10.429	9.274	9.223
Total equity		**164.049**	**126.753**	**137.082**
Share capital	24	11.665	11.665	11.665
Revaluation reserve	24	(4.425)	(16.196)	2.213
Share premium	24	937	937	937
Legal reserve	24	2.444	2.444	2.444
Retained earnings	24	153.427	127.902	119.821
Total liabilities		**293.206**	**255.804**	**240.074**
Insurance contract liabilities	9.3	260.802	224.284	212.203
Reinsurance contract liabilities	9.4	2.222	3.159	1.990
Other liabilities	25	30.182	28.361	25.881
Total equity and liabilities		**457.255**	**382.557**	**377.156**

Notes on pages 49 to 88 are an integral part of these consolidated financial statements.

Kęstutis Šerpytis	Šarūnas Bazaras	Kęstutis Gadeikis
Chief Executive Officer	Accounting and reporting manager	Chief Actuary
26 March 2024		

(All amounts in thousands of euro unless otherwise stated)

6.3. Consolidated statement of changes in shareholder's equity

	Share capital	Revaluation reserve (non-insurance)	Finance expenses and income from insurance and reinsurance contracts	Share premium	Legal reserve	Retained earnings	Total
Balance at 31 December 2021	**11.665**	**3.002**	**-**	**937**	**2.333**	**126.588**	**144.525**
Impact of IFRS 17 application			(789)			(6.656)	(7.444)
Reclassification					111	(111)	-
Balance at 31 December 2021 (restated)	**11.665**	**3.002**	**(789)**	**937**	**2.444**	**119.821**	**137.082**
Net profit for the reporting period						21.581	21.581
Other comprehensive income		(25.895)	7.485				(18.410)
Total comprehensive income	**-**	**(25.895)**	**7.485**	**-**	**-**	**21.581**	**3.171**
Transactions with owners of the Company							
Dividends paid						(13.500)	(13.500)
Balance at 31 December 2022 (restated)	**11.665**	**(22.893)**	**6.697**	**937**	**2.444**	**127.902**	**126.753**
Net profit for the reporting period						33.525	33.525
Other comprehensive income		15.490	(3.719)				11.771
Total comprehensive income	**-**	**15.490**	**(3.719)**	**-**	**-**	**33.525**	**45.297**
Transactions with owners of the Company							
Dividends paid						(8.000)	(8.000)
Balance at 31 December 2023	**11.665**	**(7.403)**	**2.978**	**937**	**2.444**	**153.427**	**164.049**

Notes on pages 49 to 88 are an integral part of these consolidated financial statements.

Kęstutis Šerpytis
Chief Executive Officer
26 March 2024

Šarūnas Bazaras
Accounting and reporting manager

Kęstutis Gadeikis
Chief Actuary

(All amounts in thousands of euro unless otherwise stated)

6.4. Consolidated statement of cash flows

Statement of Cash Flows	Note	2023	2022
Cash and cash equivalents as at 1 January		**9.274**	**9.223**
Cash flows from operating activities			
Premiums received from direct insurance		397.869	320.912
Claims paid for direct insurance		(235.064)	(177.156)
Payments received from ceded reinsurance		5.799	498
Payments made for ceded reinsurance		(17.270)	(8.246)
Operating expenses paid		(99.396)	(66.102)
Taxes paid on ordinary activities		(10.518)	(23.061)
Amounts paid on other operating activities of insurance undertaking		22.235	1.131
Cash flows from operating activities		**63.655**	**47.976**
Cash flows from investing activities			
Disposal of investment		130.492	63.880
Acquisition of investment		(183.646)	(101.366)
Interest received from shares, debt and other fixed income securities		6.766	4.884
Amounts from other investing activities		(1.040)	(550)
Cash flows from investing activities		**(47.428)**	**(33.152)**
Cash flows from financing activities			
Dividends paid		(8.000)	(13.500)
Payments made for lease liabilities including fees and interest		(7.072)	(1.273)
Cash flows from financing activities		**(15.072)**	**(14.773)**
Cash and cash equivalents as at 31 December	**23**	**10.429**	**9.274**

Notes on pages 49 to 88 are an integral part of these consolidated financial statements.

Kęstutis Šerpytis
Chief Executive Officer
26 March 2024

Šarūnas Bazaras
Accounting and reporting manager

Kęstutis Gadeikis
Chief Actuary

7. Basis of presentation of the consolidated financial statements and summary of significant accounting policies

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

7.1. Basis of preparation

7.1.1. Statement of compliance

These consolidated financial statements were prepared in accordance with IFRS accounting standards (hereinafter “IFRS”) as adopted by the European Union (hereinafter “EU”), and Lithuanian legislation applicable to insurance companies.

7.1.2. Functional and presentation currency

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

7.1.3. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on the following alternative basis:

- Financial investments measured through PL (at fair value)
- Financial investments measured through OCI (fair value)
- Insurance and reinsurance contracts (fulfilment cashflows in line with IFRS 17)
- Investment property (fair value measurement basis)

7.1.4. Reporting year

The reporting period comprises the 12 months from 1 January 2023 to 31 December 2023.

7.1.5. Consolidation of subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between the Company’s companies (including subsidiaries classified as held for sale) are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

(All amounts in thousands of euro unless otherwise stated)

The Company's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

7.1.6. Estimates

The preparation of consolidated 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 8.

7.2. New standards and interpretations, reclassification of balances in the consolidated financial statements

7.2.1. 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 2023:

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

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 consolidated 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 consolidated financial statements.

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 consolidated statement of financial position

Lietuvos draudimas has assessed the impact that the initial application of IFRS 17 will have on its consolidated 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 3.2 million EUR at 1 January 2023 and 7.4 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	(7.4)	(3.2)
Total equity, per IFRS 17	137.1	126.8

(All amounts in thousands of euro unless otherwise stated)

Impact of the application of IFRS 17 on the consolidated statement of financial position as at 1 January 2022 was -7.4m EUR:

	IFRS 4	Reclassifications	Differences in measurement of insurance and reinsurance contract assets and liabilities	IFRS 17
Total Assets	**454.968**	**(81.273)**	**3.461**	**377.156**
Intangibles	4.989			4.989
Other assets	5.761	(3.411)	(168)	2.182
Insurance contract assets				-
Reinsurance contract assets		14.965	2.956	17.921
Deferred acquisition costs	22.663	(22.387)	(276)	0
Reinsurers' share in technical provisions	16.021	(16.021)		0
Property, plant and equipment	18.225			18.225
Investment property	1.500			1.500
Investment financial assets	319.672			319.672
Deferred tax asset	-		949	949
Receivables	56.914	(54.420)		2.494
Cash and cash equivalents	9.223			9.223
Total equity	**144.525**	**-**	**(7.444)**	**137.082**
Share capital	11.665			11.665
Revaluation reserve	3.002			3.002
Finance expenses and income from insurance and reinsurance contracts	-		(789)	(789)
Share premium	937			937
Legal reserve	2.333	111		2.444
Retained earnings	126.588	(111)	(6.656)	119.821
Total liabilities	**310.443**	**(81.273)**	**10.904**	**240.074**
Insurance contract liabilities		203.186	9.017	212.203
Reinsurance contract liabilities			1.990	1.990
Technical provisions	269.583	(269.583)		-
Deferred tax liabilities	103		(103)	-
Other liabilities	40.757	(14.876)		25.881
Total equity and liabilities	**454.968**	**(81.273)**	**3.460**	**377.156**

The following columns of the table reflecting the impact of the application of IFRS 17 on the consolidated statement of financial position as at 1 January 2022 include respectively:

- "Reclassification", i.e. balances measured in accordance with IFRS 4 carried from items that were recognised in the statement of financial position prepared in accordance with IFRS 4 to new items required under IFRS 17, i.e. "Assets under insurance contracts", "Assets under reinsurance contracts", "Liabilities under insurance contracts", "Liabilities under reinsurance contracts". Change in the total amount of equity and liabilities resulted from the fact that a part of balances (e.g. deferred acquisition expenses, prepayments or insurance receivables) were carried from assets to liabilities. The reclassifications do not influence the consolidated equity of Lietuvos draudimas;
- "Differences in measurement of insurance and reinsurance contract assets and liabilities" presents the effect of changed measurement of individual assets and liabilities as a result of the application of IFRS 17. The main part of the difference resulted from the introduction of loss component which replaced unexpired risk reserve and reversal of deferred Motor Bureau fee.

The new standard allows for a part of the difference in the measurement of liabilities to be recognized as a reduction in the cumulative other comprehensive income. The impact was -0.8m EUR which was due to declined interest rates. Discounting rates determined at the initial recognition (the so-called locked-in rates, which are rates from the period when the policy was issued or the period were the loss incurred) were mostly higher than the risk-free rates as at 1 January 2022.

As at 31 December 2022, the impact of the application of IFRS 17 on the equity in comparison to that at 1 January 2022 increased from -7.4m EUR to -3.2m EUR due to significant increase in the risk-free interest rates in 2022.

(ii) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

(iii) International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)

The amendment introduced a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes and targeted disclosure requirements for affected entities.

(iv) Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)

The amendments will help companies to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements and distinguish changes in accounting estimates from changes in accounting policies.

(v) Definition of an Accounting Estimate (Amendments to IAS 8)

This amendment introduced a definition of 'accounting estimates' and included other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

7.2.2. New Standards and Interpretations not yet adopted

Some new standards, amendments to standards and clarifications for annual periods beginning after 1 January 2023 have not yet been effective and have not been applied in preparing these consolidated financial statements in advance:

- Lease Liability in a Sale-and-Leaseback (Amendment to IFRS 16);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Non-current Liabilities with Covenants (Amendments to IAS 1);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) - not yet endorsed by the EU;
- Lack of Exchangeability (Amendments to IAS 12) - not yet endorsed by the EU.

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

7.3. Insurance contracts, reinsurance

7.3.1. 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.

7.3.2. 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.

Insurance contracts are split into homogenous risk groups. Reinsurance contracts are 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.

7.3.3. 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.

7.3.4. Measurement overview

An entity is permitted to apply the PAA to measure a group of insurance contracts if, at inception of the group:
- the coverage period of each contract in the group of insurance contracts is one year or less; or
- the entity reasonably expects that the PAA would produce a measurement of the LRC for a group of insurance contracts that would not differ materially from the measurement that would be achieved by applying GMM.

Variability in the fulfilment cash flows increase with:
- the extent of expected cash flows relating to any embedded derivatives that exist in the contract; and
- the length of the coverage period.

A group containing contracts with a coverage period longer than one year can still be eligible for the PAA based on an assessment of the expected variability of cash flows.

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.

It is worth to notice that in case of onerous portfolio the PAA actually leads to the same LRC as using GMM.

The remaining part which has insurance coverage duration longer than 12 months comes from limited number of contracts having limited variability FCFs and passing PAA eligibility criteria. 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.

7.3.5. Presentation and disclosures

Portfolios of insurance contracts that are assets and those that are liabilities are presented separately in the consolidated statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis in insurance liabilities.

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

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. This allocation is based on locked-in rates corresponding to the quarter when the claims were incurred (the respective quarterly locked-in rates are the rates from the beginning of the quarter).

Disclosure

New extensive disclosures about amounts recognized in the consolidated financial statements, including detailed reconciliation of contracts as well as disclosures about judgements made. Consolidated financial statements also contain expanded disclosures about the nature and extent of risk from insurance and reinsurance contracts. Disclosures will generally are at a granular level, providing more transparent information for assessing the effects of contracts on the consolidated financial statements.

7.3.6. 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.

7.4. 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.

7.5.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.

Measured at amortised cost

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.

Financial assets measurement at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income 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.

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.

Equity investments at fair value through other comprehensive income

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. 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.

7.6. 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.

7.7. 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.

7.8. 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 consolidated financial statements is shown at the present value of all future lease payments.

7.9. 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 annual consolidated 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 consolidated financial statements at their fair value are recognised as costs of the period during which they were incurred.

(All amounts in thousands of euro unless otherwise stated)

7.10. 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.

	2023-12-31	**2022-12-31**
1 USD	EUR 0.9050	EUR 0.9376
1 GBP	EUR 1.1507	EUR 1.1275
1 PLN	EUR 0.2304	EUR 0.2136

7.11. Corporate income tax

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

Income tax

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 consolidated financial position. Income tax rate applied for the Company was 15% in Lithuania and 0% in Estonia in 2023 (15% in Lithuania and 0% in Estonia in 2022).

Deferred income tax

Deferred income tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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.

7.12. 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.

7.13. 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.

<u>Terms and definitions:</u>

Expected Credit Loss (ECL) – the expected 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.

<u>ECL on debt instruments measured at FVOCI</u>

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.

(All amounts in thousands of euro unless otherwise stated)

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.

7.14. 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.

8. Use of judgements and estimates

Management makes judgments, estimates and assumptions that are applied in the process of preparation of the consolidated 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.

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 part which has insurance coverage duration longer than 12 months comes from limited number of contracts having limited variability FCFs and passing PAA eligibility criteria. Therefore, only PAA method is used for all non-life insurance contracts.

In estimating future cash flows for liability of incurred claims, 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.

In addition to the best estimate liability for incurred claims risk adjustment for non-financial risks is added reflecting 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 83% confidence level as at 31 December 2023.

Lietuvos draudimas applies EIOPA risk-free rates:

Date	Currency	1 year	5 years	10 years	20 years	30 years
2022.12.31	EUR	3,176%	3,131%	3,092%	2,765%	2,730%
2023.12.31	EUR	3,357%	2,323%	2,393%	2,406%	2,534%

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. Lithuania had local currency Litas till 1 January 2016 and historical discount rates are not available for historical accident quarterly periods. Therefore it was not possible to apply full retrospective approach which requires the use of historical discount rates from the moment when the claims were incurred (if OCI option is applied). Lietuvos draudimas applied Fair Value Approach and the only simplification adopted was to use discount rates from the transition date (31 December 2021) as locked-in rates for the purpose of the P&L recognition. Given that there is no LRC for these contracts no other simplifications were needed.

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.

(All amounts in thousands of euro unless otherwise stated)

9. Insurance and reinsurance contracts

9.1. Insurance contract revenue

	2023	2022
Contracts measured under the PAA	381.866	307.089
Insurance contract revenue total	**381.866**	**307.089**

9.2. Allocation of reinsurance premiums

	2023	2022
Contracts measured under the PAA	(13.683)	(10.401)
Allocation of reinsurance premiums	**(13.683)**	**(10.401)**

9.3. Movement in Insurance contract assets and liabilities

2023.12.31	Liabilities for remaining coverage		Liabilities for incurred claims – Contracts under PAA		Total
	Excluding loss component	Loss component	Estimates of the present value of the future cash flows	Risk adjustment for non-financial risk	
Net opening balance	**77.494**	**12.693**	**126.094**	**8.003**	**224.284**
Liabilities	77.494	12.693	126.094	8.003	**224.284**
					-
Changes in the statement of profit or loss and other comprehensive income					-
					-
Insurance contract revenue	**(381.866)**				**(381.866)**
Measured under the fair value transition approach	(197)				**(197)**
Other contracts	(381.669)				**(381.669)**
					-
Insurance service expenses	**71.521**	**(1.092)**	**270.247**	**1.136**	**341.812**
Incurred claims and other insurance service expenses		(29.166)	270.247	1.136	**242.217**
Claims and other insurance service expenses incurred in the period		(29.166)	287.157	5.208	**263.200**
Changes for claims and other insurance service expenses incurred in the past			(16.910)	(4.072)	**(20.982)**
Amortisation of insurance acquisition cash flows	71.521				**71.521**
Losses and reversals of losses on onerous contracts		28.074			**28.074**
					-
Investment components	**(1.734)**		**1.734**		**-**
					-
Insurance service result	**(312.079)**	**(1.092)**	**271.980**	**1.136**	**(40.054)**
					-
Net finance expenses from insurance contracts without effect of FX movements			**4.535**	**219**	**4.754**
					-
Total changes in the statement of profit or loss and other comprehensive income	**(312.079)**	**(1.092)**	**276.516**	**1.355**	**(35.300)**
					-
Cash flows	**328.151**		**(256.333)**		**71.817**
Premiums received	402.304				**402.304**
Insurance service expenses paid, including investment components			(256.333)		**(256.333)**
Insurance acquisition cash flows	(74.153)				**(74.153)**
					-
Net closing balance	**93.566**	**11.601**	**146.276**	**9.358**	**260.802**
Liabilities	93.566	11.601	146.276	9.358	**260.802**

(All amounts in thousands of euro unless otherwise stated)

Movement of Assets for Insurance Acquisition Cash Flows	2023.12.31
Opening balance	**-**
Assets	-
Liabilities	-
Movements in the period	**-**
Amounts incurred during the year	(3)
Amounts derecognised and included in the measurement of insurance contracts	3
Closing balance	**-**
Assets	-
Liabilities	-

2022.12.31	Liabilities for remaining coverage		Liabilities for incurred claims		Total
			Contracts under PAA		
	Excluding loss component	Loss component	Estimates of the present value of the future cash flows	Risk adjustment for non-financial risk	
Net opening balance	**63.965**	**13.498**	**126.541**	**8.200**	**212.203**
Liabilities	63.965	13.498	126.541	8.200	**212.203**
					-
Changes in the statement of profit or loss and other comprehensive income					-
					-
Insurance contract revenue	**(307.089)**				**(307.089)**
Measured under the fair value transition approach	(224)				**(224)**
Other contracts	(306.865)				**(306.865)**
					-
Insurance service expenses	**58.577**	**(805)**	**214.452**	**168**	**272.392**
Incurred claims and other insurance service expenses		(39.083)	214.452	168	**175.537**
Claims and other insurance service expenses incurred in the period		(39.083)	232.164	4.013	**197.094**
Changes for claims and other insurance service expenses incurred in the past			(17.712)	(3.844)	**(21.556)**
Amortisation of insurance acquisition cash flows	58.577				**58.577**
Losses and reversals of losses on onerous contracts		38.278			**38.278**
					-
Investment components	**(1.008)**		**1.008**		**-**
					-
Insurance service result	**(249.520)**	**(805)**	**215.460**	**168**	**(34.697)**
					-
Net finance expenses from insurance contracts without effect of FX movements			**(9.106)**	**(365)**	**(9.471)**
					-
Total changes in the statement of profit or loss and other comprehensive income	**(249.520)**	**(805)**	**206.354**	**(197)**	**(44.168)**
					-
Cash flows	**263.050**		**(206.801)**		**56.249**
Premiums received	324.356				**324.356**
Insurance service expenses paid, including investment components			(206.801)		**(206.801)**
Insurance acquisition cash flows	(61.306)				**(61.306)**
					-
Net closing balance	**77.494**	**12.693**	**126.094**	**8.003**	**224.284**
Liabilities	77.494	12.693	126.094	8.003	**224.284**

(All amounts in thousands of euro unless otherwise stated)

Movement of Assets for Insurance Acquisition Cash Flows	2022.12.31
Opening balance	**-**
Assets	-
Liabilities	-
Movements in the period	**-**
Amounts incurred during the year	(1)
Amounts derecognised and included in the measurement of insurance contracts	1
Closing balance	**-**
Assets	-
Liabilities	-

The financial statement audit services related to the audit of the consolidated financial statements of Lietuvos Draudimas AB for the year 2023 amounted to EUR 86 580 (without VAT). There was no any other services provided by KPMG related to the year 2023.

9.4. Movement in Reinsurance contract assets and liabilities

2023.12.31	Assets for remaining coverage	Assets for incurred claims		Total
		Contracts under PAA		
	Excluding loss recovery component	Estimates of the present value of the future cash flows	Risk adjustment for non-financial risk	
Net opening balance	**4.605**	**(15.846)**	**(940)**	**(12.181)**
Assets	(1.379)	(13.036)	(925)	(15.340)
Liabilities	5.984	(2.811)	(15)	3.159
				-
Changes in the statement of profit or loss and other comprehensive income				-
				-
Allocation of reinsurance premiums	**13.683**			**13.683**
				-
Amounts recoverable from reinsurers		**(10.037)**	**3**	**(10.035)**
Recoveries of incurred claims and other expenses incurred in the period		(11.043)	(325)	(11.368)
Changes for recoveries of incurred claims and other expenses incurred in the past		1.006	327	1.333
				-
Net expenses from reinsurance contracts held	**13.683**	**(10.037)**	**3**	**3.648**
				-
Effect of changes in non-performance risk of reinsurers		**(6)**		**(6)**
				-
Net finance income from reinsurance contracts without effect of FX movements		**(238)**	**(12)**	**(249)**
				-
Total changes in the statement of profit or loss and other comprehensive income	**13.683**	**(10.281)**	**(9)**	**3.393**
				-
Cash flows	**(14.782)**	**4.551**		**(10.231)**
Premiums paid	(14.782)			(14.782)
Claims recovered and expenses paid		4.551		4.551
				-
Net closing balance	**3.507**	**(21.577)**	**(949)**	**(19.019)**
Assets	368	(20.680)	(929)	(21.241)
Liabilities	3.138	(897)	(20)	2.222

(All amounts in thousands of euro unless otherwise stated)

2022.12.31	Assets for remaining coverage	Assets for incurred claims		Total
		Contracts under PAA		
	Excluding loss recovery component	Estimates of the present value of the future cash flows	Risk adjustment for non-financial risk	
Net opening balance	**3.237**	**(18.016)**	**(1.151)**	**(15.931)**
Assets	1.270	(18.047)	(1.144)	(17.921)
Liabilities	1.966	31	(8)	1.990
				-
Changes in the statement of profit or loss and other comprehensive income				-
				-
Allocation of reinsurance premiums	**10.401**			**10.401**
				-
Amounts recoverable from reinsurers		**(567)**	**185**	**(382)**
Recoveries of incurred claims and other expenses incurred in the period		(2.800)	(148)	(2.948)
Changes for recoveries of incurred claims and other expenses incurred in the past		2.233	334	2.566
				-
Net expenses from reinsurance contracts held	**10.401**	**(567)**	**185**	**10.019**
				-
Effect of changes in non-performance risk of reinsurers		**(24)**		**(24)**
				-
Net finance income from reinsurance contracts without effect of FX movements		**677**	**26**	**703**
				-
Total changes in the statement of profit or loss and other comprehensive income	**10.401**	**86**	**212**	**10.698**
				-
Cash flows	**(9.032)**	**2.084**		**(6.948)**
Premiums paid	(9.032)			(9.032)
Claims recovered and expenses paid		2.084		2.084
				-
Net closing balance	**4.605**	**(15.846)**	**(940)**	**(12.181)**
Assets	(1.379)	(13.036)	(925)	(15.340)
Liabilities	5.984	(2.811)	(15)	3.159

10. Finance income and expenses

	2023	2022
Investment income and expenses	**17.006**	**-29.514**
Amounts recognised in profit or loss (gross of tax)	5.510	873
Amounts recognised in other comprehensive income (gross of tax)	17.006	(29.514)
Finance income and expenses from insurance contracts	**(4.754)**	**9.471**
Interest accreted	(309)	269
Effect of changes in interest rates and other financial assumptions	(4.445)	9.202
Represented by		
Amounts recognised in profit or loss (gross of tax)	(309)	269
Amounts recognised in other comprehensive income (gross of tax)	(4.445)	9.202
Finance income and expenses from reinsurance contracts	**256**	**(679)**
Interest accreted	20	(28)
Effect of changes in interest rates and other financial assumptions	229	(675)
Effect of changes in non-performance risk of reinsurers	6	24
Represented by		
Amounts recognised in profit or loss (gross of tax)	27	(4)
Amounts recognised in other comprehensive income (gross of tax)	229	(675)
Total finance income and expenses from insurance and reinsurance contracts	**(4.498)**	**8.792**
Amounts recognised in profit or loss	**(282)**	**265**
Amounts recognised in other comprehensive income	**(4.216)**	**8.527**

(All amounts in thousands of euro unless otherwise stated)

11. Investment activity result

	2023	2022
Interest income:		
Government debt securities	4.883	1.981
Corporate debt securities	1.078	508
Cash and cash equivalents	77	-
Interests income, total	**6.038**	**2.489**
Other profit (loss) from investment activity:		
Equity instruments measured at FVOCI:		
Dividend income	71	113
Debt instruments measured at FVOCI:		
Realisation result	(537)	(52)
Financial assets at fair value through profit or loss:		
Collective investment undertakings unrealised gains/(losses)	632	(1.166)
Investment management expenses:		
Revaluation of investment property	100	-
Investment management expenses	(847)	(543)
Other		
Exchange rate differences	52	32
Other profit (loss) from investment activity, total	**(529)**	**(1.616)**
	5.510	**873**

12. Movement in allowances for expected credit losses and impairment losses on financial instruments

	2023	2022
ECL for debt instruments measured at FVOCI	(50)	44
Impairment losses created and reversed related to receivables	(5)	(18)
	(55)	**26**

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

	Exposure	ECL	Change in ECL	Exposure	ECL	Change in ECL
	2023.12.31	**2023.12.31**	**2023.12.31**	**2022.12.31**	**2022.12.31**	**2022.12.31**
Debt instruments measured at FVOCI (Note 21)	356.870	(119)	(50)	298 974	(69)	44
Other receivables (Note 22)	4.415	(83)	(5)	3 414	(78)	(18)

13. Interest expenses

	2023	2022
Lease	(129)	(52)
	(129)	**(52)**

(All amounts in thousands of euro unless otherwise stated)

14. Other operating income and expense

	2023	2022
Other operating income		
Income from liquidation of direct damages on policies contained in other insurance	2.616	2.416
Other operating income	1.210	1.017
Other operating expenses		
Impairment charges for intangibles and property, plant and equipment	(1.545)	-
Non-attributable costs	(1.887)	(2.363)
Costs from liquidation of direct damages on policies contained in other insurance	(2.379)	(2.240)
Other operating expenses	(1.426)	(62)
	(3.411)	**(1.232)**

15. Income tax expense

	2023	2022
Corporate income tax for the reporting year	(4.541)	(3.712)
Change in deferred income tax recognized through profit or loss	28	736
Total tax	**(4.513)**	**(2.976)**

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.

	2023	2022
Taxable profit (loss) before tax	28.862	21.243
Non-taxable profit (loss) before tax	9.176	3.315
Total profit / (loss) before tax	**38.038**	**24.558**
Theoretically calculated tax at a tax rate of 15% for total result	(5.706)	(3.684)
Expenses non-deductible for tax purposes	(1.370)	(730)
Non-taxable income	2.534	702
Change in deferred income tax recognised trough profit loss	28	736
Total tax	**(4.513)**	**(2.976)**

Effective corporate income tax rate in 2023 for total result is 11.9% (2022: 12.1%).

	2023	2022
Deferred income tax asset (liability) as at the beginning of the reporting year	4.262	950
Deferred income tax changes recognised through profit or loss	(7)	735
Deferred income tax changes recognised through other comprehensive income	(1.019)	2.577
	3.236	**4.262**

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

	2023	2022
Temporary difference for accrued expenses	2.234	1.908
Temporary difference for impairment for overdue debtors	105	93
Temporary difference for property revaluation and depreciation	257	(48)
Other temporary differences	(867)	(766)
Temporary difference for recoverable regress	(323)	(263)
Temporary difference for financial assets at fair value through other comprehensive income revaluation	1.574	3.089
Temporary difference for financial asset at fair value through profit or loss revaluation	(169)	(100)
Temporary differences insurance and reinsurance assets liabilities	425	349
Deferred income tax asset (liability) as at the end of the reporting year	**3.236**	**4.262**

(All amounts in thousands of euro unless otherwise stated)

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.

Movement in deferred income tax balances:

		Recognised			2023.12.31	
	Net balance December 2022	in PL	in OCI	Net balance December 2023	Deferred tax asset	Deferred tax liability
Accrued expenses	1.908	326		2.234	2.234	
Trade and other receivables	93	12		105	105	
Property	(48)	305		257	257	
Other amounts causing temporary differences	(766)	(101)		(867)		(867)
Recoverable regress	(263)	(60)		(323)		(323)
Financial assets at fair value through other comprehensive income (former available-for-sale)	3.089		(1.515)	1.574	1.574	
Financial asset at fair value through profit or loss	(100)	(69)		(169)		(169)
Temporary differences insurance and reinsurance assets liabilities	349	(420)	496	425	425	
Deferred tax asset/ (liability) before set-off					**4.595**	**(1.359)**
Set-off of tax					(1.359)	1.359
Net deferred tax asset/ (liability					**3.236**	

Movement in deferred income tax balances:

		Recognised			2022.12.31	
	Net balance December 2021	in PL	in OCI	Net balance Decem-ber 2022	Deferred tax asset	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)
Temporary differences insurance and reinsurance assets liabilities	1.053	338	(1.042)	349	349	
Deferred tax asset/ (liability) before set-off				**4.262**	**5.439**	**(1.177)**
Set-off of tax					(1.177)	1.177
Net deferred tax asset/ (liability					**4.262**	

16. Other comprehensive income (OCI)

	2023	**2022**
Revaluation of debt securities measured at fair value through OCI	10.920	(25.803)
Realisation result reclassified to profit or loss	457	-
Insurance finance income or expenses	(3.923)	8.098
Reinsurance finance income or expenses	205	(613)
Items that are or may be reclassified to profit or loss	**7.658**	**(18.318)**
Revaluation of equity instruments measured at fair value through OCI	(248)	(92)
Transfers from the owner-occupied property to investment property	4.362	-
Items that will not be reclassified to profit or loss	**4.113**	**(92)**
	11.771	**(18.410)**

(All amounts in thousands of euro unless otherwise stated)

17. Intangibles

	Software	Total
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**
In 2023		
Additions	1.217	1.217
Amortisation charge	(1.373)	(1.373)
Closing net book value	5.511	5.511
As at 31 December 2023	29.493	29.493
Acquisition cost	(23.982)	(23.982)
Accumulated amortisation		
Net book value	5.511	5.511

18. Other assets

	2023.12.31	2022.12.31
IT costs	845	576
Accrued rent	23	23
Accrued receivables from direct claims handling	322	491
Other prepayments and accrued income	281	379
Other	889	832
	2.360	**2.301**

(All amounts in thousands of euro unless otherwise stated)

19. Property, plant and equipment

	Land and buildings	Lands and premises lease by IFRS 16	Other (structures)	Construction in progress and prepayments	Leasehold improvements	Motor vehicles	Office and other equipment	Total
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	-	-	7.478	134	226	234	**8.091**
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**	**14.123**	**303**	**1.424**	**348**	**25.082**
As at 31 December 2022								
Acquisition cost	13.974	3.418	1.190	14.123	1.067	3.070	2.929	**39.771**
Accumulated depreciation	(7.470)	(1.285)	(943)	-	(764)	(1.646)	(2.581)	**(14.689)**
Net book value	**6.504**	**2.133**	**247**	**14.123**	**303**	**1.424**	**348**	**25.082**
In 2023								
Additions	1.472	-	-	4.929	-	591	980	**7.972**
Additions by IFRS 16	-	383	-	-	-	-	-	**383**
Business combination IFRS 16		50						**50**
Disposals	(210)	-	-	-	-	(366)	-	**(576)**
IFRS 16 decreases (cancellations)	-	(25)	-	-	-	-	-	**(25)**
Transfer to the investment property category	(1.828)	-	-	(5.363)	-	-	-	**(7.191)**
Transfers from assets under construction	13.678	-	-	(13.678)	-	-		**-**
Discarded	-	-	-	-	-	-	(54)	**(54)**
Depreciation charge	(302)	-	(65)	-	(85)	(323)	(172)	**(947)**
Depreciation by IFRS 16	-	(587)	-	-	-	-	-	**(587)**
Depreciation on disposed assets	148	-	-	-	-	230	(8)	**370**
Depreciation on discarded assets	-	-	-	-	-	-	53	**53**
Changes recorded in the financial result of the period, including posted as other operating expenses	(1.561)	-	-	-	-	-	-	**(1.561)**
Closing net book value	**17.901**	**1.954**	**182**	**11**	**218**	**1.556**	**1.148**	**22.970**
As at 31 December 2023								
Acquisition cost	27.086	3.826	1.190	11	1.067	3.295	3.855	**40.330**
Accumulated depreciation	(9.185)	(1.872)	(1.008)	-	(849)	(1.739)	(2.707)	**(17.361)**
Net book value	**17.901**	**1.954**	**182**	**11**	**218**	**1.556**	**1.148**	**22.970**

(All amounts in thousands of euro unless otherwise stated)

20. Investment property

Net book value at 31 December 2021	**1.500**
Change in fair value in 2022	-
Net book value at 31 December 2022	**1.500**
Change in fair value in 2023	100
Reclassification to investment property	6.190
Addition to investment property	5.355
Net book value at 31 December 2023	**13.145**

Investment property comprises of two commercial properties and one residential property (2022: one commercial property). The fair value of investment property is reviewed at each reporting date, and any changes are reflected in profit or loss. During 2023 two reclassifications of investment property were made: one commercial building reclassified from property for own use and residential building reclassified from construction in progress. No disposal or reclassification of investment property during 2022 was recognised. Rental income during 2023 year is EUR 313 thousand (2022: EUR 114 thousand) recognised in the statement of Comprehensive Income under Other income as disclosed in Note 14.

Investment property is held to earn rental income or obtain benefits from increases in value, or both. Investment property is not used in operating activities. If significant part of property is used for operating activities, asset is accounted as property for own use. On subsequent disposal of the investment property, revaluation reserve may be transferred to supplementary capital.

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 13 145 thousand in 2023 (2022: 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 2023 was discounted cash flows technique. Discount rate used was 7%-10% and rental income per sq. m. is in the range between EUR 10 to 25.

(All amounts in thousands of euro unless otherwise stated)

21. Investment financial assets

	2023.12.31		2022.12.31	
Financial investments at fair value through other comprehensive income	**Acquisition cost**	**Fair value**	**Acquisition cost**	**Fair value**
Lithuania government debt securities	138.538	133.631	118.997	109.134
Poland government debt securities	35.291	32.577	36.460	31.946
Romania government debt securities	23.473	21.605	19.451	17.092
Croatia government debt securities	16.391	15.598	9.889	8.661
Bulgaria government debt securities	13.416	12.996	11.161	10.312
Hungary government debt securities	12.591	10.009	12.591	8.758
Latvia government debt securities	12.414	12.458	11.435	10.983
Spain government debt securities	21.592	22.175	17.243	17.153
Ireland government debt securities	-	-	1.744	1.510
Italy government debt securities	19.727	17.197	19.727	15.778
Mexico government debt securities	2.421	2.318	1.469	1.245
Serbia government debt securities	1.496	1.321	1.496	1.192
Peru government debt securities	1.496	1.283	1.496	1.211
Morocco government debt securities	1.484	1.318	1.484	1.214
France government debt securities	10.517	10.474	15.855	15.804
Indonesia government debt securities	6.897	6.990	6.897	6.942
Israel government debt securities	2.866	2.955	1.994	2.044
Austria government debt securities	7.980	8.407	-	-
Slovak government debt securities	5.209	5.448	-	-
Corporate debt securities	39.358	38.110	41.884	37.995
Shares (irreversible option)	1.422	2.143	1.422	2.426
Total Financial investments at fair value through other comprehensive income	**374.579**	**359.013**	**332.695**	**301.400**
Financial investments at fair value through profit or loss				
Collective investment undertakings	13.466	15.019	13.466	14.388
Total financial investments	**388.045**	**374.032**	**346.161**	**315.788**

Financial investments at FVOCI in total of EUR 359 013 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 2023, the Company did not have unquoted financial investments measured at FVOCI.

Financial investments at FVTPL in total of EUR 12 249 thousand at fair value are quoted (Level 1 - listed equity financial instruments in the fair value hierarchy). Assets amounting to EUR 2 770 thousand are categorised as Level 3 as unlisted equity financial instruments in the fair value hierarchy.

One movements between levels of the fair value hierarchy occurred throughout the financial year as one fund reclassified from Level 2 to Level 3 assets. The value of LORDS Fund shares is determined by reference to the Net Asset Value of the Investee as at the reporting date, where the value of assets is measured using valuation reports prepared by appraisers.

Fund share value is related to invested property and a change in the underlying inputs can therefore lead to fluctuations in the value of property. An increase of rental income, with yield remaining constant, will lead to increase in the value of shares.

(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 2021	**(113)**	**-**	**-**	**(113)**
ECL measurements	32	-	-	32
New assets acquired	(19)	-	-	(19)
Financial assets derecognized	30	-	-	30
As at 31 December 2022	**(69)**	**-**	**-**	**(69)**
ECL measurements	(43)	-	-	(43)
New assets acquired	(29)	-	-	(29)
Financial assets derecognized	23	-	-	23
As at 31 December 2023	**(119)**	**-**	**-**	**(119)**

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

22. Receivables

	2023.12.31	2022.12.31
Direct insurance receivables	2.699	1.904
Current tax receivables	260	310
Advances	850	811
Other	523	317
	4.332	**3.342**

23. Cash and cash equivalents

	2023.12.31	2022.12.31
Cash in banks	10.429	9.274

In 2023 and 2022, the Company did not have any term deposits in credit institutions.

24. Equity

24.1. Issued and fully paid share capital

The total authorised number of ordinary shares is 805 620 (as at 31 December 2022 the number of ordinary shares was the same). The nominal value of one share as at 31 December 2023 is EUR 14.48 (as at 31 December 2022, 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 2023, is EUR 11 665 thousand (as at 31 December 2022 – EUR 11 665 thousand).

The Company's shares are not listed.

24.2. The shareholder

As at 31 December 2023 and as at 31 December 2022, the shareholder of the Company with 100% shares was POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A., a stock company.

24.3. Share premium

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

24.4. Reserve capital and other reserves

Reserves include legal reserve, revaluation reserve for financial instruments measured at fair value through OCI and the impact of changing discount rates from locked-in and current rates as finance expenses and income from insurance and reinsurance contracts recognised through OCI.

(All amounts in thousands of euro unless otherwise stated)

The Company's legal reserve as at 31 December 2023 was the same as at 31 December 2022 and amounted to EUR 2 444 thousand. 111 thousand were reclassified from retained earnings as at 31 December 2021. Legal reserve was formed in full capacity and cannot be distributed.

The revaluation reserve increased throughout the year from EUR (16 197) thousand at 31 December 2022 to EUR (4 425) thousand at 31 December 2023.

24.5. 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 2023 is up to EUR 23.5 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.

24.6. Dividends per share

Dividends paid during 2023 for 2022 year results value per share is EUR 9.93. Planned value of dividends paid per share for 2023 year results is up to EUR 29.17 as at 31 December 2023.

25. Other liabilities

	2023.12.31	2022.12.31
Deferred reinsurance liabilities - Prepaid premiums	(188)	-
Provisions	2.375	2.302
Accounts payable	17.573	14.229
Deferred income	23	8
Lease liabilities	2.099	2.235
Prepayments	3.290	2.789
Current tax liabilities	236	-
Employee leave liabilities	1.894	1.933
Other liabilities	2.880	4.865
	30.182	**28.361**

26. 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:

(All amounts in thousands of euro unless otherwise stated)

26.1. Transactions with related parties

Reinsurance and fronting insurance

	2023	2022
POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A. (PZU) (shareholder)		
Allocation of reinsurance premiums	(9.746)	(7.584)
Amounts recoverable from reinsurers for incurred claims	8.841	(1.028)
	(905)	**(8.612)**

Other transactions

	2023	2022
POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A. (PZU) (shareholder)		
Dividend paid	(8.000)	(13.500)
Other income and expenses	19	10
	(7.981)	**(13.490)**

	2023	2022
Other Group companies (Balta AAS, LINK4, PZU Lietuva Gyvybės Draudimas JSC, PZU TFI, PZU CENTRUM OPERACIJI S.A.):		
Other income and expenses	362	(88)
	362	**(88)**

Balances with related parties

	2023.12.31	2022.12.31
Reinsurance contract assets with PZU	17.787	11.950
Receivables from PZU	97	216
Receivables from other companies	189	73
Reinsurance contract liabilities with PZU	(740)	(2.466)
Other liabilities with other companies	(6)	(42)
	17.327	**9.730**

26.2. Management remuneration

In 2023, the Company paid remuneration, including compulsory state social security contributions, to the Management Board in the amount of EUR 2 314 thousand (2022: EUR 2 095 thousand) and to the Supervisory Board in the amount of EUR 0 thousand (2022: EUR 0 thousand).

27. Contingent liabilities and commitments

27.1. 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.

27.2. Litigation

The Company, like other insurers, is subject to litigation in the normal course of its business. As at 31 December 2023 there were EUR 4 033 thousand (31 December 2022: EUR 3 773 thousand) where the Company is defendant in legal disputes. The management is of the opinion that no material unrecognised losses will be incurred.

28. 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.

29. 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.

29.1. 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.

(All amounts in thousands of euro unless otherwise stated)

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.

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.

29.2. 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.

29.3. Sensitivity to insurance risk

Based on the fact that the Company provides non-life insurance services, only the accounting estimates and assumptions for Liability for incurred claims are assessed by the Company to have material effect on the timing and uncertainty of the Company's future cash flows. The Company performs sensitivity testing on Insurance contract liabilities and represents the test losses/gains impact result before taxes.

Scenario group	Scenario description	Carrying amount (2023.12.31)	
		Before risk mitigation by reinsurance contracts held	After risk mitigation by reinsurance contract held
Original Scenarios	**Base calculation**	**260.802**	**241.783**
Ultimate claims	Ultimate claims increased by 5%	273.098	253.323
Difference		**-12.297**	**-11.540**
Ultimate claims	Ultimate claims decreased by 5%	248.505	229.867
Difference		**12.297**	**11.915**
Mortality rates for annuities	Mortality rates for annuities increased by 5%	260.629	241.608
Difference		**173**	**175**
Mortality rates for annuities	Mortality rates for annuities decreased by 5%	260.989	241.970
Difference		**-187**	**-187**

29.4. 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.

(All amounts in thousands of euro unless otherwise stated)

Geographical concentration of financial assets, financial liabilities, reinsurance contract assets, reinsurance contract liabilities and insurance contract liabilities as at the reporting date:

	Lithuania	OECD countries	total
Financial assets at fair value through other comprehensive income	143.546	215.467	359.013
Financial asset at fair value through profit or loss	4.497	10.522	15.019
Reinsurance contract assets	18.854	2.386	21.241
Cash and cash equivalents	9.188	1.241	10.429
Other receivables	4.214	118	4.332
Financial assets and reinsurance contract assets	**180.299**	**229.734**	**410.034**
Insurance contract liabilities	(213.333)	(47.469)	(260.802)
Reinsurance contract liabilities	(2.026)	(196)	(2.222)
IFRS 16 lease liability	(1.294)	(805)	(2.099)
Other financial liabilities	-	(309)	(309)
Financial liabilities, reinsurance and insurance contract liabilities	**(216.653)**	**(48.779)**	**(265.431)**
Net position as at 31 December 2023	**(36.354)**	**180.955**	**144.603**

	Lithuania	OECD countries	total
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
Reinsurance contract assets	13.197	2.143	15.340
Cash and cash equivalents	7.872	1.402	9.274
Other receivables	3.815	326	4.141
Financial assets and reinsurance contract assets	**150.674**	**193.869**	**344.543**
Insurance contract liabilities	(184.432)	(39.852)	(224.284)
Reinsurance contract liabilities	(3.030)	(129)	(3.159)
IFRS 16 lease liability	(1.259)	(974)	(2.233)
Other financial liabilities	-	(278)	(278)
Financial liabilities, reinsurance and insurance contract liabilities	**(188.721)**	**(41.233)**	**(229.954)**
Net position as at 31 December 2022	**(38.047)**	**152.636**	**114.589**

29.5. 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 for insurance contract:

	2023.12.31	2022.12.31
Personal accident & Travel medical expense	96	98
Motor own damage	300	300
Motor vehicle third party liability	600	600
Cargo insurance	250	200
Hull, CMR Property	250	200
Property insurance	1.599	1.087
General TPL insurance	426	326
Debt securities and guarantees	426	435

30. 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 consolidated financial performance of the Company by placing limits on the level of exposure that can be taken.

30.1. 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.

For debt assets measured at fair value through other comprehensive income the expected credit loss is applied. Impairment is measured as:

- Lifetime ECL – expected credit losses that result from all possible default events over the expected life of a financial instrument;
- 12-month ECL – the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

ECL is calculated according to historical rates of probability of default of corporate and government debt assets assigned according to external credit ratings.

(All amounts in thousands of euro unless otherwise stated)

30.1.1. Maximum credit exposure:

	2023.12.31	2022.12.31
Lithuania government debt securities	133.631	109.133
Corporate debt securities	38.110	37.995
Poland government debt securities	32.577	31.946
Spain government debt securities	22.175	17.153
Romania government debt securities	21.605	17.092
France government debt securities	10.474	15.804
Italy government debt securities	17.197	15.778
Collective investment undertakings	15.019	14.388
Latvia government debt securities	12.458	10.983
Bulgaria government debt securities	12.996	10.312
Cash and cash equivalents	10.429	9.274
Hungary government debt securities	10.009	8.758
Croatia government debt securities	15.598	8.661
Indonesia government debt securities	6.990	6.942
Shares	2.143	2.426
Israel government debt securities	2.955	2.044
Ireland government debt securities	-	1.510
Mexico government debt securities	2.318	1.245
Morocco government debt securities	1.318	1.214
Peru government debt securities	1.283	1.211
Serbia government debt securities	1.321	1.193
Austria government debt securities	8.407	-
Slovak government debt securities	5.448	-
Credit risk	**384.461**	**325.062**
Insurance contract liabilities (only premium receivables)	87.103	68.261
Reinsurance contract assets	21.241	15.340
Other receivables	2.164	1.658
Receivables due from intermediaries	2.168	1.683
	112.676	**86.942**
Maximum credit exposure, total	**497.137**	**412.004**

30.1.2. Reinsurance risk breakdown by counterparty ratings as at reporting date:

	2023.12.31	2022.12.31
AA	728	741
A	18.950	12.738
Not rated	1.563	1.861
Reinsurance contract assets	**21.241**	**15.340**

30.1.3. Investment breakdown by ratings as at the reporting date:

2023.12.31	Rated AAA	AA	A	BBB	BB	Without rating	Total
Government debt securities	-	27.285	200.841	87.996	2.638	-	318.760
Corporate debt securities	-	-	4.284	19.056	-	14.770	38.110
Collective investment undertakings	-	-	-	-	-	15.019	15.019
Shares	-	-	-	-	-	2.143	2.143
Total investment assets	**-**	**27.285**	**205.125**	**107.052**	**2.638**	**31.932**	**374.032**

(All amounts in thousands of euro unless otherwise stated)

2022.12.31	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**

30.2. 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. Also, The Company has a Liquidity risk management policy, which sets minimum requirements for liquidity risk identification, measurement, management, control and reporting. The purpose of the Policy is to ensure that liquidity risk management and current assets as well as liabilities management would meet an acceptable risk level.

The liquidity risk is constantly monitored, but additionally KRI are monitored periodically and they are reported to Management Board.

Liquidity KRI – the minimum requirement for liquid assets at least 50% of the total value of the aggregate Investment portfolio, excluding collateralized assets, can be liquidated within 20 trading days. Liquid investment instruments are: cash in bank accounts and term deposits in the banks (up to 3 months), government and corporate bonds with credit rating not lower than BBB, money market funds, shares and equity funds traded on regulated markets, that can be liquidated in 20 trading days. This KRI is monitored and reported to Management Board every quarter.

Cash flow inflows and outflows mismatch levels, including the predicted direct insurance and reinsurance cash flows, are monitored constantly. Every quarter: Quarterly variance of the Cash flow from the Operational plan / Forecast KRI and a cash flow KRI - average proportion of daily expense and operational cash balance are reported to management Board.

There has been the following distinction of financial assets and liabilities:

2023.12.31	Up to 12 months	1 to 5 years	Over 5 years	Total
Financial investments	56.389	186.566	113.915	356.870
Cash and cash equivalents	10.429	-	-	10.429
Other receivables	4.332	-	-	4.332
Financial assets	**71.150**	**186.566**	**113.915**	**371.631**
IFRS 16 lease liability	(538)	(1.146)	(415)	(2.099)
Other financial liabilities	(309)	-	-	(309)
Financial liabilities	**(847)**	**(1.146)**	**(415)**	**(2.408)**
Net position as at 31 December 2023	**70.303**	**185.420**	**113.500**	**369.223**

2022.12.31	Up to 12 months	1 to 5 years	Over 5 years	Total
Financial investments	87.333	158.924	69.531	315.788
Cash and cash equivalents	9.274	-	-	9 274
Other receivables	3.342	-	-	3.342
Financial assets	**99.949**	**158.924**	**69.531**	**319.130**
IFRS 16 lease liability	(513)	(1.316)	(404)	(2.233)
Other financial liabilities	(278)	-	-	(278)
Financial liabilities	**(791)**	**(1.316)**	**(404)**	**(2.511)**
Net position as at 31 December 2022	**99.158**	**157.608**	**69.127**	**325.893**

(All amounts in thousands of euro unless otherwise stated)

Estimates of the net future cash flows from liabilities (not discounted) of liabilities for incurred claims:

2023.12.31	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	> 10 years	total
Total contract liabilities	**(90.870)**	**(19.456)**	**(12.446)**	**(6.999)**	**(1.975)**	**(6.575)**	**(18.295)**	**(156.615)**
Insurance contract liabilities	(91.766)	(19.461)	(12.446)	(6.999)	(1.975)	(6.575)	(18.295)	(157.517)
Reinsurance contract liabilities	896	5	0	-	-	-	-	901

2022.12.31	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	> 10 years	total
Total contract liabilities	**(72.959)**	**(17.145)**	**(10.711)**	**(6.706)**	**(2.375)**	**(6.376)**	**(20.308)**	**(136.579)**
Insurance contract liabilities	(75.772)	(17.148)	(10.711)	(6.706)	(2.375)	(6.376)	(20.308)	(139.396)
Reinsurance contract liabilities	2.813	3	0	-	-	-	-	2.816

There are no amounts repayable on demand concerning with insurance contracts.

30.3. 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.

30.3.1. 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:

	2023.12.31	2022.12.31
Corporate debt securities	2,99%	2,19%
Government debt securities	2,12%	0,94%
Collective investment undertakings	5,07%	5,51%

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:

	2023.12.31	2022.12.31
Market interest rate and impact on fair value (+0.5 percent point)	(6.432)	(4.347)
Market interest rate and impact on fair value (-0.5 percent point)	6.432	4.247

30.3.2. 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 20 and 21.

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.

(All amounts in thousands of euro unless otherwise stated)

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.

30.3.3. 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 reinsurance contract assets, insurance and reinsurance contract liabilities and other liabilities.

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

	EUR	Other	Total
Financial assets at fair value through other comprehensive income	359.013	-	359.013
Financial asset at fair value through profit or loss	15.019	-	15.019
Reinsurance contract assets	20.865	376	21.241
Cash and cash equivalents	10.213	216	10.429
Other receivables	4.332	-	4.332
Financial assets and reinsurance contract assets	**409.442**	**592**	**410.034**
Insurance contract liabilities	(244.957)	(15.845)	(260.802)
Reinsurance contract liabilities	(2.183)	(39)	(2.222)
IFRS 16 lease liability	(2.099)	-	(2.099)
Other financial liabilities	(309)	-	(309)
Financial liabilities, insurance and reinsurance contract liabilities	**(249.547)**	**(15.884)**	**(265.431)**
Net position as at 31 December 2023	**159.895**	**(15.292)**	**144.603**

	EUR	Other	Total
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
Reinsurance contract assets	14.708	632	15.340
Cash and cash equivalents	9.274	-	9.274
Other receivables	4.141	-	4.141
Financial assets and reinsurance contract assets	**343.911**	**632**	**344.543**
Insurance contract liabilities	(205.511)	(18.773)	(224.284)
Reinsurance contract liabilities	(2.748)	(411)	(3.159)
IFRS 16 lease liability	(2.233)	-	(2.233)
Other financial liabilities	(278)	-	(278)
Financial liabilities, insurance and reinsurance contract liabilities	**(210.770)**	**(19.184)**	**(229.954)**
Net position as at 31 December 2022	**133.141**	**(18.552)**	**114.589**

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.

31. 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.

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.

The main objective of the Company in relation to capital management is the maintenance of sufficient funds to cover its liabilities as well as the effective capital management by optimizing the use of capital. The Company’s Capital Management Policy defines the minimum requirements 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 is focused to achieve and continuously maintain a level of solvency appropriate to the risks undertaken as part of the Company’s business activities. The Capital Management Committee is the owner of the capital management related processes in the Company. The Management Board takes the ultimate ownership of the capital management.

The following basic own-fund items shall be deemed to possess the characteristics set out in Article 93(1) (a) and (b) of Solvency II Directive, taking into consideration the features set out in Article 93(2) of Solvency II Directive, and shall be classified as Tier 1 where the following items display all of the features set out in Article 71 of Delegated Regulation:
1) reconciliation reserve;
2) paid-in ordinary share capital and the related share premium account;
3) subordinated debt.

As at 31 December 2023, the Company manages its capital adequacy requirements in accordance with and complies with Solvency II rules.

(All amounts in thousands of euro unless otherwise stated)

32. Loss development table

Loss development table illustrates the Company's estimate of ultimate gross claims outstanding:

Accident period		5 - 6 years back	4 - 5 years back	3 - 4 years back	2 - 3 years back	1 - 2 years back	0 - 1 years back	Total
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
Estimates of undiscounted net cumulative claims								
At the end of accident period	R0010	49.227	174.137	159.807	172.646	206.151	257.420	
One year later	R0020	44.118	162.328	155.937	169.974	204.454		
Two years later	R0030	41.977	158.411	152.056	167.811			
Three years later	R0040	39.040	154.357	144.323				
Four years later	R0050	32.482	149.813					
Five years later	R0060	31.932						
Cumulative claims paid	**R0110**	29.519	139.187	136.434	153.481	181.011	176.985	**816.618**
Liability for incurred claims without expenses with occurrences less than 6 years back - BEL undiscounted	**R0120**	2.413	10.625	7.889	14.330	23.443	80.435	**139.135**
Liability for other incurred claims with occurrences more than 6 years back - BEL undiscounted	**R0130**							**18.382**
Liability for incurred claims - risk adjustment undiscounted	**R0140**							**9.779**
Effect of discount on liability for incurred claims	**R0150**							**(11.661)**
Liability for incurred claims	**R0160**							**155.635**

Loss development table illustrates the Company's estimate of ultimate net of reinsurance claims outstanding:

Accident period		5 - 6 years back	4 - 5 years back	3 - 4 years back	2 - 3 years back	1 - 2 years back	0 - 1 years back	Total
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
Estimates of undiscounted net cumulative claims								
At the end of accident period	R0010	46.565	167.592	155.362	169.647	203.349	246.292	
One year later	R0020	41.910	156.522	151.617	168.394	202.339		
Two years later	R0030	40.175	152.454	149.114	166.188			
Three years later	R0040	37.892	148.075	141.457				
Four years later	R0050	31.319	143.727					
Five years later	R0060	30.824						
Cumulative claims paid	**R0110**	28.848	138.175	135.532	152.377	179.429	176.515	**810.876**
Liability for incurred claims without expenses with occurrences less than 6 years back - BEL undiscounted	**R0120**	1.976	5.552	5.925	13.811	22.910	69.777	**119.951**
Liability for other incurred claims with occurrences more than 6 years back - BEL undiscounted	**R0130**							**15.080**
Liability for incurred claims - risk adjustment undiscounted	**R0140**							**8.800**
Effect of discount on liability for incurred claims	**R0150**							**(10.722)**
Liability for incurred claims	**R0160**							**133.109**

(All amounts in thousands of euro unless otherwise stated)

The Company has not disclosed previously information about claims development that occurred earlier than five years before the end of the annual reporting period in which it first applies IFRS 17.

33. Asset lease

33.1. 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 consolidated 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 2023 consist of the lease of office premises of EUR 1 540 thousand (EUR 818 thousand in Lithuania and EUR 722 thousand in Estonia) and lease of land under buildings where insurance activities are carried out in Lithuania of EUR 414 thousand. As at 31 December 2023, the total value of right-of-use assets amounts to EUR 1 954 thousand. As at 31 December 2022, lease of office premises right-of-use assets amounted to EUR 1 712 thousand (EUR 824 thousand in Lithuania and EUR 888 thousand in Estonia) and the lease of land in Lithuania amounted to EUR 420 thousand. Total value of right-of-use assets as at 31 December 2022 amounted to EUR 2 132 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 2023 the weighted average interest rate on recognition of lease liabilities in Lithuania was 4.26%, for the Estonian branch 2.69%. As at 31 December 2022, the weighted average interest rate on recognition of lease liabilities in Lithuania was 3.18% and 2.29% for the Estonian branch.

IFRS 16 right of use assets liabilities change:

31 December 2021	**2.177**
New agreements, amendments	521
Lease liability payment	(517)
Lease liability interest	52
31 December 2022	**2.233**
Short-term	513
Long-term	1.720

31 December 2022	**2.233**
New agreements, amendments	346
Lease liability payment	(528)
Lease liability interest	48
31 December 2023	**2.099**
Short-term	538
Long-term	1.561

Short-term and long-term lease liability:

	2023	2022
Short-term (payable up to 1 year)	**538**	**513**
Up to 3 months	165	161
From 3 months to 1 year	373	352
Long-term (payable after 1 year)	**1.561**	**1.720**
From 1 to 2 years	479	442
From 2 to 3 years	424	387
From 3 to 4 years	188	349
From 4 to 5 years	55	138
More than 5 years	415	404
Total lease liability	**2.099**	**2.233**

IFRS 16 lease liabilities are classified in the consolidated 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 528 thousand during 2023, which are attributed to the item "Amounts from other financial activities" in the statement of cash flows (during 2022: EUR 517 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.

	2023	2022
Depreciation of right-of-use assets:	(549)	(545)
- Land lease	*(1)*	*(2)*
- Premises lease	*(548)*	*(543)*
Right-of-use assets interest	(48)	(52)
Expenses relating to short-term leases and low value assets	(444)	(432)
Total lease expense	**(1.041)**	**(1.029)**

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 "Interest and expense".

33.2. 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.

	2023	2022
Premises lease income:	**432**	**231**
- rent income from investment property	*313*	*114*
- rent income from other properties	*119*	*117*

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.

	2023	2022
Receivable amount		
Up to 1 year	710	222
From 1 to 2 years	619	115
From 2 to 3 years	602	23
From 3 to 4 years	600	2
From 4 to 5 years	455	1
More than 5 years	3	-
Total	**2.989**	**363**

34. Subsequent events

No events have taken place from the Consolidated Statement of Financial Position date to the date of approval of these consolidated 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.