GROUP ANNUAL REPORT 2023

COMPENSA LIFE VIENNA INSURANCE GROUP SE

Commercial Register number 10055769

Address Telephone Fax E-mail Website	Narva mnt. 63/2, 10120 Tallinn, Estonia +372 610 3000 +372 610 3010 info@compensalife.ee www.compensalife.ee
Reporting period	1 January 2023 – 31 December 2023
Auditor	KPMG Baltics OÜ
Principal activity	Life insurance, EMTAK code no. 6511

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Status: January 2022

WE ARE **NUMBER 1**
IN CENTRAL AND EASTERN EUROPE.

VIG
VIENNA INSURANCE GROUP
Protecting what matters.

Directors' report

Owners

Compensa Life Vienna Insurance Group SE (hereafter Compensa Life) is one of the oldest life insurance providers in the Baltics. The company, which is headquartered in Estonia and has branches in Latvia and Lithuania, is a wholly-held subsidiary of the leading Austrian insurance group, VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (hereafter Vienna Insurance Group, VIG or the group).

COMPENSA
VIENNA INSURANCE GROUP

The predecessor of Compensa Life was Seesam Elukindlustus, which was founded in Estonia in 1993. In 2007, life insurers which were operating in Estonia, Latvia and Lithuania under the same brand name merged and were registered as a European company – Seesam Life Insurance SE. Since 2008, Compensa Life's sole owner has been Vienna Insurance Group. The new business name, **Compensa Life Vienna Insurance Group SE**, and the owner's brand name Compensa were adopted in 2009. The company is domiciled in Estonia.

Compensa Life has 18 offices and 268 staff in the three Baltic countries. Since 2016, the Compensa Life group (hereafter Compensa) has also included Vienibas Gatve Investment OÜ and Compensa Life Distribution UAB (subsidiaries of Compensa Life – 100%) as well as Vienibas Gatve Properties SIA (a subsidiary of Vienibas Gatve Investment OÜ – 100%). The subsidiaries employed 16 people at 31 December 2023.

Compensa Life's mission is to help customers manage their financial risks by offering flexible and contemporary insurance solutions. Compensa Life's product portfolio includes guaranteed-return and unit-linked endowment products, term life insurance products, accident insurance and various additional insurance products. Compensa Life's Latvian and Lithuanian branches also offer health insurance.

Compensa Life offers insurance solutions to both individuals and corporate customers. In the Baltics, Compensa Life serves over 153,600 customers whose assets exceed 466 million euros. Compensa Life is the only II pillar pension benefits payer in Estonia.

VIG
VIENNA INSURANCE GROUP

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

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

The Vienna Insurance Group is an international insurance group headquartered in the Austrian capital, Vienna. After the fall of the Iron Curtain in 1989, VIG expanded rapidly from a purely Austrian business into an international group. VIG is synonymous with stability and expertise in providing financial protection against risks. The group's origins date back to 1824. Almost two centuries of experience, coupled with a focus on our core competence of providing insurance coverage, forms a solid and secure basis for the group's 22 million-plus customers.

Besides Austria, VIG places a clear emphasis on Central and Eastern Europe as its home market. The group generates more than half of its premium income in CEE. VIG's focus on this region reflects the forecasts for economic growth in CEE, which is anticipated to be twice as high as in Western Europe, as well as the current level of insurance density (i.e. annual per capita insurance premiums), which is still below the EU average.

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

VIG has an A+ rating with stable outlook from the rating agency Standard & Poor's, meaning that it remains the top-rated company on the Vienna Stock Exchange's index of leading shares, the ATX. The Vienna Insurance Group is listed in both Vienna and Prague. Wiener Städtische Versicherungsverein – a stable core shareholder with a long-term focus – owns around 70% of VIG's shares. The remaining shares are in free float.

For further information on VIG's financial performance, see the website **www.vig.com.**

Governance

In 2023, there were some changes in the management of Compensa Life. On June 30, 2023, the contract of Viktors Gustons, the manager of the Latvian branch and a member of the board, ended. The new manager of the Latvian branch is Ervins Vēveris from 01.07.2023, who is also a new member of the board. The powers of other board members were also extended by three years. The board of Compensa Life has three members: chairman of the board Tomas Milašius and members Tanel Talme and Ervins Vēveris. The responsibilities of the board members are as follows.

The chairman of the management board of Tomas Milašius is in charge of compliance control, internal audit, the actuarial function and risk management. He is also responsible for Compensa Life's overall management, insurance services and product development, data quality management, legal services and data protection, sponsoring, marketing activities and public relations, and human resource management in the Baltics. In addition, the chairman of the management board is responsible for overall management, sales management, customer relationship management, insurance contract management, marketing activities and public relations, claims handling and insurance risk assessment, legal services and human resource management at the Estonian entity and the Lithuanian branch.

The member of the management board Tanel Talme is responsible for IT services, business integration and project management, controlling, financial and investment services, prevention of money laundering and terrorist financing, and application of international sanctions in the Baltics.

The member of the management board and the head of the Latvian branch Ervins Vēveris is responsible for overall branch management, sales management, customer relationship management, insurance contract management, marketing activities and public relations, claims handling and insurance risk assessment, legal services and human resource management at the Latvian branch.

Merko Kimsto is the country manager in Estonia and he is responsibile for the day-to-day management of the Estonian entity.

Compensa Life's supervisory board has four members. Harald Riener is the chairman, Franz Fuchs and Gábor Lehel are the vice-chairmen, and Ireneusz Arczewski is a member of the supervisory board.

Compensa Life's actuarial function is the responsibility of Sigita Ažusieniene, the chief actuary of Compensa Life's Lithuanian branch. Compensa Life's risk manager is Eret Võsa.

Compensa Life's head of internal audit is Justas Kurelaitis.

Compensa Life's auditor is KPMG Baltics OÜ.

People

At the end of 2023, Compensa Life had 252 employees: 73 at the Estonian entity, 59 at the Latvian branch, and 120 at the Lithuanian branch. The subsidiaries employed 17 people in total.

During the reporting period, Compensa Life's average number of employees was 243 (2022: 228) and personnel-related expenses together with associated taxes totalled 8.82 million euros (2022: 7.44 million euros).

Financial performance

Compensa's Baltic operations generated a consolidated profit of 10.33 million euros in 2023. Compensa Life's profit amounted to 9.82 million euros (2022: -11.41 million euros).

Compensa's sales continued to grow. Total premium and deposit income amounted to 182.87 million euros, a 5.31% improvement on the year before (2022: 173.65 million euros).

Attributable operating expenses (direct contract acquisition costs and administrative expenses) for 2023 totalled 30.22 million euros (2022: 31.91 million euros), a 5.3% decreased compared with 2022. The main reason for decrease in operating expenses was a 15.2% decrease in commissions (in 2023 commissions amounted to 17.52 million euros, in 2022 20.66 million euros), which accounted for 58.0%% of attributable operating expenses (2022: 64.7%).

Compensa achieved a combined ratio[1] of 86.5% (including reinsurance, 103.2% in 2022), comprising of 63.1% loss ratio[2] and 23.4% cost ratio[3] (2022: 80.2% and 23.0% respectively). Combined ratio before reinsurance[4] in 2023 was 86.8% (2022: 102.1%), comprising of 64.8% loss ratio[5] and 22.0% cost ratio[6] (2022: 81.7% and 20.4% respectively).

Compensa's share capital amounts to 11,604,000 euros.

Investment

Compensa's conservative investment policy is aimed at ensuring long-term financial returns and stability as well as a liquid and diversified investment portfolio. Compensa incurred a net profit of 24.30 million euros on investment activities in 2023 (2022: net loss of 29.57 million euros). The investment result of 2023 was affected by the continued rise in interest rates until the middle of the year. The restructuring of the bond portfolio at the end of 2022 also had a positive effect. In the stock markets, 2023 was a very positive year regardless of the complex and uncertain world economy.

As of 31.12.2023, the volume of Compensa's investment portfolio was 538.48 million euros (2022; 467.05 million). Over the year, the volume of investments has increased by 15.3% to 71.4 million euros. Compensa's investments are divided into three large groups: measured at amortized cost, 9.8% of the portfolio (2022: 11.3%), measured at fair value through other comprehensive income, 46.1% of the portfolio (2022: 48.4%) and measured at fair value through profit and loss, 44.1% of the portfolio (2022: 40.3%).

The largest part of Compensa's investment portfolio is invested in bonds with 242.83 million euros, which is 45.1% of the portfolio volume (2022: 221.89 million, 47.5%) and in various investment funds 235.77 million euros, 43.8% (2022: 186.44 million euros, 39.9%). In addition, Compensa has also invested in loans, term deposits, direct investments in shares and participations.

Compensa strives to provide its customers with long-term security and stable investment returns. At the end of 2023, investments backing contracts signed with customers totalled 46ˇ4,80 million euros (at the end of 2022: 393.65 million euros), 18,1%, i.e. 71.16 million euros up on the previous year-end.

Sales

Last year, total premium income in the Baltic life insurance market amounted to around 644.3 million euros and the market as a whole grew by 0.6% (2022: 3.5%). The life insurance market grew by 5.6% in Estonia and by 6.0% in Lithuania but declined by 12.6% in Latvia (2022: declined by 8.8% in Estonia and by 0.5% in Latvia and grew 8.8% in Lithuania).

The largest life insurance market in the Baltics is still Lithuania, where total premium income for 2023 exceeded 398.6 million euros (2022: 376.0 million euros). The second largest is the Latvian life

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[1] $combined\ ratio\ after\ reinsurance =$ *loss ratio after reinsurance + cost ratio after reinsurance*

[2] $loss\ ratio\ before\ reinsurance = \frac{claims\ expenses}{gross\ earned\ premiums}$

[3] $cost\ ratio\ after\ reinsurance = \frac{technical\ expenses, net\ of\ revenues\ from\ other\ services\ after\ reinsurance(F)}{net\ earned\ premiums\ (D)}$

[4] $combined\ ratio\ before\ reinsurance =$ *loss ratio before reinsurance + cost ratio before reinsurance*

[5] $loss\ ratio\ before\ reinsurance = \frac{claims\ expenses}{gross\ earned\ premiums}$

[6] $cost\ ratio\ before\ reinsurance = \frac{technical\ expenses, net\ of\ revenues\ from\ other\ services\ before\ reinsurance\ (C)}{gross\ earned\ premiums\ (A)}$

insurance market with 161.7 million euros (2022: 185.0 million euros), followed by the Estonian life insurance market with 84.0 million euros (2022: 79.4 million euros).

In 2023, Compensa increased its total premium income[i7] in the Baltics by 5.3% to 182.9 million euros (2022: 173.7 million euros).

Compared to 2022, total premium income increased by 8.0% in Estonia and by 16.4% in Lithuania, but decreased by 15.4% in Latvia. Compensa's market share in the Baltics continued to grow, rising to 28.4% (2022: 27.1%) in terms of total premium income.

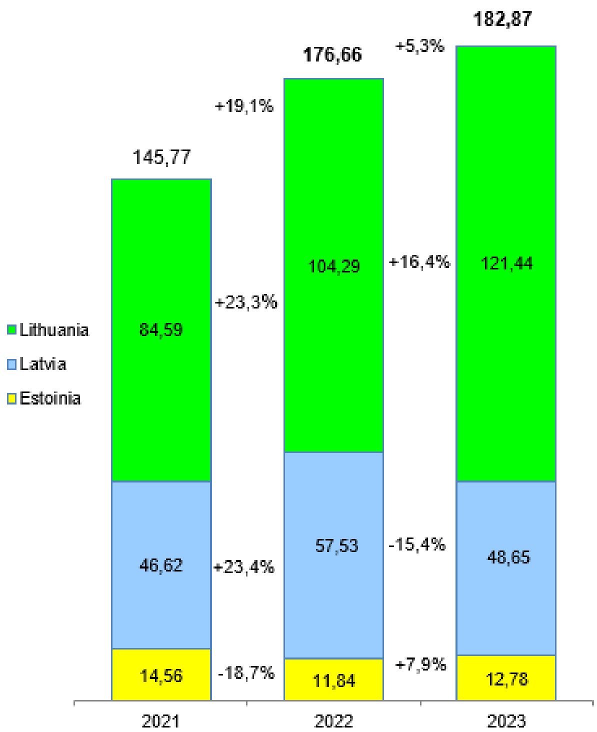

Chart 1. Compensa's total premium (€ million)[1]

In 2023, Compensa issued 29,526 new insurance contracts (2022: 35,296). Premium income from new contracts declined by 0.5% year on year to 96.8 million euros (2022: 97.3 million euros).

Compensa Life's total premium income in Estonian market increase by 8,31% to 12.78 million euros (2022: 11.8 million euros). In terms of total premium income, Compensa's year-end market share in Estonia was 15.2% (at the end of 2022: 14.9%). Compensa Life maintained its position as the third-largest player in the Estonian life insurance market and is from 2022 the only life insurance company that is paying out pillar II pension benefits in Estonia.

In 2023, premium income from new contracts increased by 15.0% to 7.0 million euros. The largest share of premium income, around 5.1 million euros, resulted from pension product.

The largest share, i.e. 63.6% of new insurance contracts signed in Estonia were long-term endowment contracts designed for pension and capital accumulation (2022: 63.2%). Second pillar, i.e. mandatory funded pension insurance contracts accounted for 5.1% of new contracts (2022: 5.7%). Term life insurance contracts designed to protect the family and other close ones for 11.8% of contracts signed. Accident insurance contracts incl. cancer product accounted for 19.5%.

Compensa Life's Latvian branch generated premium income of 48.65 million euros, a 15.4% decrease on the year before (2022: 57.50 million euros). In terms of total premium income, Compensa Life's year-end market share in Latvia was 30.1% (at the end of 2022: 31.1%).

Sales of new insurance contracts at Compensa Life's Latvian branch declined by 20% year on year, the figure including a 22.7% decrease in the sales of life insurance contracts. Premium income from new contracts declined by 18% to 39.9 million euros (2022: 48.7 million euros). Sales of health insurance contracts grew by 24.8% and related premium income was 10.74 million euros (2022: 8.60 million euros).

Lithuanian life insurance providers' premium income grew by 6.0% to 398.6 million euros in 2023 (2022: 376.0 million euros). However, the premium income of Compensa Life's Lithuanian branch grew at a considerably higher pace, rising by 16.4% to 121.44 million euros (2022: 104.3 million euros). Growth was achieved both in the life and health insurance segments. Premium income from life

[7] *Total premium income comprises premiums written under insurance contracts as well as premiums (deposits) received under investment contracts. Premiums (deposits) from investment contracts are not reported within 'Gross premiums written' in the income statement.*

insurance rose by 12.5% to 83.2 million euros and premium income from health insurance grew by 26.1% to 38.2 million euros. At the end of 2022, Compensa Life's market share in Lithuania was 30.5% (at the end of 2022: 27.7%).

Premium income from new contracts at the Lithuanian branch grew by 17.3% to 49.9 million euros (2022: 42.5 million euros). Unit-linked life insurance contracts accounted for 89% of new contracts signed in Lithuania.

At the year-end, Compensa Life had a total of 203 156 life insurance contracts in force in the three Baltic countries. The total number of persons insured under its contracts exceeded 278,924.

Activities in 2023 and outlook for 2024

Customers' trust and satisfaction are Compensa's top priorities. Therefore, we work consistently to build strong customer relationships by developing our insurance products and improving the quality of our customer service. We continuously develop our e-services to make them more customer-friendly, speed up the claims handling process and keep moving towards paperless business operations in all three countries.

We are aware of our social responsibility. We support culture and sports and contribute to raising awareness of the importance of life insurance. We promote various insurance products and options for people to insure their future as well as the future of their children and other loved ones.

For the nineth consecutive year, we participated in Vienna Insurance Group's Social Active Day initiative which enables our employees to spend some of their working time on charitable causes. We find that the Social Active Day gives our people an excellent opportunity to contribute to charity and we are planning to uphold the tradition.

Responsible and sustainable investments are important to us. We do not invest in companies involved in the forbidden weapons (e.g. chemical weapons) or coal business. We increasingly seek to invest in companies that make a positive impact on society and the environment. We have installed solar panels to our office building in Riga to promote green energy and we will continue our activities to decrease our CO_2 footprint also during upcoming years.

We have joined the Estonian and Lithuanian Diversity Charters, confirming our commitment to respecting and promoting the principles of diversity and equal opportunities among our employees, customers, and business partners.

Looking back at the past year, we believe that we successfully met all the challenges. We achieved all our business goals and maintained market leader position in the Baltics.

The adoption of IFRS 9 and IFRS 17 has been challenging, but the project has been successful. IFRS 9 and IFRS 17 were applied from the beginning of 2023, and it has brought about a significant change in the presentation and reporting of the financial results of insurance undertakings.

Going forward, we expect Compensa to sustain profitable growth. We will continue to invest in digitalisation, product development and customer experience. In 2024 we plan significant changes in IT infrastructure and will further increase co-operation with Compensa Non-Life to improve customer experience even more.

Compensa continues to be a going concern and the goal of the management board is to ensure the company's continuous and sustainable growth. Our main focus is on delivering quality customer service, developing our insurance products and maintaining Compensa's market share in the Baltics.

Chairman of the Management Board
Tomas Milašius

Consolidated financial statements

Consolidated statement of profit or loss

In euros	Note	2023	2022 (restated)
Insurance revenue	4	72,377,718	60,018,384
Insurance service expenses - issued business	4	-62,805,903	-61,277,738
Insurance service result - reinsurance held	4	-410,196	-459,476
Insurance service result	4	**9,161,619**	**-1,718,830**
Interest revenue calculated using the effective interest method	9	6,551,295	5,106,831
Other investment revenue	9	17,765,419	-34,678,195
Net impairment loss on financial assets	9	-24,651	-65,494
Investment return	9	**24,292,063**	**-29,636,858**
Net finance expenses from insurance contracts	5	-4,568,820	-2,846,844
Net finance income from reinsurance contracts	5	-547,549	-4,654
Movement in investment contract liabilities	5	-15,521,624	24,484,112
Net financial result		**3,654,070**	**-8,004,244**
Other operating income	10	1,126,793	767,708
Other operating expenses	11	-3,256,354	-1,898,696
Other finance income	15	679,206	629,599
Other finance expenses	16	-260,343	-88,109
Profit before tax		**11,104,991**	**-10,312,572**
Income tax	37	-772,933	-465,595
Net profit for the year		**10,332,059**	**-10,778,167**

Consolidated statement of profit or loss and other comprehensive income

In euros	Note	2023	2022 (restated)
Net profit for the year		**10,332,059**	**-10,778,167**
Items that may be reclassified subsequently to profit or loss			
Unrealised gains and losses from debt instruments measured at FVOCI		11,864,896	-49,716,070
Share of other reserves of associated consolidated companies		1,067,341	1,050,815
Unrealised gains and losses acc. to IFRS 17		-15,707,559	95,128,153
Total other comprehensive income		**-2,775,323**	**46,462,898**
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**7,556,736**	**35,684,730**

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Consolidated statement of financial position

As at 31 December In euros	**Note**	**2023**	**2022 (restated)**	**As at 01 January 2022 (restated)**
ASSETS				
Cash and cash equivalents	17	19,943,495	26,114,306	28,557,849
Financial investments	17	517,026,470	437,862,361	454,456,387
Insurance contract assets	30	658,387	599,138	1,133,438
Reinsurance contract assets	28	119,920	172,863	216,430
Other assets and receivables		3,248,132	2,576,293	2,061,147
Investments in associates and joint ventures accounted for using the equity method		8,710,743	8,575,257	8,358,602
Intangible assets	24	4,234,334	4,058,624	4,158,848
Investments properties	26	1,831,055	2,050,663	2,091,133
Right-of-use assets	25	976,243	1,094,020	1,203,415
Property, plant and equipment	23	841,120	814,819	867,924
Deferred tax assets	36	71,243	84,015	40,671
Total assets		**557,661,141**	**484,002,359**	**503,145,844**
LIABILITIES				
Current income tax liabilities		595,259	379,784	230,517
Other current liabilities	32	2,948,513	2,954,429	3,054,446
Financial liabilities	34	1,576,044	1,735,931	1,927,954
Insurance contract liabilities	31	464,804,512	393,648,583	442,240,593
Reinsurance contract liabilities	28	1,537,089	890,198	1,326,251
Provisions		400,000	0	0
Other liabilities		237	684	1,411
Total liabilities		**471,861,653**	**399,609,608**	**448,781,173**
EQUITY				
Share capital		11,604,000	11,604,000	11,604,000
Share premium		9,465,795	9,465,795	9,465,795
Statutory capital reserve		1,160,400	1,160,400	1,160,400
Other reserves		3,902,962	6,678,283	-36,401,242
Retained earnings		59,666,331	55,484,272	68,535,718
Total equity	30	**85,799,489**	**84,392,751**	**54,364,671**
TOTAL EQUITY AND LIABILITIES		**557,661,141**	**484,002,359**	**503,145,844**

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Consolidated statement of cash flows

In euros	Note	2023	2022
CASH FLOW FORM OPERATING ACTIVITIES			
Insurance premium received		168 123 720	167,606,773
Insurance claims and benefits paid		-93,400,871	-70,414,285
Reinsurance premiums, claims and commissions paid (net)		-287,104	-504,250
Operating expenses paid		-32,323,635	-31,282,375
Rent payments made		-577,892	-455,637
Other receipts and payments to customers		1,391,416	1,180,655
Net cash flow from shares and fund units		-32,667,197	-31,604,424
Dividends received		853,238	1,026,195
Net cash flow from debt securities and deposits		-13,579,445	-32,492,485
Interest received		6,088,164	5,478,697
Paid for asset management services		-429,487	-323,481
Paid corporate income tax		-196,884	-488,171
Net cash from operating activities		**2,994,023**	**7,727,212**
CASH FLOWS FROM INVESTING ACTIVITIES		,	,
		0	0
Acquisition of property, plant and equipment and intangible assets	**24,25**	-563,416	-332,668
Repayments of loans provided	35	350,664	341,432
Loans provided	35	-3,341,402	-4,896,693
Interest received on investments		539,919	393,283
Net cash used in investing activities		**-3,014,235**	**-4,494,645**
CASH FLOWS FROM FINANCING ACTIVITIES		,	,
Dividends paid		-6,150,000	-5,650,000
Net cash used in financing activities		**-6,150,000**	**-5,650,000**
NET CASH FLOW		**-6,170,211**	**-2,417,434**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**26,114,306**	**28,557,849**
Change in cash and cash equivalents	30	-6,170,211	-2,417,434
Effect of movements in foreign exchange rates		-599	-26,110
CASH AND CASH EQUIVALENTS AT END OF YEAR		**19,943,496**	**26,114,306**

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Consolidated statement of changes in equity

In euros	Share capital	Share premium	Statutory capital reserve	Other reserves	Retained earnings	Total
At 31 December 2021 (previously reported)	**11,604,000**	**9,465,795**	**1,160,400**	**10,602,982**	**13,539,916**	**46,373,093**
IFRS 17/9 effect of initial application						
IFRS 9 reserve	**0**	**0**	**0**	**9,682,400**	**-211,524**	**9,470,876**
IFRS17 reserve issued	**0**	**0**	**0**	**-60,069,996**	**0**	**-60,069,996**
Transition impact	**0**	**0**	**0**	**0**	**58,584,046**	**58,584,046**
Restated balance at 1 January 2022	**11,604,000**	**9,465,795**	**1,160,400**	**-39,784,615**	**71,912,439**	**54,358,019**
Transactions with owner of the company						
Profit distribution	0	0	0	0	-5,650,000	**-5,650,000**
Total transactions with owner of the company	0	0	0	0	-5,650,000	**-5,650,000**
IFRS 9 reserve	0	0	0	-48,665,255	0	**-48,665,255**
IFRS17 reserve	0	0	0	95,128,153	0	**95,128,153**
Change in other reserves	**0**	**0**	**0**	**46,462,898**	**0**	**46,462,898**
Total other comprehensive income (restated)	**0**	**0**	**0**	**46,462,898**	**0**	**46,462,898**
Loss for the year (restated)	0	0	0	0	-10,778,167	**-10,778,167**
Total other comprehensive income for the year (restated)	0	0	0	46,462,898	-10,778,167	**35,684,730**
Restated balance at 31 December 2022	**11,604,000**	**9,465,795**	**1,160,400**	**6,678,283**	**55,484,271**	**84,392,751**
Transactions with owner of the company						
Profit distribution	0	0	0	0	-6,150,000	**-6,150,000**
Total transactions with owner of the company	**0**	**0**	**0**	**0**	**-6,150,000**	**-6,150,000**
IFRS 9 reserve	0	0	0	12,932,237	0	**12,932,237**
IFRS17 reserve	0	0	0	-15,707,558	0	**-15,707,558**
Change in other reserves	**0**	**0**	**0**	**-2,775,321**	**0**	**-2,775,321**
Total other comprehensive income	**0**	**0**	**0**	**-2,775,321**	**0**	**-2,775,321**
Profit for the year	0	0	0	0	10,332,059	**10,332,059**
Total other comprehensive income for the year	0	0	0	-2,775,321	10,332,059	**7,556,738**
Balance at 31 December 2023	**11,604,000**	**9,465,795**	**1,160,400**	**3,902,962**	**59,666,330**	**85,799,489**

For further information on share capital and other equity items, please refer to note 30.

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Notes to the consolidated financial statements

General information

Compensa Life Vienna Insurance Group SE is a life insurance company which is registered in Estonia and operates in Estonia, Latvia and Lithuania. The registered address of the company and its head office is Narva mnt 63/2, Tallinn, Estonia.

Compensa's branch in Latvia is located at Vienības gatve 87h in Riga and Compensa's branch in Lithuania is located at Ukmergės g. 280 in Vilnius. The company has 18 offices across the Baltics: 4 in Estonia, 5 in Latvia and 9 in Lithuania.

These consolidated financial statements comprise the financial information of Compensa Life Vienna Insurance Group SE (including the branches) as well as its subsidiaries Vienibas Gatve Investment OÜ (established on 18 August 2015,100%), Compensa Life Distribution UAB (acquired on 2 September 2015, former name Finsaltas UAB, 100%) and Vienibas Gatve Properties SIA (acquired on 3 September 2015 through Vienibas Gatve Investment OÜ – 100%).

In the consolidated financial statements, Compensa Life Vienna Insurance Group SE and its subsidiaries are presented as a single economic entity (hereafter Compensa or the group).

At 31 December 2023, Compensa's parent was VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe and the ultimate controlling party was Wiener Städtische Versicherungsverein.

At the year-end, Compensa had 252 employees (31 December 2022: 237 employees).

Note 1 Basis of preparation

1.1. Basis of preparation

The consolidated financial statements of Compensa Life Vienna Insurance Group SE for 2023 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The consolidated financial statements of Compensa Life Vienna Insurance Group SE have been prepared under the historical cost convention, unless indicated otherwise in these accounting policies.

Management believes that the group is a going concern and solvent.

Various International Financial Reporting Standards as adopted by the European Union require management to exercise judgement and make estimates and assumptions regarding the financial information reported in the consolidated financial statements.

Although these estimates and assumptions are based on management's best knowledge, actual results may ultimately differ from those estimates. Changes in management's estimates and assumptions are recognised in profit or loss in the period in which the change occurred. Further information on estimates and assumptions is presented in note 2.

Under the Estonian Commercial Code, the group's annual report including the consolidated financial statements, which has been prepared by the management board and approved by the supervisory board, must also be approved by the general meeting. Shareholders may decide not to approve the group's annual report that has been prepared and submitted by the management board and may demand that a new annual report be prepared.

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

The management board prepared these consolidated financial statements and authorised them for issue on **11th of April 2024**.

1.2. Use of judgements and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by the European Union requires management to make judgements, estimates and assumptions that affect the amounts of assets and liabilities as at the reporting date, the disclosure of contingent assets and liabilities, and income and expenses recognised during the period. Although several amounts and disclosures in the financial statements are based on management's estimates, which have been made by reference to management's best judgement, actual results may differ significantly from those estimates. Further information on estimates and assumptions is provided in relevant accounting policies and notes. The estimates and underlying assumptions are reviewed on an ongoing basis based on historical experience and other factors including expected future events that are believed to be reasonable under the circumstances.

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

In preparing these financial statements management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Although the estimates are based on management's best judgement and facts, actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both the year of revision and future years.

The Compensa applies all three measurement models the the PAA (premium allocation approach), GMM (general measurement model) and FVA (fair value approach) for the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Compensa's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Compensa 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. All insurance contract liabilities (except for the LRC measured under the PAA) are calculated by discounting expected future cash flows at risk-free rates plus an illiquidity adjustment. The illiquidity adjustment to the relevant risk-free interest rates is based on the risk-corrected spread between the interest rate that could be earned from a reference portfolio and the basic risk-free interest rate. Reference portfolio weights are calculated considering all of Compeansa's applicable investments grouped by country.

Material estimates

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

Goodwill is tested for impairment one per year in accordance with the methods explained in note 25. Estimates in this area primary concern the projected earnings of the CGU that the calculations are based on, and specific parameters, in particular the growth rates and discounting rates, In point 2.13. Sensitivity of Goodwill impairment presented in note 25.

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

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

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

Judgements

Judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements.

Classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features.

Level of aggregation of insurance and reinsurance contracts: identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently.

Measurement of insurance and reinsurance contracts: determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract.

Transition to IFRS 17: determining whether sufficient reasonable and supportable information is available to apply a full or modified retrospective approach.

Impairment of financial assets: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.

Classification of financial assets: assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest (SPPI) on the principal amount outstanding

Note 2 Material accounting policies

2.1. Changes of accounting policy

Compensa applied IFRS 9 and IFRS 17 for the first time from 1 January 2023. The first-time application will lead to significant changes and therefore has a material impact on these consolidated financial statements.

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

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

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

Increased transparency about the profitability of new and in-force business will give users more insight into an insurer’s financial information.

- Separate presentation of underwriting and finance results will provide added transparency about the sources of profits and quality of earnings.
- Premium volumes will no longer drive the ‘top line’ as investment components and cash received are no longer considered to be revenue.

- Accounting for options and guarantees will be more consistent and transparent.

2.1.2. Transition

On transition date, 1 January 2022, the Compensa:

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

The discount rates used for groups of insurance contracts were determined at the transition date. The locked-in discount rates for the measurement of fulfilment cash flows of a group of insurance contracts at transition date are therefore the weighted average rates applicable at the date of initial recognition of the underlying contracts. The discount rate used for the accretion of interest on the CSM was determined using the bottom-up approach at inception.

Full retrospective approach (FRA)

Compensa applied IFRS 17 retrospectively and used alternative transition methods only where the FRA was impracticable or would have involved disproportionate costs and effort. This approach was used primarily for non-life insurance contracts and for reinsurance contracts issued and held that in principle fall under the application of the PAA.

The approach requires historical data since initial recognition of the insurance contract to be obtained for all groups of contracts. Compensa has used all reasonable and supportable information from its existing reporting systems to obtain the closest outcome to the full retrospective approach. However, the availability of data is the main reason why the FRA is impracticable for Compensa's long-term business, particularly for:

- the bulk of the life insurance portfolio and the similar to life health insurance portfolio and
- non-life insurance portfolios that are measured in accordance with the GMM.

For each group of contracts for which the full retrospective approach was deemed to be impracticable, the fair value approach has been applied.

2.1.3. IFRS 9 Financial instruments (Effective for annual periods beginning on or after 1 January 2023; to *be applied retrospectively.)*

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

The Compensa has applied IFRS 9 retrospectively and restated comparative information for 2022 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 were recognised in retained earnings as of 1 January 2022.

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Assets In euros	At 31 Dec 2021	IFRS 17 classification	IFRS 17 transition effect	Reclasifi-cation	IFRS 9 measure-ment	At 1 Jan 2022
Property, plant and equipment	**272,088**	0	0	0	0	**272,088**
Intangible assets	**1,359,823**	0	-256,154	0	0	**1,103,669**
Right-of-use assets	**1,203,415**	0	0	0	0	**1,203,415**
Deferred acquisition costs acc to IFRS4	**2,193,505**	0	-2,193,505	0	0	**0**
Financial investments	**467,899,670**	-8,099,285	0	-11,546,888	9,132,569	**457,386,065**
Investments in associates and joint ventures accounted for using the equity method acc.to IFRS9	**0**	0	0	11,546,888	342,223	**11,889,111**
Insurance contract assets acc.to IFRS17	**0**	1,133,438	0	0	0	**1,133,438**
Reinsurance contract assets acc.to IFRS17	**0**	216,430	0	0	0	**216,430**
Other receivables	**969,666**	414,846	0	0	0	**1,388,027**
Deferred tax assets	**39,631**	0	0	0	0	**39,631**
Cash and cash equivalents	**27,054,000**	0	0	0	0	**27,054,000**
TOTAL ASSETS	**500,991,798**	**-6,334,572**	**-2,449,659**	**0**	**9,474,792**	**501,685,874**

Liability In euros						
Current income tax liabilities	**230,517**	0	0	0	0	**230,517**
Other current liabilities	**5,407,750**	-2,906,326	0	0	0	**2,501,424**
Liabilities primary insurance business acc.to IFRS 17	**2,333,648**	-2,333,648	0	0	0	**0**
Other current liabilities	**3,074,102**	-572,678	0	0	0	**2,501,424**
Financial liabilities	**1,285,400**	0	0	0	642,554	**1,927,954**
Lease liabilities	**1,285,400**	0	0	0	0	**1,285,400**
Liabilities designated at FVTPL acc.to IFRS 9	**0**	0	0	0	642,554	**642,554**
Insurance contract liabilities	**448,570,200**	-6,329,609	0	0	0	**442,240,592**
Liabilities from insurance contracts acc.to IFRS 4	**295,433,946**	-295,433,946	0	0	0	**0**
Financial liabilities from unit-linked contracts acc to IFRS 4	**99,310,323**	-99,310,323	0	0	0	**0**
Financial liabilities from investment contracts acc.to IFRS4	**53,825,932**	-53,825,932	0	0	0	**0**
Insurance contract liabilities issued acc.to IFRS 17	**0**	442,240,592	0	0	0	**442,240,592**
Reinsurance contract liabilities acc.to IFRS4	**27,638**	-27,638	0	0	0	**0**
Reinsurance contract liabilities held acc.to IFRS 17	**0**	1,298,614	0	0	0	**1,298,614**
Other liabilities	**1,411**	0	0	0	0	**1,411**
Consolidated shareholders 'equity	**45,468,881**	0	-1,456,899	642,554	9,474,792	**53,486,774**
Total liability	**500,991,798**	**-7,958,115**	**1,456,899**	**642,554**	**9,474,792**	**501,687,284**

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2.1.4. Changes to the impairment calculation

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

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

Compensa considers an instrument to be in default when contractual payments are 90 days past due. However, in certain cases, Compensa may also consider an instrument to be in default when internal or external information indicates that Compensa is unlikely to receive the outstanding contractual amounts in full.

The adoption of the ECL requirements of IFRS 9 has resulted in increases in impairment allowances in respect of the Compensa's debt instruments. The increase in allowance was adjusted to retained earnings in amount 207 607 euros.

Transition disclosure – IFRS 9

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

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

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

In euros	IAS 39 At 31 December 2021				IFRS 9 At 01 January 2022	
Financial assets	**Category**	**Amount**	**Re-classification**	**Re-measurement**	**Amount**	**Category**
Loans	**AC**	18,003,010	92,651	-44,335	18,051,326	**AC**
Term deposits	**AC**	1,000,000	0	-763	999,237	**AC**
Bonds		242,794,904	3,054,362	9,243,815	255,093,082	
Held-to maturity investments	**AC**	68,623,632	-68,623,632	0	0	
Available for sale financial assets	**FVOCI**	174,171,272	71,677,995	9,243,815	255,093,082	**FVOCI**
Participation		15,041,137	0	342,225	15,383,362	
Investments in subsidiaries and associates	**FVOCI**	5,276,754	-1,764,443	-18,060	3,494,251	**FVOCI**
Subsidiary, fully consolidated	**FVTPL**	9,764,383	-9,764,383	0		
Shares in affiliated and associated companies	**FVOCI**	0	11,528,826	360,285	11,889,111	**FVOCI**
Shares	**FVTPL**	1,996,746	0	0	1,996,746	**FVTPL**
Investment funds	**FVTPL**	38,001,548	139,816,026	0	177,817,574	**FVTPL**
Investments for unit- & index-linked life insurance	**FVTPL**	139,816,026	-139,816,026	0	0	**FVTPL**
Accrued interest		3,147,013	-3,147,013	0	0	

2.2. Measuremet of fair values

A number of the Compensa's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability the Compensa uses observable market data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Compensa recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

2.3. Principles of profit sharing

All insurance contracts with an additional bonus payable to the customers at the discretion of the Insurer feature are eligible for it based on the time that the insurance contract has been in force. At the end of the calendar year, additional customer bonuses are allocated to the provision for each insurance contract, considering the difference between the actual and estimated figures for investment income, mortality, expenses, and the loss ratio. At the end of the financial year, Compensa's management board makes a proposal to the supervisory board with regard to the allocation of additional customer

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bonus to policyholders. The supervisory board decides the final amount of additional customer bonuses. Additional customer bonuses that has been added to the provision cannot be clawed back and will participate in the accrual of interest in subsequent years. The amount (rate) of bonuses allocated to insurance contracts in prior years creates neither obligations for Compensa nor justified expectations for the policyholder with regard to the amount (rate) of bonuses payable in subsequent years.

In addition, Compensa may recognise a provision for bonuses, which is described in paragraph 1.15 but this is not linked to specific insurance contracts.

2.4. Deferred tax assets

A deferred tax asset represents the amount of income tax that can be used to cover the income tax expense on future taxable profits, and it may be recognised in the balance sheet. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be utilised. Future taxable profit and the extent to which the deferred tax asset can be utilised are estimated based management's medium term business plan, which is based on management's expectations and best estimates that are believed to be reasonable under the circumstances.

2.5. Estimation of the recoverable amount of intangible assets

Intangible assets include goodwill acquired on the acquisition of subsidiaries. In accordance with IAS 36, the recoverable amount of the cash-generating units to which goodwill has been allocated is estimated at each reporting date. The key elements of estimating the recoverable amount of goodwill include projections of the future cash flows expected to be derived from the asset and their possible variations from the originally forecast ones.

According to management's estimates, the recoverable amount of goodwill exceeds (or is at least equal to) its carrying amount (see note 25).

2.6. Recognition of deferred income tax related to investments in the Estonian, Latvian and Lithuanian subsidiaries, branches, associates and joint ventures.

In 2018, a new income tax system entered into force in Latvia. The system resembles the Estonian one but upon its application Latvian entities began to recognise deferred tax in their consolidated IFRS financial statements differently from the Estonian approach. In accordance with the Latvian treatment, deferred tax for investments in subsidiaries, branches, associates and joint ventures is to be recognised even if the investments are located in jurisdictions where corporate income tax is to be paid on the distribution of profit (Estonia and Latvia), except to the extent that Compensa is able to control the timing of the reversal of the taxable temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. In line with the treatment applied at the time in Estonia, deferred tax liabilities were not recognised in such cases.

Compensa's management has decided to continue to account for deferred tax liabilities related to investments in subsidiaries, branches, associates and joint ventures using the previously applied policy because Compensa controls the dividend policy of its subsidiaries and branches and is able to control the timing of the reversal of the temporary differences related to those investments. If the parent has decided not to distribute the profit of a subsidiary or a branch in the foreseeable future, it does not recognise a deferred tax liability. If the parent expects a dividend to be distributed in the foreseeable future, it recognises a deferred tax liability to the extent of the expected dividend distribution assuming that at the reporting date there are sufficient funds and equity from which profit can be distributed in the foreseeable future.

Taxable temporary differences for which no deferred tax liability is recognised are disclosed in note 34. If Compensa changed the accounting policy and recognised the deferred tax liability on these investments, the liability recognised would be immaterial as at 31 December 2023.

2.7. Insurance and reinsurance contracts classification

Insurance contracts are defined as contracts under which one party (the insurer) accepts significant insurance risk from another party (the policyholder), by agreeing to provide compensation to the policyholder if a specified uncertain future event (the insured event) negatively affects the policyholder.

Contracts held by Compensa under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts.

Financial risk is the risk of a possible future change in e.g. specific interest rates, securities prices, price indices, interest rate indices, credit ratings and credit indices. It must be noted that in the case of a non-financial variable, the variable is not specific to one counterparty. In many cases, particularly in the life insurance area, insurance policies as defined in IFRS 17 also transfer financial risk.

Some contracts in Compensa portfolio have the legal form of insurance contracts but do not transfer significant insurance risk. Such financial insurance policies exist only to a minor extent in the personal insurance area. These contracts are classified as financial liabilities and are defined as 'investment contracts'. Investment contracts are generally out of the IFRS 17-scope. However, if investment contracts have discretionary participation features, these contracts are nevertheless within IFRS 17-scope.

To determine how to identify changes in discretionary cash flows for insurance contracts with discretionary features which do not meet the definition of direct participation, local entities specify the basis on which it expects to determine its commitment under the contract. However, effect of market variables (e.g. investment returns) on the cash flows should still flow through P&L or optionally recognized in OCI and should not adjust the CSM.

Before Compensa accounts for an insurance or reinsurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. Meaning, those components must be accounted for under another IFRS rather than IFRS 17 (distinct non-insurance components). After separating any distinct non-insurance components, IFRS 17 is applied to all remaining components of the insurance contract. Currently Compensa does not have such a contracts.

For the consolidated insurance companies, the lines of business for direct insurance and facultative reinsurance were grouped into the following IFRS 17 portfolios for life and health insurance.

- Life insurance:
  - With profit participation
    - Saving products
    - Estonian Pillar 2 pension
  - Other
    - Latvian Pillar 2 pension
    - Risk products
    - Annuities
    - Personal accident in Latvia
  - Unit- and index-linked
  - Issued and held Treaty reinsurance
- Health insurance:
  - Medical insurance

The majority of the group's life insurance contracts are eligible to be measured using the VFA. These are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items,
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

This primarily concerns unit-linked policies.

All long-duration insurance contracts in primary insurance without direct participation features (saving contracts with guaranteed interest and annuities) are generally measured with GMM.

In the primary Health insurance, the PAA is applied to measure short duration insurance contracts.

2.8. Insurance and reinsurance contracts accounting treatment

2.8.1. Level of aggregation

After identifying which insurance contracts are within the scope of IFRS 17, taking into account the effects of the combination of insurance contracts, separation of distinct non-insurance components, and the separation of multiple insurance contracts contained within a single legal policy document, IFRS 17 necessitates to define the level of aggregation for applying its requirements.

The level of aggregation is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Based on their expected profitability at inception, portfolios are afterwards split into three categories:

- a group of contracts that are onerous at initial recognition, if any;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any;
- a group of the remaining contracts in the portfolio, if any.

Once the groups of insurance contracts are determined, they become the unit of account to which the consolidated insurance companies apply requirements of IFRS 17. This means that IFRS 17 metrics such as fulfilment cash flows, the Contractual Service Margin ("CSM") and loss components should be available at this granularity. Compensa has defined portfolios of insurance and reinsurance contracts issued based on its Solvency II lines of business structure for Life and Health business due to the fact that the products are subject to similar risks and managed together.

The groups of contracts for which the fair value approach has been adopted on transition include contracts issued more than one year apart.

In most cases, the profitability of groups of contracts are assessed by actuarial cash flow models and profitability metrics that take into consideration existing and new business.

Portfolios of reinsurance contracts held are divided applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. It is possible that a group of reinsurance contracts held comprises a single contract.

2.8.1. Onerous groups of contracts

For groups of onerous contracts, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

Some contracts are issued prior the coverage period starts and the initial premium becomes due. Therefore, the consolidated insurance companies determine whether any contracts issued form a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. To identify whether a group of contracts is onerous, facts and circumstances are considered based on:

- pricing information,
- results of similar contracts the group has recognised and
- environmental factors, like changes in market or regulations.

Compesa does not issue contracts prior the coverage period starts and the initial premium becomes due.

2.8.2. Recognition

Groups of insurance contracts issued have to be recognised from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the initial payment from a policyholder in the group of contracts is due, or when the first payment is received if there is no due date; or
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

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Proportional and non-proportional groups of reinsurance contracts held have to be recognised at the latest of the following:

- The beginning of the coverage period of the group of reinsurance contracts held.
  and
- The date the consolidated insurance companies recognise an onerous group of underlying insurance contracts if the consolidated insurance companies entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

Additionally, proportional groups of reinsurance contracts held are delayed until the date when any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

New contracts are added to the group in the reporting period in which that contract meets one of the criteria set out above.

2.8.3. Contract boundary

The measurement of a group of insurance contracts includes all future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the policyholder can be compelled to pay the premiums, or in which a substantive obligation exists to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- the practical ability exists to reassess the risks of the particular policyholder, and as a result, a price or level of benefits can be set that fully reflects those risks; or Both of the following criteria are satisfied:
  - the practical ability exists to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, a price or level of benefits can be set that fully reflects the risk of that portfolio; as well as
  - the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognized as these amounts relate to future insurance contracts.

For contracts with renewal periods, it is assessed whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of the renewals on which IFRS 17 is applied, are established by considering all the risks covered for the policyholder, that would be considered when underwriting equivalent contracts on the renewal dates for the remaining service. The contract boundary of each group of contracts is reassessed at the end of each reporting period.

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

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

2.9. Measurement

The assumptions and estimates are based on all parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond of control. Such changes are reflected in the assumptions when they occur. The information is disaggregated to disclose the IFRS 17 measurement models, namely GMM, VFA and PAA. This disaggregation follows closely the lines of business structure at VIG, which can be described principally as follows:

- Life and health insurance business with direct participation features is measured with VFA,
- P&C business is primarily measured with PAA and

- Long-duration P&C business not fulfilling the PAA-criteria, reinsurance business and business with direct participation features not fulfilling the VFA-criteria is measured mainly with GMM.

2.9.1. Initial measurement

Insurance contracts not measured under PAA

The GMM measures a group of insurance contracts as the total of:

- the fulfilment cash flows and
- the CSM, representing the unearned profit the consolidated insurance companies will recognise as they provide insurance contract services under the insurance contracts in the group.

The fulfilment cash flows comprise:

- unbiased and probability-weighted estimates of future cash flows,
- discounted to present value to reflect the time value of money and financial risks,
- plus a risk adjustment for non-financial risk.

The objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. Future cash flows are estimated considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, all cash flows within the contract boundary are considered like:

- premiums and any additional related cash flows,
- claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims including:
  - payments to policyholders that vary depending on returns on underlying items and
  - allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs.
- claims handling costs,
- policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries,
- allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts,
- transaction-based taxes.

The measurement of fulfilment cash flows includes insurance acquisition cash flows. Insurance acquisition costs are recognized as an expense over the coverage period of the group of insurance contracts. At the same time an equal amount is recorded as revenue representing a portion of premium that relates to recovering insurance acquisition cash flows. If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Insurance contracts measured under PAA

Compensa applies the premium allocation approach (PAA) at least to all health insurance contracts that it issues:

- the coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary (refer to 2.8.3), or
- for contracts longer than one year, Compensa has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, Compensa has also considered qualitative factors such as the nature of the risk and types of its lines of business.

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The PAA is not applied if, at the inception of the group of contracts, a significant variability in the fulfilment cash flows is expected that would affect the measurement of the liability for the remaining coverage (LRC) during the period before a claim is incurred. Variability in the fulfilment cash flows increases with, for example:

- the extent of future cash flows related to any derivatives embedded in the contracts and
- the length of the coverage period of the group of contracts.

For a group of contracts that is not onerous at initial recognition, the liability for remaining coverage is measured as:

- the premiums, if any, received at initial recognition,
- minus any insurance acquisition cash flows at that date,
- plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- any other asset or liability previously recognised for cash flows prior to the recognition of the group of insurance contracts.

Where facts and circumstances indicate that contracts are onerous at initial recognition, additional analysis helps determining if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and a loss is recognized in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to 2.16 and on onerous contracts, to 2.10.1

For contracts measured using the PAA, Compensa accounting policy does not, in general, permit the liability for remaining coverage (LRC) to be measured using discounted cash flows, unless the group of contracts is onerous.

Reinsurance contracts held

Reinsurance assets for a group of reinsurance contracts held are measured on the same basis as insurance contracts issued. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue. Compensa measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss. A loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group will be recognised.

Compensa adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts, the consolidated insurance companies expect to recover from the group of reinsurance contracts held.

Comensa also establishes (or adjusts) a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses recognised applying the requirements above. The loss-recovery component determines the amounts that are presented in profit or loss as reversals of recoveries of losses from reinsurance contracts held and are, consequently, excluded from the allocation of premiums paid to the reinsurer.

Where only some contracts in the onerous underlying group are covered by the group of reinsurance contracts held, a systematic and rational method is used to determine the portion of losses recognised on the underlying group of insurance contracts to insurance contracts covered by the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage. If a loss-recovery component is created for a group of reinsurance contracts measured under the PAA, then Compensa adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM.

Where the group enters reinsurance contracts held which provide coverage relating to events that occurred before the purchase of the reinsurance, such cost of reinsurance is recognised in profit or loss on initial recognition.

2.9.2. Subsequent measurement

According to IAS 34, the frequency of reporting must not affect the annual results. IFRS 17 requires changes in estimates that relate to changes in future services in the contractual service margin to be immediately recognised in the income statement. To avoid affecting the annual result, measurements during the year must be based on a cumulative basis from the beginning of the financial year to the reporting date (year-to-date accounting). Under year-to-date accounting, changes in estimates recorded in periods during the year are not taken into account, while they are included in the calculation with date-to-date accounting. Compensa makes use of the year-to-date accounting option according to IFRS 17.B137.

Insurance contracts not measured under PAA

The present value of future cash flows will be determined by different approaches depending on the decision of local companies. Both stochastic modelling and deterministic projection are used within the group. In contrast to deterministic projection techniques, stochastic modelling apply techniques to generate a large number of possible economic scenarios for market variables such as interest rates and equity returns to project future cash flows.

The following assumptions are used when estimating future cash flows:

- **Mortality, morbidity and longevity rates**
  Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the local companies experiences. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated e.g.by underwriting class and contract type.

  An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce the future CSM.

- **Expenses**
  Administrative expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

  An increase in the expected level of expenses will reduce future expected profits.

  The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of insurance contracts (GICs) using methods that are systematic and rational. These methods are consistently applied to all costs that have similar characteristics.

- **Lapse and surrender rates**
  Lapses relate to the termination of policies due to non–payment of premiums whereas surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on experiences and vary by product type, policy duration and sales trends.

  An increase in lapse rates early in the life of the policy would tend to reduce the future CSM , but later increases are broadly neutral in effect.

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For a group of insurance contracts, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group (see 2.8.1),
- interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition,
- the changes in fulfilment cash flows relating to future service, except to the extent that:

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  - such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or
  - such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage (see 2.15),
- the effect of any currency exchange differences on the CSM and
- the amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period (see 2.14).

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM,
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss and other comprehensive income rather than adjusting the CSM),
- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing the actual investment component that becomes payable in the period with the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable. The same applies to a policyholder loan that becomes repayable. And,
- changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition (see Note 5.1.2).

Where, during the coverage period, a group of insurance contracts becomes onerous, a loss is recognized in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to Note 2.2.7.2.

The carrying amount of a group of insurance contracts is measured at the end of each reporting period as the sum of:

- the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and
- The liability for incurred claims comprising the fulfilment cash flows related to past service allocated to the group at that date.

When measuring a group of direct participating contracts, Compensa adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. Compensa then adjusts any CSM for changes in the amount of the Compensas's share of the fair value of the underlying items, which relate to future services, as explained below. The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- the change in the amount of Compensas's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - Compens has applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cash flows
  - a decrease in the amount of the Compensas's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds

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the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or
    - an increase in the amount of the Compensas's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses);
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that o not arise from underlying items – e.g. the effect of financial guarantees.

Insurance contracts measured under PAA

At the end of each reporting period, the carrying amount of the liability for remaining coverage is the carrying amount at the beginning of the period:

- plus premiums received in the period,
- minus insurance acquisition cash flows,
- plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group,
- plus any adjustment to the financing component, where applicable,
- minus the amount recognised as insurance revenue for the services provided in the period and
- minus any investment component paid or transferred to the liability for incurred claims.

The liability for incurred claims is estimated as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates, and include an explicit adjustment for non-financial risk (the risk adjustment). Compensa always discounts the LIC even when the cash flows are expected to be paid or received in one year or less from the date the claims are incurred.

For non-life business, the LIC is a major component of the insurance contract liabilities.

In the non-life business, the ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. The main assumption underlying these techniques is the use of past claims development experiences to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, a loss in profit or loss is recognized for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to 2.16. For additional information on insurance acquisition cash flows, please refer to 2.9.4.

Acquisition costs are capitalised (recognised as deferred acquisition costs) in health insurance contracts, direct acquisition costs are deferred and charged to expenses within one year after the date of conclusion of the contract. Acquisition costs are amortised in proportion to the recovery of the costs incurred for a contract.

Reinsurance contracts held

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held. The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises

- the fulfilment cash flows that relate to services that will be received under the contracts in future periods and
- any remaining CSM at that date.

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer.

2.9.3. Insurance contracts – modification and derecognition

Insurance contracts are derecognized when:

- the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired) or the contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the initial contract is derecognized, and the modified contract is recognized as a new contract.

2.9.4. Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the consolidated balance sheet, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the consolidated balance sheet when the insurance acquisition cash flows are included in the initial measurement of the CSM of the related group of insurance contracts.

It is required to apply a systematic and rational method to allocate:

- Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
  - to that group; and
  - to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.
- insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of insurance contracts to groups in the portfolio.

At the end of each reporting period, the amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognized are revised, to reflect changes in assumptions related to the method of allocation used.

After any re-allocation, the recoverability of the asset for insurance acquisition cash flows is assessed, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, it is required to apply:

- an impairment test at the level of an existing or future group of insurance contracts; and
- an additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss in position Insurance service expenses.

A reversal of some or all of an impairment previously recognized and increases the carrying amount of the asset is recognised in profit or loss, to the extent that the impairment conditions no longer exist or have improved.

In the current and prior years, no insurance acquisition cash flows are allocated to future groups of insurance contracts, as it is not expected any renewal contracts to arise from new contracts issued in the period.

In the current and prior year, Compensa did not identify any facts and circumstances indicating that the assets may be impaired.

2.10. Discount rates

All insurance contract liabilities (except for LRC measured under PAA) are calculated by discounting expected future cash flows at risk free rates plus an illiquidity adjustment.

Risk free rates are determined by a bottom-up approach with reference to swap rates in the currency of the insurance contract liabilities or government bond rates where swap rates cannot be considered deep, liquid and transparent.

The illiquidity adjustment to the relevant risk-free interest rates is based on the risk-corrected spread between the interest rate that could be earned from a reference portfolio and the basic risk-free interest rates. Reference portfolio weights are calculated considering all of Compensa's applicable investments grouped by country.

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

Spot rates without illiquidity adjustment in %	Maturity					
	31.12.2023					
	1 year	3 years	5 years	10 years	20 years	30 years
Insuranace contracts issued						
EUR	3,36	2,44	2,32	2,39	2,41	2,52
Reinsurance contracts held						
EUR	3,36	2,44	2,32	2,39	2,41	2,52

Spot rates without illiquidity adjustment in %	31.12.2022					
	1 year	3 years	5 years	10 years	20 years	30 years
Insuranace contracts issued						
EUR	3,18	3,20	3,13	3,09	2,76	2,73
Reinsurance contracts held						
EUR	3,18	3,20	3,13	3,09	2,76	2,73

Illiquidity adjustment	**31.12.2023**	**31.12.2022**
in basis points		
Estonia	41	**37**
Latvia	**41**	**40**
Lithuania	41	40

2.11. Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation required for bearing the uncertainty about the amount and timing of the cash flows of GICs and covers insurance risk, lapse risk and expense risk. The risk adjustment reflects therefore an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount.

The risk adjustment estimation was done by using a cost of capital technique (CoC-technique). The CoC-technique requires to estimate the probability distribution of the fulfilment cash flows, and the additional capital that it requires at each future date in the cash flow projection to comply with economic capital requirements.

A CoC-rate is applied to the additional capital requirement in future reporting periods. The cost of capital represents the return required by a company to compensate for exposure to the non-financial risk. The calculated risk adjustment at future durations is discounted to the reporting date at the discount rate, to be held as a part of the total life insurance contract liability.

2.12. Amortisation of the Contractual Service Margin (CSM)

The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit a local company will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognised in profit or loss as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount is determined by:

- Identifying the coverage units in the group;
- Allocating the CSM at the end of the period, before recognising any amounts in profit or loss to reflect the insurance contract services provided in the period, equally to each coverage unit provided in the current period and expected to be provided in the future;
- Recognising in profit or loss the amount allocated to coverage units provided in the period.

In order to determine the number of coverage units in a group of insurance contracts, the quantity of benefits provided to the policyholder which combines insurance coverage services and investment services has to be measured. When weighting different services, the consolidated group generally considers the split of the present value of premium in risk and savings part to weight the release components. However, in some cases there might be also the need to weight different insurance coverages when determining the number of coverage units in a group. The present value of premiums of each insurance coverage can be used for this.

The consolidated insurance companies determine the quantity of benefits and coverage units for its main product lines as follows:

For the non-life, health and non-life reinsurance business, the consolidated insurance companies approximate the insurance services provided with the projected earned premium, as the majority of these services is the insurance coverage. The coverage unit is therefore the projected earned premium.

For groups of life annuities contracts, the quantity of benefits for both insurance coverage and investment service are mathematical reserves, thus the coverage unit is also the mathematical reserve. For term without surrender value and riders, which only provide insurance coverage, the quantity of benefits is the contractually agreed sum insured over the period of the contracts. For these products, the coverage unit is therefore also the contractually agreed sum insured. For unit- and index-linked contracts the quantity of investment service is determined by fund value, therefore the fund value is used as coverage unit.

For endowment without riders and term insurance with surrender value a measure for insurance coverage is sum at risk and a measure for investment service is mathematical reserve. The sum assured is used as coverage unit, since it represents both components: the insurance component part (sum at risk) and the investment component part (mathematical reserve or fund value). In this case no further weighting is necessary.

For reinsurance contracts held, the number of coverage units in a group reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

The total coverage units of each group of (re-)insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period.

2.13. Presentation

Under IFRS 17 the consolidated insurance companies separately present in the consolidated balance sheet the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Assets due to insurance acquisition cash flows recognised before the commencement of the corresponding insurance contracts are included in the carrying amount of the related portfolios of insurance contracts issued.

The amounts recognised in the income statement and in the other comprehensive income (OCI) are disaggregated into an insurance service result, comprising insurance service revenue and insurance service expenses, and insurance finance result.

The change in risk adjustment for non-financial risk is disaggregated between the insurance result and insurance finance result.

The income or expenses from reinsurance contracts held are presented in the income statement in position insurance service result – reinsurance held. Therefore, the reinsurance service result is separately presented from the expenses or income from insurance contracts issued.

Changes to presentation and disclosure

Issued insurance contracts and reinsurance contracts held are presented in the balance sheet as follows:

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

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Portfolio of insurance contracts and reinsurance contracts in an asset position are presented separately from those in a liability position. Netting is not permitted in accordance with IFR 17, this is key difference in presentation in the balance sheet compared with IFRS 4, where netting was possible.

Similar to the new presentation in insurance contracts in the balance sheet, there have been changes in the items of the income statement. These differ from those show under IFRS4 with regard to both their name and their content. The items are now presented as follows under IFRS17:

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

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

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

2.14. Insurance service revenue

The insurance service revenue depicts the provision of services arising from a group of insurance contracts at an amount that reflects the consideration to which it is expected to be entitled in exchange for those services.

For contracts not measured under PAA, insurance service revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts. For example, the amount of premiums paid to the consolidate insurance companies adjusted for financing effect (the time value of money) and excluding any investment components. The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- insurance service expenses, excluding any amounts relating to the risk adjustment for non-financial risk and any amounts allocated to the loss component of the liability for remaining coverage;
- other amounts like income tax that are specifically chargeable to the policyholder;
- the risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage,
- the CSM release and
- amounts related to insurance acquisition cash flows.

For significant management judgements applied to the amortisation of CSM, please refer to 2.12

Under PAA (medical expenses insurance), the insurance revenue for the period is the amount of expected premium receipts excluding any investment component which is allocated to the period. The expected premium receipts to each period of insurance contract services are allocated mainly on a basis of a linear release pattern on local entity level.

If facts and circumstances changes, the basis of allocation between the two methods above will be made.

2.15. Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- Incurred claims and other insurance service expenses: For some life risk contracts, incurred claims also include premiums waived on detection of critical illness.
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Group amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.

- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

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

2.16. Loss components

Contracts that are onerous at initial recognition are grouped separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. For any onerous group a loss component of the liability for remaining coverage is established depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts or contracts profitable at inception that have become onerous. The loss component is released based on a systematic allocation of the subsequent changes relating to future service in the fulfilment cash flows to the loss component and the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes relating to future service in estimates of the fulfilment cash flows and the risk adjustment for non-financial risk. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts since the loss component will have been materialised in the form of incurred claims.

For groups of contracts measured under the PAA, no contracts are assumed to be onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances mentioned in 2.8.1 indicate that a group of insurance contracts is onerous, a loss component has to be established as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined in 2.9.1. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

2.17. Loss-recovery components

As described in 2.9.3, when a loss on initial recognition of an onerous group of underlying insurance contracts are recognized or when further onerous underlying insurance contracts are added to a group, a loss-recovery component of the asset for remaining coverage is established for a group of reinsurance contracts held depicting the recovery of losses.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

Where a loss-recovery component has been set up at initial recognition or subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the consolidated insurance companies expect to recover from the group of reinsurance contracts held. On this basis, the loss-recovery component recognised at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

2.18. Insurance finance result

Insurance finance result comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money and
- the effect of financial risk and changes in financial risk, but

- excluding any such changes for groups of insurance contracts with direct participation features that would adjust the CSM but do not do so because the groups of contracts are onerous. These are included in insurance service expenses.

Compensa applies the option to disaggregate insurance finance result on insurance contracts issued for its life business between profit or loss and OCI. The OCI option allows inconsistent measurements (accounting mismatch) of assets and liabilities to be offset through equity, rather than through profit or loss. Such differences can, for example, occur for life insurance policies eligible for profit-participation. If the business model requires such measurement, the OCI option is used to minimise the accounting mismatch. For participations that are being held for strategic purposes, the OCI option is predominantly used in order to minimise the accounting mismatches mentioned above. Compensas's financial assets backing the insurance issued portfolios are predominantly measured at amortised cost or FVOCI.

The total insurance finance income or expenses are systematically allocated over the duration of the group of contracts to profit or loss using discount rates determined on group of insurance level.

2.19. Net income or expense from reinsurance contracts held

IFRS 17 requires a reinsurance contract held to be accounted for separately from the underlying insurance contracts to which it relates. Additionally, amounts arising from transactions with reinsurers shall be reported according to whether they relate to:

- the amounts recovered from the reinsurer or
- amounts allocated to premiums paid

With special treatment of:

- Reinsurance cash flows that are contingent on claims on the underlying contracts which are treated as part of the claims that are expected to be reimbursed under the reinsurance contract held.
- Reinsurance cash flows that are not contingent on claims of the underlying contracts (e.g. some types of ceding commissions) as a reduction in the premiums to be paid to the reinsurer.
- Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

2.20. Consolidation and business combinations

Branches

Branches are economic entities established for offering services on behalf of the company (Compensa Life Vienna Insurance Group SE). A branch is not an independent legal person. The Compensa is liable for the obligations arising from the activities of the branch. The accounts of foreign branches are maintained separately. Branches prepare their financial statements for the same periods and using the same accounting policies as the Compensa. Any balances, transactions and profits and losses arising from transactions between the group and its branches are eliminated in full.

Subsidiaries

A subsidiary is an entity that is controlled by the group. Control is presumed to exist when the group has power to govern, directly or indirectly, an entity's operating and financial policies so as to obtain benefits from its activities. Consolidation of the subsidiary begins from the date the group obtains control and ceases when the group loses control of the subsidiary.

Transactions eliminated on consolidation.

In preparing consolidated financial statements, the financial statements of the parent and all entities under its control are combined line by line. Intragroup balances and transactions, and unrealised profits and losses resulting from intragroup transactions are eliminated (intragroup losses are eliminated to the extent there is no indication of impairment).

Parent company's separate primary financial statements presented in the notes.

Under the Estonian Accounting Act, the notes to the consolidated financial statements must include the separate primary financial statements of the consolidating entity (the parent). The parent's primary financial statements have been prepared using the same accounting policies as those applied in the preparation of these consolidated financial statements except for investments in subsidiaries, which in the parent's financial statements are measured using the cost method.

2.21. Cash and cash equivalents.

Cash and cash equivalents comprise cash on hand and balances on current accounts (excluding overdrafts).

2.22. Financial assets

Purchases and sales of financial assets are recognised using settlement date accounting. A financial asset is derecognised on the day that it is transferred by the group.

Financial assets are divided into the following categories:

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

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

2.22.1. Business model assessment

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

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

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Compensa's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- The expected frequency, value and timing of asset sales are also important aspects of the Compensa's assessment

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

2.22.2. The Solely payments of principal and interest test (SPPI test)

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

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

2.22.3. Financial assets measured at amortized cost

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

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

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

Assets held at amortized cost are loans and time deposits.

2.22.4. Financial assets measured at fair value through other comprehensive income

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

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

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

2.22.5. Financial instruments measured at fair value through profit (loss)

Financial instruments measured at FVTPL:

- Debt instruments have been designated to FVTPL category upon initial recognition by management.
- Debt instruments which are mandatorily required to be measured at FVTPL under IFRS 9.
- Debt instruments that are neither measured at AC nor at fair value though other comprehensive income.

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

2.22.6. Impairment of financial assets

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

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

Financial instruments for which 12-month ECL are recognised are referred to as ‘Stage 1 financial instruments’. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which lifetime ECL are recognised because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as ‘Stage 2 financial instruments’. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as ‘Stage 3 financial instruments’.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

The Compensa's debt instruments comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Euroland Credit Agency and, therefore, are considered to be low credit risk investments. It is the Compensa's policy to measure ECLs on such instruments on a 12-month basis. Where the credit risk of any bond deteriorates, the Compensa will sell the bond and purchase bonds meeting the required investment grade.

The Compensa considers a financial asset to be in default (credit impaired) when contractual payments are 90 days past due. However, in certain cases, the Compensa may also consider a financial asset to be in default when internal or external information indicates that the Compensa is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ECL for debt instruments at amortized cost is included in asset value (Note 17), ECL for debt instruments at fair value through other comprehensive income is included in OCI fair value reserves. ECL changes are shown as net impairment loss on financial statements (Note 18)

2.22.7. The calculation of ECLs

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

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

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

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

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

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

Financial assets are written off either partially or in their entirety only when the Compensa has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements.

2.23. Property, plant and equipment

Items of property, plant and equipment are tangible assets used in the group's operating activity that have a useful life of over one year. An item of property, plant and equipment is recognised initially at its cost, which comprises the purchase price (including customs duties and other non-refundable taxes) and any other costs directly attributable to bringing the asset to the location and condition necessary for it to be operating in the intended manner. After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and any impairment losses. Assets held under finance leases are accounted for similarly to purchased assets.

Subsequent expenditure on an item of property, plant and equipment is recognised in the carrying amount of the item when it is probable that future economic benefits associated with the item will flow to the group and the expenditure can be measured reliably. The costs of day-to-day servicing and repair of an item are recognised as an expense as incurred.

Items of property, plant and equipment are depreciated using the straight-line method. Each item is assigned a depreciation rate that corresponds to its useful life. The annual depreciation rates for classes of property, plant and equipment are as follows:

- land — not depreciated
- works of art — not depreciated
- buildings and structures — 2%
- vehicles, machines and equipment — 20%
- computers and computer systems — 20-33%
- other equipment, fixtures and fittings — 20-50%

Only the difference between the cost and residual value of an item of property, plant and equipment is depreciated over its useful life. At each reporting date, the depreciation rates, methods and residual values assigned to assets are reviewed. When the residual value of an asset increases to an amount greater than the asset's carrying amount, depreciation is discontinued.

Works of art with permanent value and other items of property, plant and equipment that have an unlimited useful life are carried at cost and they are not depreciated.

The group assesses whether there is any indication that an item of property, plant and equipment may be impaired. When the recoverable amount of an item of property, plant and equipment (i.e. the higher of its fair value less costs to sell and its value in use) is less than its carrying amount, the item of property, plant and equipment is written down to its recoverable amount.

2.24. Leases

Under the standard IFRS16; *Leases*, the lessee recognises all lease liabilities on-balance sheet. Lease liabilities are recognised on the liabilities side and the assets held under a lease contract are recognised on the assets side as right-of-use assets.

The lease liability is initially measured at the present value of the lease payments not paid by the commencement date of the lease, using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Lease payments include the following components:

- fixed lease payments
- variable lease payments depending on an index or a rate (e.g. inflation rate, Euribor, etc.)
- amounts expected to be payable under a residual value guarantee
- the exercise price of a purchase, extension or termination option (if the lessee is reasonably certain to exercise or not exercise that option, i.e. it is reflected in the lease term)

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Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease until the end of the lease term unless the ownership of the underlying asset transfers to the entity at the end of the lease term or the carrying amount of the right-of-use assets indicates that the entity plans to exercise the purchase option. In that case, the underlying asset is depreciated over its entire estimated useful life, which is determined using the same approach as for similar items of property, plant and equipment owned by the Compensa. After initial recognition, right-of-use assets are depreciated and interest is recognised on the lease liability. In accordance with IFRS 16, one of the two rates is used as the discount rate:

- the interest rate implicit in the lease if this can be readily determined, or
- the lessee's incremental borrowing rate – the rate of interest that a lessee would have to pay to borrow the funds necessary to obtain the right of use of a similar asset.

The interest rate (discount rate) is 2.0% for lease liabilities in Estonia and 2.6% for those in Latvia and Lithuania. The interest rate is based on the country- and industry-specific cost of debt rate. Under the new lease accounting model, the pattern of expense is front-loaded, although the lessee pays constant monthly rentals. Lease accounting model excludes leases of low-value assets (up to 5,000 euros according to the classification applied by VIG group) and short-term leases (up to 12 months).

Both the lease liability and the right-of-use asset are recognised at the present value of lease payments. After initial recognition, leased assets are recognised at amortised cost – at cost less depreciation. The depreciation period is the lease term.

The lease liability must be remeasured in the balance sheet on the reassessment of lease payments – the method depends on the reason for remeasurement:

- there is a change in the assessment of the option to purchase the leased asset, or the option to extend or terminate the lease (the exercise of the option has become, or is no longer, "reasonably certain") – the revised lease payments should be discounted using a revised discount rate;
- there is a change in the amounts expected to be payable under a residual value guarantee – the revised lease payments should be discounted using an unchanged discount rate;
- there is a change in lease payments resulting from a change in an index or a rate used to determine the payments – the revised lease payments are assumed to apply until the end of the lease term. The revised lease payments are to be discounted using the original (unchanged) discount rate.

The carrying amounts of leased assets are adjusted in line with the lease liabilities.

The Compensa may also sublease, i.e. re-lease a right-of-use asset to a third party. A subleasing arrangement may be an operating lease (if the right-of-use is subleased) or a finance lease (if the underlying asset is subleased). Sub-leases are classified into operating or finance leases as follows:

- if the head lease is a short-term lease, which the lessee has elected not to recognise, the sublease is classified as an operating lease;
- otherwise the sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

If the lessee subleases an asset or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

In the case of a sublease, if the interest rate implicit in the sublease cannot be readily determined, an intermediate lessor may use the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease).

2.25. Other financial liabilities

All other financial liabilities (trade payables, other short and long-term liabilities, loans received, debt securities issued) are initially recognised at their fair values and are subsequently measured at their amortised cost using the effective interest method. The amortised cost of current financial liabilities generally equals their nominal value; therefore current financial liabilities are measured in the balance sheet at the amount payable.

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Non-current financial liabilities are initially recognised at the fair value of the consideration received (less transaction costs). In subsequent periods, they are measured at their amortised cost using the effective interest method.

2.26. Other provisions and contingent liabilities

A provision is recognised when the group has a present obligation arising from an obligating event that occurred before the reporting date and derives from a contract or legislation or the group's established pattern of past practice, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation but the timing or amount of the obligation are uncertain.

Provisions are recognised based on management's estimates of the expenditure required to settle the present obligation and the time the obligation has to be settled. A provision is recognised in an amount which according to management's estimates is required to settle the obligation at the reporting date or to transfer it to a third party. A provision is measured at its discounted value (the present value of the expected outflows) unless the effect of discounting is immaterial. Expenses on provisions are recognised in the period in which they are incurred.

2.27. Corporate income tax

Under Estonian legislation, corporate profit is not subject to income tax and thus deferred tax assets and liabilities do not arise. In place of profit, income tax is charged on dividends distributed from retained earnings. The tax rate is 20% and the amount of tax payable is calculated as 20/80 of the net dividend (as from 1 January 2015). The corporate income tax payable on a dividend distribution is recognised as an expense in the period in which the dividend is declared, regardless of the period for which the dividend is declared or the period in which the dividend is actually distributed.

In Lithuania, corporate profit is subject to income tax at the rate of 15%. Accordingly, in those countries deferred tax assets and liabilities may arise (see note 34). Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously. See also paragraph 2.4.

In Latvia, a new Law on Corporate Income Tax took effect on 1 January 2018, which changed both the tax bases and the procedure of paying taxes. The new corporate income tax rate is 20% (until 31 December 2017, corporate earnings were subject to 15% income tax similarly to Lithuania) and the taxation period was changed for one month (previously one year). The tax bases are as follows:

- profit distributions (dividends calculated, payments equivalent to dividends, conditional dividends);
- conditional or theoretical profit distributions (non-business expenses, doubtful debts, excessive interest payments, loans to related parties, decreases in income or excessive expenses incurred by entering into transactions at prices other than market prices, benefits provided by a non-resident to its staff or members of the management board (supervisory board) regardless of whether the recipient is a resident or a non-resident if they relate to the operation of a permanent establishment in Latvia).

The use of tax losses carried forward from previous periods is limited: the losses can be used to reduce the amount of tax payable on dividends in the reporting period by up to 50%. Unused tax losses can be carried forward and used in the above manner until 2022.

The new law also changed the principles underlying the taxation of corporate profit. From 1 January 2018, profit is taxed only when it is distributed and the tax rate applied is 20% (previously corporate earnings were taxed annually at the rate of 15%). The tax rate for undistributed profit is 0%.

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2.28. Deferred tax

Deferred tax is recognised for temporary differences that arise between the carrying amounts of assets and liabilities and their tax bases (the tax base is the amount attributed to an asset or liability for tax purposes).

Under Estonian laws, corporate profit for the year is not subject to taxation. The obligation to pay income tax arises on the distribution of profit and is recognised as an expense (in profit or loss for the period) when the dividend is declared. Due to the nature of the taxation system, companies registered in Estonia do not have deferred tax assets or liabilities except for possible deferred tax liabilities related to investments in subsidiaries, associates, joint ventures and branches.

The group incurs deferred tax liabilities in connection with investments in entities domiciled in countries where profit for the year is subject to income tax.

The group also incurs deferred tax liabilities in connection with investments in subsidiaries, associates, joint ventures and branches domiciled in Estonia (and Latvia) except to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Examples of the reversal of taxable temporary differences include the distribution of a dividend, the disposal of an investment, and similar transactions.

Since the group controls the dividend policy of its subsidiaries and branches, it is also able to control the timing of the reversal of the temporary differences associated with those investments. If the parent has decided not to distribute the profit of a subsidiary or a branch in the foreseeable future, it does not recognise a deferred tax liability. If the parent expects a dividend to be distributed in the foreseeable future, it recognises a deferred tax liability to the extent of the expected dividend distribution assuming that at the reporting date there are sufficient funds and equity from which profit can be distributed in the foreseeable future.

2.29. Financial liabilities

Financial liabilities are accounted for when the Compensa undertakes to pay in cash or make a settlement by other assets. These are the financial liabilities not related to market prices. First the Compensa recognizes the financial liability at the acquisition cost, i.e. at the value of assets or services received. Subsequently, they are measured at amortized cost using the effective interest method.

2.30. Cash flow statement

The cash flow statement has been prepared using the direct method. Cash and cash equivalents include cash in hand and cash in bank. The received dividends are shown as investment activity in the cash flows statement, and paid dividends as financing activity. The received interest is shown in investing activity.

2.31. Revenue

Fee and commission income

Fee and commission income is recognised on an accrual basis after the service has been provided. Investment management and consulting fees are recognised based on relevant service contracts on an accrual basis. Other fee income and other income are recognised on an accrual basis when the transaction has been performed.

Interest income

Interest income is recognised in profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, cash flows are estimated considering all contractual terms of the financial instrument but not considering future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down due to impairment, interest income on them is recognised using

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the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Dividend income

Dividend income is recognised when the right to receive payment is established and collection of income is probable.

2.32. New and revised standards and interpretations

The following new standards, interpretations and amendments were not yet effective for the reporting period ended 31 December 2023 and have not been applied in preparing these consolidated financial statements. Compensa plans to adopt these pronouncements when they become effective:

Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants *(Effective for annual periods beginning on or after 1 January 2024; shall be applied retrospectively. Early application is permitted Specific transition requirements apply for companies that have early-adopted the previously issued but not yet effective 2020 amendments).*

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments, as issued in 2020, have removed the requirement for a right to be unconditional and instead require that a right to defer settlement must exist at the reporting date and have substance (the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early).

The amendments, as issued in 2022, further clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt).

Compensa does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements *(Effective for annual periods beginning on or after 1 January 2024. Disclosure of comparative information for any reporting periods presented before, and information as at the beginning of, the annual reporting period in which the entity first applies those amendments is not required. Also, an entity is not required to disclose the information otherwise required by the amendments for any interim period presented within the annual reporting period in which the entity first applies those amendments. Early application is permitted)*

The amendments introduce additional disclosure requirements for a Compensa to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the Compensa's liabilities and cash flows, and the Compensa's exposure to liquidity risk. The amendments apply to supplier finance arrangements (also referred to as supply chain finance, payables finance or reverse factoring arrangements) that have all of the following characteristics:

- a finance provider (also referred to as the factor) pays amounts a company (the buyer) owes its suppliers;
- a company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid;
- the company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

However, the amendments do not apply to arrangements for financing receivables or inventory

Compensa does not expect the amendments to have a material impact on its financial statements when initially applied.

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Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability *(Effective for annual periods beginning on or after 1 January 2025; to be applied prospectively. Early application is permitted)*

Under IAS 21 The Effects of Changes in Foreign Exchange Rates, a Compensa uses a spot exchange rate when translating a foreign currency transaction. In some jurisdictions, no spot rate is available because a currency cannot be exchanged into another currency.

IAS 21 was amended to clarify:

- when a currency is exchangeable into another currency; and
- how a company estimates a spot rate when a currency lacks exchangeability.

The amendments also include additional disclosure requirements to help users to assess the impact of using an estimated exchange rate on the financial statements.

Compensa does not expect the amendments to have a material impact on its financial statements when initially applied

Amendments to IAS 12 Income Taxes *(Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)*

The amendments clarify the accounting for deferred tax on transactions that involve recognising both an asset and a liability with a single tax treatment related to both. The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

Compensa does not expect the amendments to have a material impact on its financial statements when initially applied

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback *(Effective for annual periods beginning on or after 1 January 2024; to be applied retrospectively to the date when the entity initially applied IFRS 16. Early application is permitted) – This pronouncement is not yet endorsed by the EU.*

Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments.

The amendments confirm the following.

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

Compensa does not expect the amendments to have an impact on its financial statements when initially applied.

Note 3 Risk management

To manage the risks inherent in its operations, Compensa has set up a risk management system. The risk management system is part of the governance system and consists of strategies, processes and intra-group reporting that is required for identifying, quantifying, constantly monitoring, managing and organising the reporting of all significant risks. Organising risk management is the responsibility of the management board. However, the daily risk management function has been assigned to the risk manager. Compensa's risk management system complies with applicable laws and regulations and VIG's group-wide standards and guidelines.

On a daily basis, risk management is supported by the practice of granting rights and powers to specific individuals and the internal control system. Most of Compensa's employees have long-term industry experience, which ensures good knowledge of the insurance products, processes and software. At least once a year, Compensa carries out a comprehensive risk inventory and, concurrently, an assessment of the effectiveness of its internal control system.

Risk strategy is embedded in the business strategy, which ensures effective risk management and supports the Compensa's solvency and informed risk management. Compensa's risk strategy establishes risk limits for current and forward-looking solvency positions. These indicators are a key input for a forward-looking risk management process and own risk and solvency assessment (ORSA).

The results of risk inventory and assessment are discussed by the management board and taken into account in preparing business plans and adopting daily management decisions. Risk assessment results are also reported to VIG's risk management function and the results of forward-looking own risk assessment are also discussed by Compensa's supervisory board.

This report describes management of the following risks that are significant for Compensa:

- Insurance risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk

3.1 Insurance risk

Due to the nature of its business, Compensa issues contracts that transfer insurance risk from the policyholder to the insurer. The contracts carry the risk of loss or the risk that the value of insurance contract liabilities may change unpredictably due to insufficient estimation or incorrect assumptions. The risk may arise when the frequency or size of insured events exceeds Compensa's assumptions.

Insurance events are random and therefore the actual number and size of claims and benefits will differ from year to year from assumptions obtained using statistical techniques.

The larger the portfolio of similar insurance contracts, the smaller the relative difference between the actual outcome and statistical assumptions. The more diversified the insurance portfolio, the lower the impact of an event on the portfolio as a whole.

Compensa offers guaranteed-interest, term life and unit-linked products and, at its Latvian and Lithuanian branches, also health insurance. Guaranteed-interest insurance products comprise endowment, children's, and pension insurance. Term life insurance products comprise risk and loan insurance. Unit-linked products are also endowment insurance products (endowment, children's, and pension insurance) but the investment risk is borne by the policyholder. Additional risk covers (covers for critical illnesses, permanent disability, and death, permanent disability and temporary incapacity for work resulting from an accident) can be added to the main contract. Customers may choose a suitable premium amount and payment schedule in the framework of product terms. Product terms allow the customer certain deviations from the agreed payment schedule.

For contracts where the insured event is death or survival to a certain date, the most significant factors that affect risk are the policyholder's lifestyle including, in particular, the levels of smoking and alcohol consumption and physical activity and exercise. Risk is also influenced by the level of education, medical care and social security as well as changes in the field of activity.

Compensa will implement new mortality and tariff tables when the tariffs calculated based on currently used tables cease to provide adequate cover against its insurance risks.

Compensa controls and manages insurance risk through its underwriting procedures. It has established limits for concentrations of specific insurance risks. Depending on the age of the insured person and

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the insured amount, a medical examination may be required. Compensa also balances the aggregate risk of its portfolio by maintaining a balance between contracts bearing mortality risk and the risk of survival.

Besides the above measures, Compensa limits its maximum risk retention. All losses that exceed 30,000 euros are to be covered by a reinsurer.

Uncertainty about future claims, benefits and premiums of long-term contracts arises from the unpredictability of changes in general mortality and policyholder behaviour.

In determining mortality, Compensa relies on the statistical mortality tables prepared by the Estonian, Latvian and Lithuanian national statistics offices and the Finnish pension insurance market statistics on mortality, which according to Compensa's assessment reflect adequately the risks inherent in the company's operating environment and customer base.

The sale of health insurance has increased in recent years. Compensa has issued many contracts with relatively small insured amounts where potential loss per insured person is small. Therefore, concentration risk is not considered to be high.

Insurance risk includes the risk of surrender. A general deterioration of the economic environment is the main factor that reduces policyholders' ability to save and increases the risk of contract surrender. Future cash inflows from premium payments may also be smaller than expected or diverge from the expected schedule.

Compensa analyses the probability of future cash inflows and adopts measures, including proactive customer relations management, to find solutions for policyholders' financial difficulties. Management adjusts the company's governance and future plans to changes in cash flows.

in euros	As at 31 December 2023 Estonia	Latvia	Lithuania	Total
Insurance assets	**502,412**	**45,422**	**110,553**	**658,387**
Other	502,412	45,422	110,553	658,387
Insurance liabilities	**119,381,026**	**182,178,213**	**163,245,272**	**464,804,512**
With profit participation	93,295,071	33,992,029	66,567,584	193,854,684
Other	5,062,050	112,894,483	955,287	118,911,820
Index/unit-linked	21,023,905	30,735,590	90,491,198	142,250,693
Medical expense	0	4,556,111	5,231,204	9,787,315

in euros	As at 31 December 2022 Estonia	Latvia	Lithuania	Total
Insurance assets	**403,982**	**49,511**	**145,645**	**599,138**
Other	403,982	49,511	145,645	599,138
Insurance liabilities	**119,854,581**	**157,152,056**	**116,641,945**	**393,648,583**
With profit participation	95,866,180	32,318,801	56,366,264	184,551,244
Other	3,843,640	95,539,850	1,129,049	100,512,540
Index/unit-linked	20,144,761	25,543,705	51,202,216	96,890,682
Medical expense	0	3,749,701	7,944,416	11,694,117

3.2 Market risk

Market risk is the risk of loss or the risk of unpredictable changes in the group's financial position that results directly or indirectly from fluctuations in the market prices of assets, liabilities and financial instruments. Market risk consists of interest rate risk, currency risk and other price risk.

Market risk arises primarily from investing the assets of guaranteed-interest insurance and investment contracts. The activity involves the risk that due to fluctuations in interest rates, interest income and proceeds from the disposal of investments are not sufficient for covering contractual liabilities. The cash flows of guaranteed-interest contracts are presented in the paragraph *Liquidity risk*.

To manage its market risk, Compensa has developed an investment policy which outlines its investment strategy and the principles of investing in different asset classes, performing risk analyses and exercising control. Compensa also monitors legal and regulatory requirements and restrictions on investing committed assets. The value of committed assets, i.e. assets acquired for covering the liabilities arising from insurance contracts (insurance provisions and financial liabilities), may not, at any time, be lower than the value of relevant liabilities.

The investment policy is reviewed whenever necessary but not less frequently than once a year.

3.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As a rule, the fair value of floating-rate debt securities changes in line with changes in interest rates. Floating-rate debt securities involve cash flow risk because when interest rates decrease, their yields decline. A decrease in the yields of interest-bearing assets in a situation where interest liabilities remain unchanged would have a negative impact on Compensa's profit. The yields and cash flows of fixed-interest debt securities are not affected by changes in market interest rates. However, changes in market interest rates affect their fair value. The cash flows and risk exposures of debt securities are presented in paragraph 3.7.

FVOCI Financial assets by geographical area:

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In euros **As at 31 December**	**2023**	**2022**
Lithuania	30,448,055	28,463,380
France	23,972,101	18,905,606
Latvia	21,349,290	15,440,182
Estonia	20,852,365	24,202,454
Austria	16,350,922	16,496,780
Slovenia	14,817,611	13,454,652
Poland	13,451,264	13,302,132
Netherland	12,289,191	10,713,201
Slovakia	11,792,678	11,676,185
Finland	7,658,064	7,195,651
Denmark	7,385,524	6,971,830
Supranational	7,314,912	5,549,743
European Union Institutions	6,970,743	4,550,229
Germany	6,891,055	6,826,287
United States	6,204,914	6,531,146
Spain	6,102,605	5,765,434
Belgium	5,061,283	3,923,416
Great Britain	4,368,263	4,427,476
Ireland	4,283,199	2,118,147
Hungary	3,568,016	2,472,145
Other countries	2,972,464	4,126,075
Luxembourg	2,968,293	2,762,931
Sweden	1,851,299	1,814,187
Australia	1,617,317	2,151,523
Italy	1,218,157	1,134,013
Portugal	1,000,940	918,829
TOTAL	**242,760,524**	**221,893,634**

A +/-1.0 percentage point change in interest rates as at the reporting date would have resulted in a -20,67/+24,32 million euro change in the value of the debt securities portfolio which is reported within fair value through other comprehensive income financial assets (bonds); this would have had a direct impact on Compensa's equity. The change in interest rates would have had no impact on profit or loss. There is no effect of the change in interest rates on the existing loan and deposit portfolio, as the interest rate is fixed at the time of signing the contract.

Changes in interest rates mainly affect the CSM, profit or loss and equity as follows. The effects on profit or loss and equity are presented net of the related income tax.

The interest rate impact to CSM — Changes in the amount of the Group's share of the fair value of underlying items of profitable direct participating contracts to which the risk mitigation option is not applied.

3.4 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

All insurance contracts issued in Estonia, Latvia and Lithuania are denominated in euros and assets that back their liabilities are also denominated in euros. Assets backing liabilities from those contracts

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are also denominated in euros. In 2023, Compensa made investments in financial instruments denominated in the following currencies:

- USD – Shares, fund units and debt securities
- GBP – Shares and fund units
- DKK – Debt securities
- SEK – Shares

Compensa's exposure to currency risk:

	31.12.2023				
In euro	**EUR**	**USD**	**GBP**	**DKK**	**SEK**
Cash and cash equivalents	19,930,531	9,403	2,259	1,302	0
Financial investments	509,508,473	229,859	113,495	7,119,975	54,668
Insurance contract assets	658,387	0	0	0	0
Reinsurance contract assets	119,920	0	0	0	0
Other assets and receivables	19,912,869	0	0	0	0
Total assets	**550,130,180**	**239,262**	**115,753**	**7,121,278**	**54,668**
Financial liabilities	1,576,044	0	0	0	0
Insurance contract liabilities	464,804,512	0	0	0	0
Reinsurance contract liabilities	1,537,089	0	0	0	0
Other liabilities	3,944,008	0	0	0	0
Total liabilities	**471,861,653**	**0**	**0**	**0**	**0**
Currency cap	**78,268,527**	**239,262**	**115,753**	**7,121,278**	**54,668**

	31.12.2022				
In euro	**EUR**	**USD**	**GBP**	**DKK**	**SEK**
Cash and cash equivalents	26 270 352	-105 613,00	5 170	-22 271	-33 333
Financial investments	430 596 270	411 680	107 594	6 660 881	85 937
Insurance contract assets	599 138	0	0	0	0
Reinsurance contract assets	172 863	0	0	0	0
Other assets and receivables	19 253 691	0	0	0	0
Total assets	**476 892 314**	**306 067**	**112 764**	**6 638 610**	**52 604**
Financial liabilities	1 735 931	0	0	0	0
Insurance contract liabilities	393 648 583	0	0	0	0
Reinsurance contract liabilities	890 198	0	0	0	0
Other liabilities	3 334 897	0	0	0	0
Total liabilities	**399 609 608**	**0**	**0**	**0**	**0**
Currency cap	**77 282 706**	**306 067**	**112 764**	**6 638 610**	**52 604**

A +/- 1% change in the exchange rate of the euro against currencies not pegged to the euro at the reporting date would have changed Compensa's profit by +74,6 th /- 76,1 th euros (31 December 2022: would have changed profit by +/- 71,0 th euros). The effect is such if other parameters remain constant.

3.5 Equity price risk

Compensa exposure to equity price risk arises from its investments in equity securities and collective investment schemes that invest in equities. Equity price risk arising from the underlying items of participating contracts is generally borne by contract holders except to the extent of the Group's share of the performance of the underlying items.

Investment limits require business units to hold diversified portfolios of assets and restrict concentrations to geographies and industries. Compensa does not have a significant concentration of equity price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Investments exposed to price risk include shares and fund units in Compensa's own investment portfolio that are measured at fair value through profit or loss. The position exposed to price risk in Compensa's investment portfolio is 45,98 million euro. Fund units account for 96.4% and single stocks for only 3.6% of Compensa's price risk exposure.

In euros	31.12.2023	31.12.2022
Shares	1,680,515	1,744,524
Investment funds - own	44,301,266	41,571,066
Investment funds - Unit-linked	191,467,443	144,869,066
Total	**237,449,224**	**188,184,656**

Fund units by fund type and geographical area in carrying amount as at 31 December 2023:

In euros	Global	Europe	America	Russia	Asia	Total
Shares	**0**	**1,392,214**	**288,302**	**0**	**0**	**1,680,516**
Investment funds - own	**7,564,867**	**36,392,257**	**315,461**	**0**	**28,680**	**44,301,265**
Equity funds	53,012	246,740	315,461	0	28,680	**643,893**
Mixed funds	6,585,873	0	0	0	0	**6,585,873**
Debt funds	925,982	7,890,491	0	0	0	**8,816,473**
Property funds	0	28,255,026	0	0	0	**28,255,026**
Investment funds – unit-linked	**110,751,352**	**16,098,614**	**60,189,759**	**0**	**4,427,718**	**191,467,443**
Equity funds	3,868,895	16,098,614	60,189,759	0	4,427,718	**84,584,986**
Mixed funds	84,585,688	0	0	0	0	**84,585,688**
Debt funds	22,296,769	0	0	0	0	**22,296,769**
TOTAL	**118,316,219**	**53,883,085**	**60,793,522**	**0**	**4,456,398**	**237,449,224**

In euros	Global	Europe	America	Russia	Asia	Total
Shares	**0**	**1,360,733**	**383,790**	**0**	**0**	**1,744,523**
Investment funds - own	**5,333,018**	**35,999,828**	**178,576**	**30,205**	**29,440**	**41,571,067**
Equity funds	6,135	303,463	178,576	30,205	29,440	**547,819**
Mixed funds	5,158,648	0	0	0	0	**5,158,648**
Debt funds	168,235	7,389,322	0	0	0	**7,557,557**
Property funds	0	28,307,043	0	0	0	**28,307,043**
Investment funds – unit-linked	**95,098,258**	**14,670,952**	**28,656,910**	**2,513,733**	**3,929,214**	**144,869,067**
Equity funds	2,670,124	12,193,423	28,656,910	2,513,733	3,929,214	**49,963,404**
Mixed funds	75,418,397	0	0	0	0	**75,418,397**
Debt funds	17,009,737	2,477,529	0	0	0	**19,487,266**
TOTAL	**100,431,276**	**52,031,513**	**29,219,276**	**2,543,938**	**3,958,654**	**188,184,657**

A +/-1% change in the market prices of shares and fund units held as at the reporting date would have changed Compensa's profit and equity by +/- 462 th euros (2022: +/- 535 th euros).

3.6 Credit risk

Credit risk is the risk of loss or the risk of unpredictable changes in the group's financial position due to fluctuations in the credit ratings of those securities issuers, transaction counterparties and debtors with whom Compensa comes into contact in the framework of counterparty insolvency risk or concentration risk.

Compensa's credit risk exposures arise mainly from investment in debt securities and reinsurance. Compensa has entered into a reinsurance contract with VIG Re, a reinsurance company that belongs to the same group as Compensa's parent company, and also a proportional accident reinsurance contract with the parent company (VIG). The credit ratings of both reinsurers are A+ according to Standard & Poor's.

All separate accident insurance contracts and additional accident insurance covers are reinsured. Compensa does not consider the credit risk arising from reinsurance to be high.

Investment-related financial risks are managed through the investment policy, which outlines the limits and lowest permitted ratings for investments in debt securities. According to the policy, in general the permitted minimum rating for debt securities is A (Standard & Poor's). In limited quantities, it is allowed to acquire debt securities with a BBB rating (Standard & Poor's). At the time of purchase, the ratings of the instruments were in compliance with the policy but since then several ratings have been lowered in connection with the economic difficulties persisting in Europe. Compensa monitors and analyses the changes in the ratings of debt securities held consistently and with due care and makes appropriate changes to the structure of its portfolio as and when necessary.

Financial assets (debt instruments) exposed to credit risk:

At 31 December 2023 **In euro**	**AAA**	**AA**	**A**	**BBB**	**BB and lower**	**Without rating**	**Total**
Bonds FVtOCI	**24,254,498**	**53,199,515**	**120,904,315**	**37,879,964**	**3,967,561**	**2,554,670**	**242 760 523**
Bonds FVtPL	**67,853**	**0**	**0**	**0**	**0**	**0**	**67 853**
Loans AC	**0**	**0**	**0**	**3,848,495**	**4,104,059**	**17,689,676**	**25 642 230**
Term depostits	**0**	**0**	**6,430,574**	**1,630,000**	**921,805**	**0**	**8 982 379**
Cash and cash equivalents	**0**	**0**	**6,281,243**	**13,044,710**	**589,699**	**27,843**	**19 943 495**
TOTAL FINANCIAL ASSETS	**24 322 351**	**53,199,515**	**133,616,132**	**56,403,169**	**9,583,124**	**20,272,189**	**297,396,480**

At 31 December 2022 **In euro**	**AAA**	**AA**	**A**	**BBB**	**BB and lower**	**Without rating**	**Total**
Bonds FVtOCI	**20,870,167**	**60,002,083**	**95,682,909**	**36,359,067**	**5,948,881**	**3,030,528**	**221 893 635**
Bonds FVtPL	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loans AC	**0**	**0**	**0**	**3,298,453**	**4,213,522**	**15,067,924**	**22 579 899**
Term depostits	**0**	**0**	**3,000,156**	**0**	**900,006**	**0**	**3 900 162**
Cash and cash equivalents	**0**	**11,681,891**	**4,380,036**	**9,650,431**	**0**	**401,948**	**26 114 306**
TOTAL FINANCIAL ASSETS	**20 870 167**	**71,683,974**	**103,063,101**	**49,307,951**	**11,062,409**	**18,500,400**	**274,488,002**

The table reflects the maximum credit risk exposure. The amounts shown in the table are at book value without ECL (expected credit loss). The change in ECL is shown in the following table.

In euros	At 31 December 2022	Acquisition	Disposal	Increase	Decrease	Reclassifi-cation	At 31 December 2023
Bonds FVOCI	**-168,216**	**-9,653**	**5,244**	**-34,988**	**27,355**	**0**	**-180,258**
Stage 1	-166,796	-9,653	5,244	-34,182	26,837	0	-178,551
Stage 2	-1,420	0	0	-806	519	0	-1,707
Loans AC	**-101,945**	**-11,567**	**1,192**	**-2,917**	**1,785**	**0**	**-113,452**
Stage 1	-101,945	-11,567	1,192	-2,917	1,785	0	-113,452
Term deposits AC	**-2,939**	**-2,920**	**59**	**-30**	**1,789**	**0**	**-4,041**
Stage 1	-2,939	-2,920	59	-30	1,789	0	-4,041
Total ECL	**-273,100**	**-24,141**	**6,496**	**-37,935**	**30,929**	**0**	**-297,751**

In euros	At 31 December 2021	Acquisition	Disposal	Increase	Decrease	Reclassifi-cation	At 31 December 2022
Bonds FVOCI	**-161,740**	**-30,241**	**40,202**	**-73,074**	**56,638**	**0**	**-168,216**
Stage 1	-160,321	-30,241	40,202	-50,786	56,638	-22,288	-166,796
Stage 2	-1,420	0	0	-22,288	0	22,288	-1,420
Loans AC	**-44,333**	**-12,581**	**817**	**-46,454**	**606**	**0**	**-101,945**
Stage 1	-44,333	-12,581	817	-46,454	606	0	-101,945
Term deposits AC	**-763**	**-2,939**	**257**	**0**	**506**	**0**	**-2,939**
Stage 1	-763	-2,939	257	0	506	0	-2,939
Total ECL	**-206,836**	**-45,761**	**41,276**	**-119,528**	**57,750**	**0**	**-273,100**

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3.7 Liquidity risk

Liquidity risk is the risk that Compensa will not be able to realise investments and other assets to meet its liabilities under insurance contracts and other financial liabilities as and when necessary.

According to management's assessment, Compensa's liquidity risk is very low because the next two years' projected cash flow from insurance activities is positive. Besides, Compensa invests in financial instruments that can be realised within three business days when necessary.

The table below outlines the expected cash flows of existing assets and liabilities. The cash flows of liabilities comprise the cash flows of guaranteed-interest contracts and associated supplementary insurance covers until the expiry of the contracts. Future cash inflows from contracts are invested as they arise in line with Compensa's investment policies (future investments and their cash flows are not included in the table).

At 31 December 2023	Undiscounted contractual cash flows					
in euros	**w/o maturity**	**up to one year**	**1-5 years**	**5-10 years**	**more than 10 years**	**Overall Result**
Cash and cash equivalents gross	**19,943,495**	**0**	**0**	**0**	**0**	**19,943,495**
Amortized costs gross	**0**	**5,982,379**	**4,041,668**	**24,600,561**	**0**	**34,624,609**
loans AC gross	0	0	1,041,668	24,600,561	0	**25,642,229**
term deposits AC gross	0	5,982,379	3,000,000	0	0	**8,982,379**
Fair value through OCI	**5,260,264**	**6,637,628**	**63,006,968**	**72,379,213**	**100,736,715**	**248,020,788**
shares and shares in companies FVOCI	5,260,264	0	0	0	0	**5,260,264**
Bonds FVOCI	0	6,637,628	63,006,968	72,379,213	100,736,715	**242,760,524**
Fair value through PL	**237,747,559**	**0**	**0**	**0**	**67,853**	**237,815,411**
shares and shares in companies FVTPL	1,680,515	0	0	0	0	**1,680,515**
bonds FVTPL	0	0	0	0	67,853	**67,853**
funds FVTPL	236,067,043	0	0	0	0	**236,067,043**
Total financial asset cash flow	**262,951,318**	**12,620,007**	**67,048,636**	**96,979,774**	**100,804,568**	**540,404,303**
Financial liabilities	**0**	**-643,170**	**-785,414**	**-147,460**	**0**	**-1,576,044**
lease liabilities	0	-572,442	-449,091	0	0	**-1,021,533**
liabilities designated at FVTPL	0	-70,728	-336,323	-147,460	0	**-554,510**
Net financial cash flow	**262,951,318**	**11,976,837**	**66,263,222**	**96,832,314**	**100,804,568**	**538,828,259**

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At 31 December 2022	Undiscounted contractual cash flows					
in euros	w/o maturity	up to one year	1-5 years	5-10 years	more than 10 years	Overall Result
Cash and cash equivalents gross	**26,114,307**	**0**	**0**	**0**	**0**	**26,114,307**
Amortized costs gross	**0**	**3,000,156**	**1,975,542**	**21,555,089**	**0**	**26,530,787**
loans AC gross	0	0	1,075,536	21,555,089	0	**22,630,625**
term deposits AC gross	0	3,000,156	900,006	0	0	**3,900,162**
Fair value through OCI	**4,328,410**	**8,995,067**	**59,757,764**	**61,202,154**	**91,938,649**	**226,222,044**
shares and shares in companies FVTOCI	4,328,410	0	0	0	0	**4,328,410**
bonds FVOCI	0	8,995,067	59,757,764	61,202,154	91,938,649	**221,893,634**
Fair value through PL	**188,184,656**	**0**	**0**	**0**	**0**	**188,184,656**
shares and shares in companies FVTPL	1,744,524	0	0	0	0	**1,744,524**
funds FVTPL	186,440,132	0	0	0	0	**186,440,132**
Total cash flow	**218,627,373**	**11,995,223**	**61,733,307**	**82,757,243**	**91,938,649**	**467,051,794**
Financial liabilities	**0**	**-577,209**	**-1,011,262**	**-147,460**	**0**	**-1,735,931**
lease liabilities	0	-506,481	-657,623	0	0	**-1,164,104**
liabilities designated at FVTPL	0	-70,728	-353,639	-147,460	0	**-571,826**
Net financial cash flow	**218,627,373**	**11,418,014**	**60,722,045**	**82,609,783**	**91,938,649**	**465,315,863**

	Undiscounted contractual cash flows					
At 31 December 2023 In euros	w/o maturity	Up do one year	1-5 years	5-10 years	more than 10 years	Total cashflow
Life insurance contract liabilities *						
Insurance contract liabilities	-142,250,693**	-17,763,018	-86,065,576	-54,505,795	-230,295,187	**-530,880,270**
Reinsurance contract liabilities	0	-1,557,168	-278,510	-380,059	-1,059,055	**-3,274,793**
Insurance contract assets	0	286,213	786,264	587,771	387,681	**2,047,928**
Reinsurance contract assets	0	-3,595,451	-28,371	-2,252	0	**-3,626,073**
Total life insurance contract liabilities	**-142,250,693**	**-22,629,424**	**-85,586,194**	**-54,300,335**	**-230,966,562**	**-535,733,208**
Health insurance contract liabilities						
Insurance contract liabilities	0	-5,049,384	12	0	0	**-5,049,371**
Total insurance contract liabilities	**-142,250,693**	**-27,678,808**	**-85,586,181**	**-54,300,335**	**-230,966,562**	**-540,782,579**

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At 31 December 2022 In euros	Undiscounted contractual cash flows w/o maturity	Up do one year	1-5 years	5-10 years	more than 10 years	Total cashflow
Life insurance contract liabilities *						
Insurance contract liabilities	-96,890,682**	-13,272,624	-68,991,952	-32,887,466	-273,006,892	**-485,049,615**
Reinsurance contract liabilities	0	-357,239	-249,518	-295,832	-888,485	**-1,791,074**
Insurance contract assets	0	225,006	730,381	536,529	366,999	**1,858,915**
Reinsurance contract assets	0	275,679	-7,036	-859	0	**267,785**
Total life insurance contract liabilities	**-96,890,682**	**-13,129,177**	**-68,518,126**	**-32,647,627**	**-273,528,378**	**-484,713,990**
Health insurance contract liabilities						
Insurance contract liabilities	0	-7,190,538	-297	0	0	**-7,190,835**
Total insurance contract liabilities	**-96,890,682**	**-20,319,715**	**-68,518,422**	**-32,647,627**	**-273,528,378**	**-491,904,825**

* *Positive cash flow (reported with a minus) results from the fact that the forecast contractual cash inflows exceed the contractual cash outflows.*
** *Unit-linked contracts are linked to movements in underlying assets (investments) that do not have a fixed term and Compensa has no liquidity risk even if the customer terminates the contract early. Therefore, in the case of these contracts it is not practical to show a distribution exceeding one year. The distribution of underlying assets is shown for the same duration.*

3.8 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people's activities or systems, or external events. Operational risk includes legal risks but does not include the risks that result from strategic decisions and reputational risks.

Compensa classifies operational risk events using Compensas's group-wide incident classification system. The risks associated with employee mistakes and processes, and external and internal fraud, are mainly prevented using the internal control system. The risk of business interruption is mitigated by mapping the threats to the group's operations and preparing business continuity plans. For managing IT risks, including the risks resulting from software changes, and interface risks the group has adopted an IT strategy and has established relevant procedures and rules.

The group has developed a procedure for reporting operational risk events (including IT incidents) which requires the staff not only to report relevant events but also to analyse their root causes and undertake activities for preventing them from recurring.

3.9 Risk sensitivity analysis

In Compensa, as in the VIG group, business activities are largely managed based on Solvency II, where a risk-oriented system has been established and the quantitative and qualitative requirements of risk management processes have been met. Therefore, Solvency II sensitivity is also used in financial statements.

The main differences between Solvensy II and IFRS 17 calculations are:

- The costs considered (full cost approach vs directly attributable,
- The contract boundaries (Solvency II → risk view, IFRS 17 → contractual view, and this is reflected especially in riders and hybrid UL products. In accordance with IFRS 17, for example, contract boundaries of riders follow the underlying main cover and in Solvency contract boundaries of rider are determined independently of main cover),
- The interest rate applied for discounting

The following table shows the impact of various risk factors on the future cash flows of Compensa's insurance portfolio.

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Sensitivity across different parameters In euros	Impact on cash flow from insurance contracts			
Insurance risks	**2023**		**2022**	
Change in mortality rate +/-5%	**+**	**-**	**+**	**-**
Health similar to Non-Life	0	0	0	0
Only Life	-1,774,206	1,985,935	0	0
Unit-/Index-linked	888,247	-849,244	0	0
Change in life laps rate +100%/-50%				
Health similar to Non-Life	0	0	0	0
Only Life	37,028,351	-37,841,542	17,035,630	-11,649,118
Unit-/Index-linked	65,075,006	-66,982,040	29,005,161	-22,922,240
Change in operating cost assumption -10%				
Health similar to Non-Life	257,317	-257,317	n/a	n/a
Only Life	7,846,241	-7,846,241	2,173,780	-2,173,770
Unit-/Index-linked	12,036,465,	-12,036,465	3,818,726	-3,818,709
Finance risks				
Change in interest rates +/- 100bps				
Health similar to Non-Life	-56,525	57,608	-51,492	16,302
Only Life	-26,068,819	30,693,064	-28,049,718	36,422,617
Unit-/Index-linked	8,195,045	-9,804,511	6,464,873	-7,712,063
Equity price -25%				
Health similar to Non-Life		0		**0**
Only Life		-16,996		0
Unit-/Index-linked		-42,010,247		-25,851,897

3.10 Capital management

The objective of capital management is to ensure the Compensa's sustainable operation and safeguard the interests of policyholders and investors.

Careful capital planning and regular monitoring enable the Compensa to identify possible decreases in the capital buffer and potential shortfalls sufficiently early. Financial and solvency forecasts, which are made during the planning process and form a part of the Compensa's own risk and solvency assessment report, are an integral part of capital management. In managing its capital, Compensa also takes into account the changes planned to be made to its own funds.

New principles for calculating the solvency capital requirement (Solvency II regime) took effect and were adopted by Compensa as from 1 January 2016. Under those principles, an insurer has to calculate its solvency capital requirement at least once a year on a going concern basis using the standard formula, internal model, or partial internal model. The solvency capital requirement corresponds to the amount of an insurer's own funds which enables the insurer to meet its obligations under insurance contracts over the next 12 months with 99.5% probability.

The minimum capital requirement corresponds to the amount of eligible basic own funds below which there would be unacceptably high risk that the insurer would not be able to fulfil its obligations to policyholders, insured persons and beneficiaries were the insurer to continue its operations.

The Compensa's share capital must amount to at least 3.0 million euros (Insurance Activities Act, section 114(1)) and the minimum capital requirement is 6.7 million euros (Insurance Activities Act, section 82(7)).

The Compensa had a Solvency capital requirement (SCR) of EUR 80.72 million (2022: 88.07 million EUR) and a minimum capital requirement (MCR) of 20.18 million EUR as of 31 December 2023 (2022:

22.02 million EUR). Eligible own funds amounted to 144.33 million EUR (2022: 147.07 million EUR), are available for these requirements. As a result, Compensa has a solvency ratio of 1.8 (2022: 1,7) and an MCR coverage of 7.1 (2022: 6,7).

At 31 December 2023, Compensa's share capital amounted to 11,604,000 euros (31 December 2022: 11,604,000 euros).

At 31 December 2023 and 31 December 2022, Compensa was in compliance with all legal and regulatory capital requirements.

Note 4 Insurance service result

2023 In euros	With profit participation	Other	Index/unit-linked	Medical expense	Total
Insurance revenue	8,676,830	6,571,120	12,282,251	44,847,518	**72,377,718**
thereof expense	**-4,793,206**	**-5,065,296**	**-8,385,146**	**-44,562,256**	**-62,805,903**
Paid claims incl. att.Claims handling expenses	-2,312,461	-1,297,150	-3,437,355	-40,069,928	**-47,116,894**
Change of LIC/AIC	-99,340	-70,840	1,125,729	105,496	**1,061,046**
Incurred dir.attr.operating expenses	-2,333,652	-3,069,207	-5,128,178	-4,505,745	**-15,036,782**
Onerous changes	-47,754	-608,816	-151,051	-92,079	**-899,700**
Changes related to future serv.	0	-19,282	0	0	**-19,282**
Experience adjustment	0	0	-794,291	0	**-794,291**

2022 In euros	With profit participation	Other	Index/unit-linked	Medical expense	Total
Insurance revenue	**8,865,088**	**6,197,011**	**11,953,274**	**33,003,011**	**60,018,384**
thereof expense	**-7,682,766**	**-13,904,227**	**-7,014,119**	**-32,676,625**	**-61,277,738**
paid claims incl. att.Claims handling expenses	-2,148,186	-1,051,220	-2,134,274	-26,611,491	**-31,945,170**
change of LIC/AIC	-3,297,742	-7,103,672	-821,522	-2,433,899	**-13,656,834**
incurred dir.attr.operating expenses	-2,128,459	-2,887,039	-4,373,291	-3,631,236	**-13,020,025**
onerous changes	-108,380	-2,862,296	-437,198	0	**-3,407,873**
experience adjustment	0	0	752,165	0	**752,165**

In euros	2023	2 022
Insurance service result – reinsurance held	**-410,196**	**-459,476**
thereof revenue	-4,374,575	-6,755,503
thereof expense	**3,964,379**	**6,296,027**
paid claims incl. att. Claims handling expenses	3,688,331	3,318,395
change of LIC/AIC	-276,946	276,946
change of PVFCF LRC/ARC (GMM)	7,628	10,471
changes related to future services that adjust CSM (GMM)	57,225	2,339,294
changes in loss recovery component RI held (GMM)	488,140	350,921

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Note 5 Insurance finance result

2023 in euros	With profit participation	Other	Index/unit-linked	Medical expense	Re-insurance	Total
Insurance finance result	**-3,566,481**	**-945,632**	**-15,521,624**	**-56,707**	**-547,549**	**-20,637,993**
Interest accreted LRC/ARC FCF	-2,718,913	-744,340	0	0	-612,600	**-4,075,852**
Interest accreted LIC/AIC FCF	-18	-243	0	-54,571	0	**-54,832**
Accr. CSM at locked-in inter.rate	-399,245	-184,196	0	0	64,908	**-518,533**
RA financial risk component	-448,305	-16,854	9,326,918	-2,135	143	**8,859,767**
Interest rate changes LRC/ARC FCF	0	0	-11,662,181	0	0	**-11,662,181**
Oth.adjustm. insurance fin. result	0	0	-13,186,360	0	0	**-13,186,360**

2022 in euros	With profit participation	Other	Index/unit-linked	Medical expense	Re-insurance	Total
Insurance finance result	**-2,925,145**	**69,726**	**24,484,112**	**8,575**	**-4,654**	**21,632,614**
Interest accreted LRC/ARC FCF	-2,125,146	69,701	172,657	0	1,457	**-1,881,331**
Interest accreted LIC/AIC FCF	-4,010	408	1,493	8,404	0	**6,295**
Accr. CSM at locked-in inter.rate	-594,031	-5,438	0	0	5,126	**-594,343**
RA financial risk component	-201,958	5,056	1,995,239	171	-11,237	**1,787,271**
Interest rate changes LRC/ARC FCF	0	0	72,149,400	0	0	**72,149,400**
Oth.adjustm. insurance fin. result	0	0	-49,834,678	0	0	**-49,834,678**

Note 6 Expected CSM balance

At 31 December 2023 In euros	Current +1y	Current +2yrs	Current +3yrs	Current +4yrs	Current +5yrs	further years	Overall Result
Expected CSM release	**-5,241,402**	**-5,692,911**	**-4,928,824**	**-4,307,753**	**-3,882,749**	**-42,404,044**	**-66,457,683**
Insurance contracts issued	**-6,676,044**	**-5,780,267**	**-5,007,992**	**-4,367,024**	**-3,920,906**	**-42,737,695**	**-68,489,928**
Expected CSM release GMM	-3,877,018	-3,123,974	-2,465,985	-1,929,115	-1,592,071	-9,186,107	-22,174,270
Expected CSM release VFA	-2,799,026	-2,656,293	-2,542,007	-2,437,909	-2,328,835	-33,551,588	-46,315,658
Reinsurance contracts held	**1,434,642**	**87,356**	**79,168**	**59,271**	**38,157**	**333,651**	**2,032,245**
Expected CSM release RI held (GMM)	1,434,642	87,356	79,168	59,271	38,157	333,651	2,032,245

At 31 December 2022 In euros	current+ 1y	current+ 2yrs	current+ 3yrs	current+ 4yrs	current+ 5yrs	further years	Overall Result
Expected CSM release	**-10,493,546**	**-9,112,697**	**-7,823,004**	**-6,634,026**	**-5,672,695**	**-57,358,687**	**-97,094,655**
Insurance contracts issued	**-10,566,824**	**-9,169,559**	**-7,876,585**	**-6,681,458**	**-5,584,585**	**57,671,859**	**-97,550,870**
Expected CSM release GMM	-7,013,523	-5,838,199	-4,746,543	-3,733,974	-3,116,777	-18,961,264	-43,410,280
Expected CSM release VFA	-3,553,301	-3,331,360	-3,130,042	-2,947,484	-2,722,287	-38,456,116	-54,140,590
Reinsurance contracts held	**73,278**	**56,862**	**53,581**	**47,432**	**8,566**	**216,496**	**456,215**
Expected CSM release RI held (GMM)	73,278	56,862	53,581	47,432	8,566	216,496	456,215

Note 7 Remaining CSM balance per group portfolio

At 31 December 2023 In euros	With profit participation	Other	Index/unit-linked	Medical expense	Re-insurance	Total
Expected CSM release (GMM)	-14,036,946	-8,137,324	0	0	2,032,244	**-20,142,025**
Expected CSM release (VFA)	0	0	-46,315,659	0	0	**-46,315,659**
	-14,036,946	**-8,137,324**	**-46,315,659**	**0**	**2,032,244**	**-66,457,684**

At 31 December 2022 In euros	With profit participation	Other	Index/unit-linked	Medical expense	Re-insurance	Total
Expected CSM release (GMM)	-32,110,927	-11,293,280	0	-6,072	456,215	**-42,954,064**
Expected CSM release (VFA)	0	0	-54,140,591	0	0	**-54,140,591**
	-32,110,927	**-11,293,280**	**-54,140,591**	**-6,072**	**456,215**	**-97,094,655**

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Note 8 Insurance revenue

2023 In euros	With profit participation	Other	Index/unit-linked	Medical expense	Total
Contracts not measured under the PAA					
Amounts relating to the changes in the liability for remaining coverage	**76,542**	**14,833,389**	**11,492,162**	**0**	**26,402,094**
- Expected incurred claims and insurance service expenses incurred in the period	71,119	7,473,699	6,388,002	0	**13,932,820**
- Change in the risk adjustment for non-financial risk	176	3,625,027	3,681,423	0	**7,306,626**
- Amount of CSM recognised in profit or loss	5,248	4,252,757	1,441,849	0	**5,699,854**
- Other amounts (experience adjustments for premium receipts)	0	-518,094	-19,112	0	**-537,206**
Amounts relating to recovery of insurance acquisition cash flows	**79,183**	**258,835**	**790,089**	**0**	**1,128,106**
- Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flow	79,183	258,835	790,089	0	**1,128,106**
	155,725	**15,092,224**	**12,282,251**	**0**	**27,530,200**
Contracts measured under the PAA	0	0	0	44,847,518	**44,847,518**
Total insurance revenue	**155,725**	**15,092,224**	**12,282,251**	**44,847,518**	**72,377,718**

2022 In euros	With profit participation	Other	Index/unit-linked	Medical expense	Total
Contracts not measured under the PAA					
Amounts relating to the changes in the liability for remaining coverage	**75,731**	**14,877,932**	**11,625,107**	**0**	**26,578,769**
- Expected incurred claims and insurance service expenses incurred in the period	57,853	7,044,553	6,079,159	0	**13,181,565**
- Change in the risk adjustment for non-financial risk	200	1,626,234	2,962,871	0	**4,589,305**
- Amount of CSM recognised in profit or loss	17,678	6,198,908	2,573,780	0	**8,790,366**
- Other amounts (experience adjustments for premium receipts)	0	8,237	9,297	0	**17,534**
Amounts relating to recovery of insurance acquisition cash flows	**24,378**	**84,058**	**328,168**	**0**	**436,603**
- Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flow	24,378	84,058	328,168	0	**436,603**
	100,108	**14,961,990**	**11,953,274**	**0**	**27,015,372**
Contracts measured under the PAA	0	0	0	33,003,011	**33,003,011**
Total insurance revenue	**100,108**	**14,961,990**	**11,953,274**	**33,003,011**	**60,018,384**

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Note 9 Net investment income

The table below breaks down investment income by income statement line

in euros	2023	2022
Interest revenue calculated using the effective interest method	**6,551,295**	**5,106,832**
Loans AC	550,273	401,975
Term deposits AC	52,138	187
Bonds FVOCI	5,948,884	4,704,670
Other investment revenue	**17,765,419**	**-34,678,195**
Loans AC	-28	-2
Bonds FVOCI	-24,187	-12,121,396
Bonds FVTPL	1,945	-74,970
Shares FVTPL	90,542	-191,380
Funds FVTPL (Own investment)	981,589	-39,119
Funds FVTPL (Unite-linked)	16,715,691	-22,188,420
Other investment revenue	-133	-62,908
Net impairment loss on financial assets	**-24,651**	**-65,494**
Loans AC	-11,506	-57,613
Term deposits AC	-1,103	-2,176
Bonds FVOCI	-12,042	-5,705
TOTAL NET INVESTMENT RETURN	**24,292,063**	**-29,636,858**

The following tables show investment income by instruments and income type

2023 In euros	Interest income/ expenses	Dividends income	Gain/loss from sale of financial instruments	Gain/loss from valuation of financial instruments	Net impairment loss on financial instruments	Net gain/loss from exchange rate change	Total
Loans AC	550,273	0	-28	0	-11,506	0	**538,739**
Term deposits AC	52,138	0	0	0	-1,102	0	**51,036**
Bonds FVOCI	5,948,884	0	-5,794	0	-12,042	-18,394	**5,912,654**
Bonds FVTPL	1,246	0	0	649	0	50	**1,945**
Shares FVTPL	0	58,182	393	38,627	0	-6,659	**90,542**
Funds FVTPL (Own)	0	745,390	-66,669	301,773	0	1,096	**981,589**
Funds FVTPL (Unite-linked)	0	0	0	16,715,691	0	0	**16,715,691**
Other	0	0	0	0	0	-133	**-133**
TOTAL NET INVESTMENT RETURN	**6,552,542**	**803,571**	**-72,098**	**17,056,740**	**-24,651**	**-24,041**	**24,292,063**

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2022 In euros	Interest income/ expense	Dividends income	Gain/loss from sale of financial instruments	Gain/loss from valuation of financial instruments	Net impairment loss on financial instruments	Net gain/loss from exchange rate change	Total
Loans AC	401,975	0	-2	0	-57,613	0	**344,361**
Term deposits AC	187	0	0	0	-2,176	0	**-1,989**
Bonds FVOCI	4,704,670	0	-12,122,365	0	-5,705	968	**-7,422,433**
Bonds FVTPL	15,030	0	-90,000	0	0	0	**-74,970**
Shares FVTPL	0	55,380	-14,705	-234,623	0	2,567	**-191,380**
Funds FVTPL (Own)	0	525,140	9,009	-570,339	0	-2,929	**-39,119**
Funds FVTPL (Unite-linked)	0	221,222	0	-22,409,642	0	0	**-22,188,420**
Other	-63,086	0	0	0	0	179	**-62,907**
TOTAL NET INVESTMENT RETURN	**5,058,776**	**801,742**	**-12,218,062**	**-23,214,604**	**-65,494**	**784**	**-29,636,858**

Realised gain and loss comprise the difference between the cost and sales price of investments.

-Net fair value gain comprises net gain on changes in the fair value of financial assets at fair value through profit or loss that were classified to the category of *at fair value through profit or loss* on initial recognition.

Increases and decreases in fair value comprise fair value changes during the financial year, i.e. unrealised gains and losses at the reporting date. For investments acquired during the reporting period, the difference between cost and fair value at the reporting date is presented and for investments acquired in earlier periods, the difference between fair value at the end of the previous financial year and fair value at the reporting date is presented.

Note 10 Other operating income

In euros	2023	2022
Rental income from affiliates	157,243	223,442
Gain from exchange rate changes	38,369	8,856
Other income from affiliates	907,024	535,411
Gain from the sale of fixed assets	24,156	0
TOTAL INCOME	**1,126,793**	**767,708**

Note 11 Other operating expenses

In euros	2023	2022
Loss on sale of fixed assets	-10,167	0
Loss from exchange rate changes	-38,697	-10,853
Expense from provisions	-400,000	0
Non-attributable cost (IFRS17)	-1,904,415	-1,586,629
Other expenses	-902,929	-301,214
TOTAL EXPENES	**-3,256,208**	**-1,898,696**

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Note 12 Acquisition costs and administrative expenses

In euros	2023	2022
Attributable costs	**12,703,302**	**11,257,318**
Claim handling expenses (ULAE)	1,647,190	1 206 718
Acquisition costs – other	3,526,516	3 460 341
Asset management expenses	306,909	411 410
Operating expenses	6,852,319	5 840 298
Taxes and levies (out of premium)	370,368	338 550
Initial commissions	**17,519,048**	**20,657,125**
Non-attributable costs	**1,904,415**	**1,586,629**
TOTAL EXPENES	**32,126,765**	**33,501,072**

Note 13 Operating expenses

In euros	2023	2022
Personal related costs	**8,820,802**	**7,441,325**
Salaries and wages	7,418,314	6 318 035
Social security contributions	933,005	729 590
Costs relating to pension plans and employees benefits	223,384	194 119
Voluntary social contributions	246,099	199 581
Other costs	**5,786,915**	**5,402,622**
IT Costs	796,517	568,291
Sales costs	982,926	854,814
Cost of company cars	89,609	68,934
Travel costs	96,318	74,012
Office operating costs	1,441,674	1,336,864
Depreciation of IT and others	637,241	705,339
Taxes and levies (out of premium)	370,368	338,550
HR costs	191,806	273,141
Bank and deposit fees	831,177	747,714
Other operating costs	349,279	434,965
TOTAL OPERATING COSTS	**14,607,717**	**12,843,947**

	2023	2022
Administration	**182**	**170**
Of which members of management and control bodies	3	3
Of which people working under employment contracts	179	167
Sales staff	**70**	**67**
Of which people working under employment contracts	70	67
TOTAL NUMBER OF EMPLOYEES	**252**	**237**

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Note 14 Lease income and expenses

Income and expenses recognised in profit or loss In euros	2023	2022
Income and expenses from sublease activities	1,719	9,780
Depreciation	-609,146	-544,897
Other income and expenses from leases	127	0
NET LEASE EXPENSES	**-607,300**	**-535,117**

Note 15 Other financial income

In euros	2023	2022
Gain from sublease	19,666	29,483
Gain from liabilities designated at FVTPL	17,316	70,728
Dividend income from fully consolidated companies	303,575	303,125
Current income from other capital investment	181,407	2,819
Rent income	157,242	223,444
TOTAL OTHER FINANCIAL INCOME	**679,206**	**629,599**

Note 16 Other finance expenses

In euros	2023	2022
Interest expense from lease liabilities	-23,441	-29,026
Loss from sublease	-17,295	-18,613
Change in value of real estate investment	-219,607	-40,470
TOTAL FINANCE EXPENSE	**-260,343**	**-88,109**

Note 17 Financial investments

	31.12.2023		31.12.2022	
In euros	Book value	Risk provision	Book value	Risk provision
Measured at amortized cost (AC)	**52,938,104**	**-117,493**	**52,645,093**	**-104,884**
Cash and cash equivalents	**19,943,495**	**0**	**26,114,306**	**0**
Loans	25,642,229	-113,452	22,630,625	-101 945
Term deposits	7,352,379	-4,041	3,900,162	-2 939
Measured at fair value through other comprehensive income (FVOCI)	**248,020,788**	**0**	**226,222,044**	**0**
Shares in affiliated non-consolidated companies	5,260,264	0	4,328,410	0
Bonds	242,760,524	0	221,893,634	0
Measured at fair value through profit&loss (FVTPL)	**237,517,076**	**0**	**188,184,656**	**0**
Shares	1,680,515	0	1,744,524	0
Bonds	67,853	0	0	0
Investment funds (own portfolio)	44,301,266	0	41,571,066	0
Investment funds (unit-linked portfolio)	191,467,443	0	144,869,066	0
TOTAL FINANCIAL INVESTMENTS	**538,475,968**	**-117,493**	**467,051,793**	**-104,884**

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Note 18 Fair value hierarchy - financial investments

	2023			
In euros	**Level 1**	**Level 2**	**Level 3**	**Total**
Amortized costs	**0**	**19,574,712**	**13,834,115**	**33,408,827**
Loans	0	19,574,712	4,851,735	**24,426,447**
Term deposits	0	0	8,982,379	**8,982,379**
Fair value through other comprehensive income	**209,257,057**	**33,503,467**	**5,260,264**	**248,020,788**
Shares and shares in companies FVOCI	0	0	5,260,264	**5,260,264**
Bonds FVOCI	209,257,057	33,503,467	0	**242,760,524**
Fair value through PL	**152,425,935**	**60,912,580**	**24,178,562**	**237,517,076**
Shares FVTPL	954,263	726,253	0	**1,680,515**
Bonds FVTPL	0	67,853	0	**67,853**
Funds FVTPL	151,471,673	60,118,474	24,178,562	**235,768,709**
TOTAL INVESTMENTS	**361,682,992**	**113,990,759**	**43,272,940**	**518,946,691**

	2022			
In euros	**Level 1**	**Level 2**	**Level 3**	**Total**
Amortized costs	**0**	**21,899,480**	**0**	**21,899,480**
Loans	0	17,999,318	0	**17,999,318**
Term deposits	0	3,900,162	0	**3,900,162**
Fair value through other comprehensive income	**188,854,131**	**33,039,503**	**4,328,410**	**226,222,044**
shares and shares in companies FVOCI	0	0	4,328,410	**4,328,410**
bonds FVOCI	188,854,131	33,039,503	0	**221,893,634**
Fair value through PL	**108,643,423**	**56,510,186**	**23,031,046**	**188,184,656**
shares FVTPL	811,670	932,853	0	**1,744,524**
funds FVTPL	107,831,753	55,577,333	23,031,046	**186,440,132**
TOTAL INVESTMENTS	**297,497,554**	**111,449,169**	**27,359,456**	**436,306,180**

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Note 19 Underlying items

	At 31 December 2023				
	Underlying items				
In euros	Direct participating contracts	Investment contracts and consolidated funds	Total	Non-underlying items	Total
Items shown as assets	**142,250,693**	**0**	**142,250,693**	**396,084,857**	**538,335,550**
Cash and cash equivalents	0	0	**0**	18,838,513	**18,838,513**
Loans	0	0	**0**	24,426,448	**24,426,448**
Bonds	142,250,693	0	**142,250,693**	100,577,683	**242,828,376**
Term Deposits	0	0	**0**	7,352,379	**7,352,379**
Funds	0	0	**0**	235,768,709	**235,768,709**
Shares	0	0	**0**	1,680,515	**1,680,515**
Shares in affiliated nonconsolidated entities	0	0	**0**	5,260,264	**5,260,264**
Receivables	0	0	**0**	2,180,346	**2,180,346**
Items shown as liabilities	0	0	**0**	**554,510**	**554,510**
Liabilities designated at FVTPL	0	0	**0**	**554,510**	**554,510**

	At 31 December2022				
	Underlying items				
In euros	Direct participating contracts	Investment contracts and consolidated funds	Total	Non-underlying items	Total
Items shown as assets	**118,839,123**	**0**	**118,839,123**	**321,062,787**	**439,901,910**
Cash and cash equivalents	0	0	0	24,018,898	**24,018,898**
Loans	0	0	0	0	**0**
Bonds	118,839,123	0	118,839,123	99,156,578	**217,995,701**
Term Deposits	0	0	0	3,897,223	**3,897,223**
Funds	0	0	0	186,440,132	**186,440,132**
Shares	0	0	0	1,744,524	**1,744,524**
Shares in affiliated nonconsolidated entities	0	0	0	4,328,410	**4,328,410**
Receivables	0	0	0	1,477,022	**1,477,022**
Items shown as liabilities	**0**	**0**	**0**	**571,826**	**571,826**
Liabilities designated at FVTPL	0	0	0	571,826	**571,826**

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Note 20 Investment return underlying items

In euros	2023	2022
Investment return recognised in profit and loss		
Underlying Assets	**3,487,038**	**-2,157,753**
Interest revenue using effective interest rate method	3,487,038	1,358,330
Other result from financial instruments	0	-3,516,082
Non Underlying Assets	**20,866,695**	**-27,897,089**
Interest revenue using effective interest rate method	3,125,927	3,272,457
Realised gains and losses from financial assets measured at AC	-28	-2
Impairment losses incl. reversal gains on financial instruments	-24,651	-7,433
Other result from financial instruments	17,765,447	-31,162,112
Total Underlying and Non Underlying Assets	**24,353,733**	**-30,054,842**
Interest revenue using effective interest rate method	6,612,965	4,630,786
Realised gains and losses from financial assets measured at AC	-28	-2
Impairment losses incl. reversal gains on financial instruments	-24,651	-7,433
Other result from financial instruments	17,765,447	-34,678,194

Note 21 Level 3 assets movements

In euros	Loans	Term deposits	Shares and shares in companies FVOCI	Investment funds	Total
At 31 December 2021	**0**	**0**	**3,494,249**	**18,201,902**	**21,696,151**
Acquisition	0	0	0	3,637,329	**3,637,329**
Sale	0	0	0	-68,234	**-68,234**
Reclassification	0	0	0	0	**0**
Change of value	**0**	**0**	**834,161**	**1,260,051**	**2,094,211**
Incl. OCI	0	0	834,161	0	**834,161**
Incl. Unrealized gain or loss on financial assets measured at fair value recognized in the income statement	0	0	0	1,260,051	**1,260,051**
At 31 December 2022	**0**	**0**	**4,328,410**	**23,031,046**	**27,359,456**
Acquisition	0	3,452,217	0	1,851,053	**5,303,270**
Sale	0	0	0	-518,005	**-518,005**
Reclassification	4,851,735	3,900,162	0	0	**8,751,898**
Change of value	**0**	**0**	**931,854**	**-185,532**	**746,322**
Incl. OCI	0	0	931,854	,	**931,854**
Incl. Unrealized gain or loss on financial assets measured at fair value recognized in the income statement	0	0	0	-185,532	**-185,532**
At 31 December 2023	**4,851,735**	**7,352,379**	**5,260,264**	**24,178,562**	**41,642,940**

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Note 22 Assets and liabilities from insurance contracts

Profit participation and other Measured in GMM **At 31 December 2023** In euros	**Estimates of Present Value of Future Cash flows**	**Risk Adjustment for Non-Financial Risk**	**CSM (Other Contracts)**	**Total**
Insurance contract assets as at beginning of period	-1,779,383	244,809	935,436	**-599,138**
Insurance contract liabilities as at beginning of period	224,830,215	26,589,795	33,643,147	**285,063,157**
Net insurance contract (assets)/liabilities as at beginning of period	**223,050,832**	**26,834,604**	**34,578,583**	**284,464,019**
Total changes in the statement of profit or loss and OCI				
Contractual service margin recognised for services provided	0	0	-4,258,005	**-4,258,005**
Risk adjustment recognised for the risk expired	0	-3,625,203	0	**-3,625,203**
Experience adjustments	2,410,850	0	0	**2,410,851**
Insurance Service Result	**2,410,850**	**-3,625,203**	**-4,258,005**	**-5,472,357**
Contracts initially recognised in the period	-8,771,374	428,717	8,332,249	**-10,408**
Changes from Reclassification to LC	0	0	266,709	**266,709**
Changes in estimates that adjust the contractual service margin	33,098,866	-16,000,194	-17,328,708	**-230,036**
Changes in estimates that do not adjust the contractual service margin (losses and reversal of loss	571,988	-12,257	0	**559,731**
Changes that relate to future services	**24,899,480**	**-15,583,734**	**-8,729,750**	**585,997**
Adjustments to liabilities for incurred claims	-503,087	-1	0	**-503,087**
Changes that relate to past services	**-503,087**	**-1**	**0**	**-503,087**
Total changes in the statement of profit or loss and OCI	**26,807,244**	**-19,208,937**	**-12,987,755**	**-5,389,448**
Insurance finance income or expense	3,463,514	465,158	583,441	**4,512,113**
Other comprehensive income	**13,269,054**	**2,434,142**	**0**	**15,703,196**
Total changes in the statement of profit or loss and OCI	**43,539,812**	**-16,309,637**	**-12,404,313**	**14,825,861**
Cash flows				
Premiums received	63,794,297	0	0	**63,794,297**
Claims and claim handling expenses, including investment components	-44,793,714	0	0	**-44,793,714**
Insurance acquisition cash flows and other insurance service expenses paid	-6,183,909	0	0	**-6,183,909**
Total cash flow	**12,816,675**	**0**	**0**	**12,816,675**
Insurance contract assets as at end of period	-1,829,415	85,150	1,085,878	**-658,387**
Insurance contract liabilities as at end of period	281,236,733	10,439,818	21,088,392	**312,764,943**
Net insurance contract (assets)/liabilities as at end of period	**279,407,318**	**10,524,968**	**22,174,269**	**312,106,555**

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Profit participation and other Measured in GMM **At 31 December 2022** In euros	**Estimates of Present Value of Future Cash flows**	**Risk Adjustment for Non-Financial Risk**	**CSM (Other Contracts)**	**Total**
Insurance contract assets as at beginning of period	-2,402,855	269,188	1,000,228	**-1,133,439**
Insurance contract liabilities as at beginning of period	269,348,448	20,146,227	49,469,004	**338,963,679**
Net insurance contract (assets)/liabilities as at beginning of period	**266,945,594**	**20,415,415**	**50,469,232**	**337,830,241**
Total changes in the statement of profit or loss and OCI				
Contractual service margin recognised for services provided	0	0	-6,216,586	**-6,216,586**
Risk adjustment recognised for the risk expired	0	-1,626,434	0	**-1,626,434**
Experience adjustments	1,010,851	0	0	**1,010,851**
Insurance Service Result	**1,010,851**	**-1,626,434**	**-6,216,586**	**-6,832,169**
Contracts initially recognised in the period	-2,367,428	1,074,217	977,823	**-315,388**
Changes from Reclassification to LC	0	0	2,901,854	**2,901,854**
Changes in estimates that adjust the contractual service margin	-1,097,308	13,287,891	-14,153,210	**-1,962,627**
Changes in estimates that do not adjust the contractual service margin (losses and reversal of loss	2,218,834	128,002	0	**2,346,836**
Changes that relate to future services	**-1,245,902**	**14,490,110**	**-10,273,533**	**2,970,675**
Adjustments to liabilities for incurred claims	10,386,582	-192	0	**10,386,390**
Changes that relate to past services	**10,386,582**	**-192**	**0**	**10,386,390**
Total changes in the statement of profit or loss and OCI	**10,151,530**	**12,863,484**	**-16,490,119**	**6,524,895**
Insurance finance income or expense	2,059,047	196,902	599,469	**2,855,418**
Other comprehensive income	**-88,118,986**	**-6,641,197**	**0**	**-94,760,183**
Total changes in the statement of profit or loss and OCI	**-75,908,409**	**6,419,189**	**-15,890,649**	**-85,379,869**
Cash flows				
Premiums received	75,036,452	0	0	**75,036,452**
Claims and claim handling expenses, including investment components	-37,084,393	0	0	**-37,084,393**
Insurance acquisition cash flows and other insurance service expenses paid	-5,938,411	0	0	**-5,938,411**
Total cash flow	**32,013,648**	**0**	**0**	**32,013,648**
Insurance contract assets as at end of period	-1,779,383	244,809	935,436	**-599,138**
Insurance contract liabilities as at end of period	224,830,215	26,589,795	33,643,147	**285,063,157**
Net insurance contract (assets)/liabilities as at end of period	**223,050,832**	**26,834,604**	**34,578,583**	**284,464,019**

Unit-linked Measured in VFA **At 31 December 2023** In euros	**Estimates of Present Value of Future Cash flows**	**Risk Adjustment for Non-Financial Risk**	**CSM (Other Contracts)**	**Total**
Insurance contract assets as at beginning of period	0	0	0	**0**
Insurance contract liabilities as at beginning of period	24,600,835	26,839,690	45,450,157	**96,890,682**
Net insurance contract (assets)/liabilities as at beginning of period	**24,600,835**	**26,839,690**	**45,450,157**	**96,890,682**
Total changes in the statement of profit or loss and OCI				
Contractual service margin recognised for services provided	0	0	-1,441,849	**-1,441,849**
Risk adjustment recognised for the risk expired	0	-3,681,423	0	**-3,681,423**
Experience adjustments	3,025,322	1	0	**3,025,323**
Insurance Service Result	**3,025,322**	**-3,681,421**	**-1,441,849**	**-2,097,948**
Contracts initially recognised in the period	-18,725,388	1,813,193	16,912,195	**0**
Changes from Reclassification to LC	0	0	1,618,216	**1,618,216**
Changes in estimates that adjust the contractual service margin	16,223,060	0	-16,223,060	**0**
Changes in estimates that do not adjust the contractual service margin (losses and reversal of loss	88,126	62,925	0	**151,051**
Changes that relate to future services	**-2,414,202**	**1,876,118**	**2,307,351**	**1,769,267**
Adjustments to liabilities for incurred claims	-1,950,206	0	0	**-1,950,206**
Changes that relate to past services	**-1,950,206**	**0**	**0**	**-1,950,206**
Total changes in the statement of profit or loss and OCI	**-1,339,086**	**-1,805,304**	**865,502**	**-2,278,888**
Insurance finance income or expense	23,344,660	-9,441,253	0	**13,903,407**
Total changes in the statement of profit or loss and OCI	**22,005,574**	**-11,246,557**	**865,502**	**11,624,519**
Cash flows				
Premiums received	70,476,421	0	0	**70,476,421**
Claims and claim handling expenses, including investment components	-18,614,481	0	0	**-18,614,481**
Insurance acquisition cash flows and other insurance service expenses paid	-18,126,449	0	0	**-18,126,449**
Total cash flow	**33,735,491**	**0**	**0**	**33,735,491**
Insurance contract assets as at end of period	0	0	0	**0**
Insurance contract liabilities as at end of period	80,341,901	15,593,133	46,315,659	**142,250,693**
Net insurance contract (assets)/liabilities as at end of period	**80,341,901**	**15,593,133**	**46,315,659**	**142,250,693**

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Unit-linked Measured in VFA **At 31 December 2022** In euros	**Estimates of Present Value of Future Cash flows**	**Risk Adjustment for Non-Financial Risk**	**CSM (Other Contracts)**	**Total**
Insurance contract assets as at beginning of period	0	0	0	**0**
Insurance contract liabilities as at beginning of period	30,197,798	26,181,128	42,476,737	**98,855,663**
Net insurance contract (assets)/liabilities as at beginning of period	**30,197,798**	**26,181,128**	**42,476,737**	**98,855,663**
Total changes in the statement of profit or loss and OCI				
Contractual service margin recognised for services provided	0	0	-2,573,780	**-2,573,780**
Risk adjustment recognised for the risk expired	0	-2,962,871	0	**-2,962,871**
Experience adjustments	-584,392	0	0	**-584,392**
Insurance Service Result	**-584,392**	**-2,962,871**	**-2,573,780**	**-6,121,043**
Contracts initially recognised in the period	-22,093,768	5,617,937	16,331,086	**-144,745**
Changes from Reclassification to LC	0	0	622,689	**622,689**
Changes in estimates that adjust the contractual service margin	11,406,575	0	-11,406,575	**0**
Changes in estimates that do not adjust the contractual service margin (losses and reversal of loss	330,200	59,718	0	**389,918**
Changes that relate to future services	**-10,356,993**	**5,677,655**	**5,547,200**	**867,862**
Adjustments to liabilities for incurred claims	744,690	0	0	**744,690**
Changes that relate to past services	**744,690**	**0**	**0**	**744,690**
Total changes in the statement of profit or loss and OCI	**-10,196,695**	**2,714,784**	**2,973,420**	**-4,508,491**
	0	0	0	**0**
Insurance finance income or expense	-22,858,553	-2,056,222	0	**-24,914,775**
Total changes in the statement of profit or loss and OCI	**-33,055,249**	**658,562**	**2,973,420**	**-29,423,267**
Cash flows				
Premiums received	59,813,479	0	0	**59,813,479**
Claims and claim handling expenses, including investment components	-12,498,281	0	0	**-12,498,281**
Insurance acquisition cash flows and other insurance service expenses paid	-19,856,913	0	0	**-19,856,913**
Total cash flow	**27,458,286**	**0**	**0**	**27,458,286**
Insurance contract assets as at end of period	0	0	0	**0**
Insurance contract liabilities as at end of period	24,600,835	26,839,690	45,450,157	**96,890,682**
Net insurance contract (assets)/liabilities as at end of period	**24,600,835**	**26,839,690**	**45,450,157**	**96,890,682**

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Note 23 Effect of insurance contracts initially recognized during the period

	2023	**2022**

In euros	Onerous contracts issued	Profitable contracts issued	Total	Onerous contracts issued	Profitable contracts issued	Total
Estimate of present value of future cash outflows, excluding insurance acquisition cash flows	364	10 417 244	**10 417 608**	643 058	15 526 345	**16 169 403**
Estimates of insurance acquisition cash flows	251 758	152 964 265	**153 216 023**	32 033 619	203 452 033	**235 485 652**
Estimate of present value of future cash outflows	**252 122**	**163 381 509**	**163 633 631**	**32 676 677**	**218 978 378**	**251 655 055**
Estimates of present value future cash inflows	-263 257	-190 867 135	**-191 130 392**	-33 538 699	-242 577 553	**-276 116 252**
Risk adjustment for non-financial risk	727	2 241 183	**2 241 910**	401 889	6 290 265	**6 692 154**
Contractual Service Margin (CSM)	0	25 244 443	**25 244 443**	0	17 308 909	**17 308 909**
Estimate of present value of future cash inflows	**-262 530**	**-163 381 509**	**-163 644 039**	**-33 136 810**	**-218 978 379**	**-252 115 189**
Losses recognised on initial recognition	**-10 408**	**0**	**-10 408**	**-460 133**	**0**	**-460 133**

Note 24 Property, plant and equipment

In euros	Buildings	Vehicles	Hardware	Furniture, office equipment	Total
Cost at 31 December 2021	**810,340**	**224,354**	**596,548**	**287,162**	**1,918,403**
Accumulated depreciation at 31 December 2021	**-158,020**	**-159,562**	**-467,237**	**-265,669**	**-1,050,489**
Carrying amount at 31 December 2021	**652,320**	**64,792**	**129,311**	**21,492**	**867,915**
Additions and prepayments	6,632	0	14,318	17,509	38,459
Depreciation of assets written off	0	0	5,874	7,650	13,524
Depreciation for the year	-28,328	-19,115	-50,619	-7,017	-105,079
Cost at 31 December 2022	**816,972**	**224,354**	**610,866**	**304,671**	**1,956,863**
Accumulated depreciation at 31 December 2022	**-186,348**	**-178,677**	**-511,982**	**-265,037**	**-1,142,044**
Carrying amount at 31 December 2022	**630,624**	**45,677**	**98,884**	**39,634**	**814,819**
Additions and prepayments	0	79,640	12,389	50,564	142,594
Write off	0	-78,476	0	0	-78,476
Depreciation of assets written off	0	68,309	0	0	68,309
Depreciation for the year	-28,549	-23,723	-43,185	-10,669	-106,126
Cost at 31 December 2023	**816,972**	**225,518**	**623,255**	**355,235**	**2,020,980**
Accumulated depreciation at 31 December 2023	**-214,897**	**-134,091**	**-555,167**	**-275,706**	**-1,179,860**
Carrying amount at 31 December 2023	**602,075**	**91,427**	**68,088**	**79,529**	**841,120**

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Note 25 Intangible assets

In euros	Goodwill	Software	Value of business acquired	Total
Cost at 31 December 2021	**3,055,179**	**3,379,037**	**1,024,624**	**7,458,840**
Accumulated amortisation at 31 December 2021	**0**	**-2,275,366**	**-768,471**	**-3,043,837**
Carrying amount at 31 December 2021	**3,055,179**	**1,103,670**	**256,153**	**4,415,002**
Additions, prepayments	0	0	0	0
Additions, prepayments	0	275,804	0	275,804
Amortization for the year	**0**	**-376,027**	**-51,231**	**-427,258**
Cost at 31 December 2022	**3,055,179**	**3,654,841**	**1,024,624**	**7,734,644**
Accumulated amortisation at 31 December 2022	**0**	**-2,651,394**	**-819,702**	**-3,471,095**
Carrying amount at 31 December 2022	**3,055,179**	**1,003,447**	**204,922**	**4,263,548**
Additions, prepayments	0	571,797	0	571,797
Write off	0	0	-1,024,624	-1,024,624
Depreciation of assets written off	0	0	870,932	870,932
Amortisation for the year	**0**	**-396,087**	**-51,231**	**-447,318**
Cost at 31 December 2023	**3,055,179**	**4,226,638**	**0**	**7,281,817**
Accumulated amortisation at 31 December 2023	**0**	**-3,047,481**	**0**	**-3,047,481**
Carrying amount at 31 December 2023	**3,055,179**	**1,179,157**	**0**	**4,234,336**

Impairment test on goodwill

Goodwill was tested for impairment as at 31 December 2023 in accordance with the requirements of IAS 36. According to management's assessment, there is no need to write goodwill down because its recoverable amount exceeds its carrying amount.

For impairment testing, goodwill was allocated to the following cash-generating units:

In euros **At 31 December 2023**	
Compensa Life Distribution UAB	2,924,497
Vienibas Gatve Properties SIA	130,682
TOTAL	**3,055,179**

Compensa Life Distribution UAB

The goodwill allocated to Compensa Life Distribution UAB was tested for impairment using the discounted cash flow method.

The key inputs used to project the discounted cash flows of Compensa Life Distribution UAB are the discount rate applied and the expected sales growth rate. Goodwill was tested for impairment using the following assumptions:

- In the next 5 years sales revenue will grow at the rate of 3.8% per year and from the 6th year the growth rate will be 0%.
- Future cash flows were discounted using different discount rates of up to 14.0%.

In all scenarios, the recoverable amount of goodwill remained equal to or higher than the carrying amount. Thus, there was no need for further analysis or recognition of an impairment loss.

Note 26 Right-of-use assets

As at 31 December In euros	2023	2022
Right-of-use assets	**969,458**	**1,088,075**
Office premises	967,180	1,086,212
Other assets	2,278	1,864
Vehicles	**6,784**	**5,945**
TOTAL RIGHT OF USE ASSETS	**976,242**	**1,094,020**

In euros	Carrying amount at 31 Dec 2022	Write-up/ write-down of cost	Additions	Write-off	Impairment/ decrease in value	Increase in value	Change in depreciation	Carrying amount at 31 Dec 2023
Office premises	**1,086,211**	373,756	111,557	-180,901	-590,785	452	166,889	**967,180**
Other assets	**1,864**	2,625	0	0	-2,210	0	0	**2 278**
Vehicles	**5 945**	17 443	0	0	-16 603	0	0	**6 785**
Total right-of-use assets	**1,094,020**	**393,824**	**111,557**	**-180,901**	**-609,598**	**452**	**166,889**	**976,243**

In euros	Carrying amount at 31 Dec 2021	Write-up/ write-down of cost	Additions	Write-off	Impairment/ decrease in value	Increase in value	Change in depreciation	Carrying amount at 31 Dec 2022
Office premises	**1,198,877**	334,410	96,520	-154,533	-533,842	434	144,345	**1,086,211**
Other assets	**1,863**	1	0	0	0	0	0	**1,864**
Vehicles	**2,675**	6,364	8,394	-8,461	-11,489	0	8,461	**5,945**
Total right-of-use assets	**1,203,415**	**340,775**	**104,914**	**-162,994**	**-545,331**	**434**	**152,806**	**1,094,020**

Note 27 Investment property

In euros	Land	Buildings	Total
Fair value at 31 December 2021	**400,000**	**1,691,133**	**2,091,133**
Decrease in the value of investment property	0	-40,470	**-40,470**
Fair value at 31 December 2022	**400,000**	**1,650,663**	**2,050,663**
Decrease in the value of investment property	18,000	-237,608	**-219,608**
Fair value at 31 December 2023	**418,000**	**1,413,055**	**1,831,055**

In euros	2023	2022
Rental income on investment property	**157,243**	**223,442**
Direct property management expenses	**-89,777**	**-108,925**

Future periods’ rental income from non-cancellable leases amounts to 145.101 euros (the contracts can be cancelled by giving six months’ notice).

The fair value of investment property was 2.66 million euros at 31 December 2023. This was measured by reference to the expert opinion issued by the independent appraisers of Colliers International Advisors SIA in January 2024. According to the expert opinion, fair value was determined using the discounted cash flow method and market approach. The method is underpinned by the principle that the buyer is not willing to pay for the property in excess of the cash flow expected to be derived from the property over its entire useful life. The value of a property is determined by reference to the expected future net income from the property and the present value of the gain expected to be derived

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from its disposal. On the application of the discounted cash flow method, the pre-tax cash flow expected to be derived from the property over its use is discounted to its present value. The valuation belongs to level 3 in the fair value hierarchy of IFRS 13, which is based on unobservable inputs. The valuation was performed by applying the following assumptions:

- The forecast period for expected cash flows was 5 plus 1 years.
- Future cash flow was projected on the basis of existing rental agreements. For the period following the expiry of rental agreements, future cash flow was estimated by the appraisers based on the expected market price.
- Indexation of rental was based on existing agreements, the forecasts made by Colliers and appraisers' opinions. It was expected that in the long term rental would grow at the rate of the Latvian consumer price index, i.e. at 2.1% per year.
- The vacancy rate was set at 5%.
- It was expected that in the long term property management expenses would grow at the rate of 2.5% per year.
- The discount rate applied was 9.15%.
- The exit yield applied was 7.25%.

In addition, the expert opinion took into account the following factors and changes in 2023:

- An 5% vacancy rate as at 31 December 2023.
- The estimated net income related to the investment property (EBIT/NOI) in 2022 amounts to around 213th euros, which, adjusted for inflation, is roughly equal to the amount at the end of 2016.
- The average base price of existing rental contracts is 13.62 euros per square metre (2022: 11.36 euros per square metre).

Management assessed the sensitivity of the fair value of investment property to changes in significant valuation inputs. A 0.5 basis point decrease in the discount rate would have increase the value of investment property as at the reporting date by 50. thousand euros and a 0.5 basis point increase in the exit yield would have reduced the value of investment property by 49.5 thousand euros.

Note 28 Analysis by measurement component - reinsurance contracts

At 31 December 2023 In euros	**Estimates of Present Value of Future Cash flows**	**Risk Adjustment for Non-Financial Risk**	**CSM (Other Contracts)**	**Total**
Reinsurance contract assets as at beginning of period	167,152	-536	-339,480	**-172,864**
Reinsurance contract liabilities as at beginning of period	1,526,006	-276,126	-359,682	**890,198**
Net reinsurance contract (assets)/liabilities as at beginning of period	**1,693,159**	**-276,661**	**-699,162**	**717,336**
Total changes in the statement of profit or loss and OCI				
Contractual service margin for the service provided in the period	0	0	2,316,123	**2,316,123**
Risk adjustment recognised for the risk expired	0	41,643	0	**41,643**
Experience adjustments	-1,671,522	0	0	**-1,671,522**
Reinsurance Service Result	**-1,671,522**	**41,643**	**2,316,123**	**686,244**
Contracts initially recognised in the period (incl. Loss Recovery Component)	2,363,165	-11,663	-2,169,263	**182,239**
Changes in estimates that adjust the contractual service margin	1,162,299	117,365	-1,336,889	**-57,225**
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	0	0	-670,379	**-670,379**
Changes that relate to future services	**3,525,463**	**105,702**	**-4,176,531**	**-545,366**
Adjustments to assets for incurred claims	276,946	0	0	**276,946**
Changes that relate to past services	276,946	0	0	**276,946**
Effect of changes in non-performance risk of reinsurer	-7,628	0	0	**-7,628**
Total changes in the statement of profit or loss and OCI	2,123,259	147,345	-1,860,408	**410,196**
Reinsurance finance income or expenses	20,366	-143	527,326	**547,549**
Other comperhensive income	46,112	-41,749	0	**4,363**
Total changes in the statement of profit or loss and OCI	**2,189,737**	**105,453**	**-1,333,082**	**962,108**
Cash flows				
Premiums received	-1,086,622	0	0	**-1,086,622**
Claims and other insurance service expenses received	824,348	0	0	**824,348**
Total cash flow	**-262,274**	**0**	**0**	**-262,274**
Reinsurance contract assets as at end of period	173 669	-842	-292 747	**-119 920**
Reinsurance contract liabilities as at end of period	3 446 952	-170 366	-1 739 497	**1 537 089**
Net reinsurance contract (assets)/liabilities as at end of period	**3 620 621**	**-171 208**	**-2 032 244**	**1 417 169**

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At 31 December 2022 In euros	**Estimates of Present Value of future Cash flows**	**Risk Adjustment for non-Financial Risk**	**CSM**	**Total**
Reinsurance contract assets as at beginning of period	373,751	0	-590,181	**-216,430**
Reinsurance contract liabilities as at beginning of period	1,893,567	-327,987	-239,328	**1,326,251**
Net reinsurance contract (assets)/liabilities as at beginning of period	**2,267,318**	**-327,987**	**-829,509**	**1,109,822**
Total changes in the statement of profit or loss and OCI				
Contractual service margin for the service provided in the period	0	0	1,342,362	**1,342,362**
Risk adjustment recognised for the risk expired	0	39,784	0	**39,784**
Experience adjustments	1,417,530	0	0	**1,417,530**
Reinsurance Service Result	**1,417,530**	**39,784**	**1,342,362**	**2,799,676**
Contracts initially recognised in the period (incl. Loss Recovery Component)	1,397,222	-504,730	-219,684	**672,808**
Changes in estimates that adjust the contractual service margin	-2,160,124	424,280	-603,449	**-2,339,294**
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	0	0	-386,298	**-386,298**
Changes that relate to future services	**-762,903**	**-80,450**	**-1,209,431**	**-2,052,784**
Adjustments to assets for incurred claims	-276,946	0	0	**-276,946**
Changes that relate to past services	-276,946	0	0	**-276,946**
Effect of changes in non-performance risk of reinsurer	-10,471	0	0	**-10,471**
Total changes in the statement of profit or loss and OCI	367,211	-40,666	132,931	**459,476**
Reinsurance finance income or expenses	-3,999	11,237	-2,584	**4,654**
Other comperhensive income	-448,724	80,754	0	**-367,969**
Total changes in the statement of profit or loss and OCI	**-85,512**	**51,325**	**130,347**	**96,161**
Cash flows				
Premiums received	-3,712,884	0	0	**-3,712,884**
Claims and other insurance service expenses received	3,224,236	0	0	**3,224,236**
Total cash flow	**-488,647**	**0**	**0**	**-488,647**
Reinsurance contract assets as at end of period	167,152	-536	-339,480	**-172,863**
Reinsurance contract liabilities as at end of period	1,526,006	-276,126	-359,682	**890,198**
Net reinsurance contract (assets)/liabilities as at end of period	**1,693,159**	**-276,661**	**-699,162**	**717,335**

Note 29 Analysis by remaining coverage and incurred claims - reinsurance

2023 Reinsurance In euros	Assets for remaining coverage		Assets for incurred claims	Total
	Excluding Loss Component	Loss Component		
Opening assets	981,842	-329,966	-824,739	-172,863
Opening liabilities	945,998	-18,412	-37,388	890,198
Net opening balance	**1,927,840**	**-348,379**	**-862,126**	**717,335**
Changes in the statements of profit or loss and OCI				
Amounts recoverable from reinsurer				
Contracts under the fair value approach	176,737	0	0	176,737
Other contracts	4,197,837	0	0	4,197,837
Total Insurance revenue	**4,374,575**	**0**	**0**	**4,374,575**
Amounts recoverable for claims and other expenses incurred in the period	-57,225	0	-3,688,331	-3,745,556
Changes in loss recovery component	0	-488,140	0	-488,140
Adjustments to assets for incurred claims	0	0	277,779	277,779
Effect of changes in non-performance risk of reinsurer	-7,628	0	-833	-8,462
Amounts recoverable from reinsurers	**-64,853**	**-488,140,00**	**-3,411,385**	**-3,964,379**
Reinsurance service result	**4,309,722**	**-488,140**	**-3,411,385**	**410,196**
Reinsurance finance income or expenses	-44,684	592,233	0	547,549
Other comprehensive income	4,363	0	0	4,363
Total changes in the statement of profit or loss and OCI	**4,269,400**	**104,093**	**-3,411,385**	**962,108**
Cash flows				
Premiums paid	-1,086,622	0	0	-1,086,622
Claims and other insurance service expenses received	0	0	824,348	824,348
Total cash flow	**-1,086,622**	**0**	**824,348**	**-262,274**
Closing assets	168,679	-178,963	-109,637	-119,920
Closing liabilities	4,941,939	-65,323	-3,339,527	1,537,089
NET CLOSING BALANCE	**5,110,618**	**-244,286**	**-3,449,164**	**1,417,169**

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2022 Reinsurance In euros	**Assets for remaining coverage**		**Assets for incurred claims**	**Total**
	Excluding Loss Component	**Loss Component**		
Opening assets	232,001	0	-448,430	-216,430
Opening liabilities	1,368,842	0	-42,591	1,326,251
Net opening balance	**1,600,843**	**0**	**-491,021**	**1,109,822**
Changes in the statements of profit or loss and OCI				
Amounts recoverable from reinsurer				
Contracts under the fair value approach	3,354,952	0	0	3,354,952
Other contracts	3,400,550	0	0	3,400,550
Total Insurance revenue	**6,755,503**	**0**	**0**	**6,755,503**
Amounts recoverable for claims and other expenses incurred in the period	-2,339,294	0	-3,318,395	-5,657,689
Changes in loss recovery component	0	-350,921	0	-350,921
Adjustments to assets for incurred claims	0	0	-277,779	-277,779
Effect of changes in non-performance risk of reinsurer	-10,471	0	833	-9,638
Amounts recoverable from reinsurers	**-2,349,765**	**-350,921**	**-3,595,342**	**-6,296,027**
Reinsurance service result	**4,405,738**	**-350,921**	**-3,595,342**	**459,476**
Reinsurance finance income or expenses	2,113	2,542	0	4,654
Other comprehensive income	-367,969	0	0	-367,969
Total changes in the statement of profit or loss and OCI	**4,039,881**	**-348,379**	**-3,595,342**	**96,161**
Cash flows				
Premiums paid	-3,712,884	0	0	-3,712,884
Claims and other insurance service expenses received	0	0	3,224,236	3,224,236
Total cash flow	**-3,712,884**	**0**	**3,224,236**	**-488,647**
Closing assets	981,842	-329,966	-824,739	-172,863
Closing liabilities	945,998	-18,412	-37,388	890,198
NET CLOSING BALANCE	**1,927,840**	**-348,379**	**-862,126**	**717,335**

Note 30 Equity

According to the articles of association, the minimum and maximum authorised share capital of Compensa Life Vienna Insurance Group SE amount to 3,000,000 and 12,000,000 euros respectively. At 31 December 2023, Compensas's share capital amounted to 11,604,000 euros. The Compensa has issued 1,424,423 ordinary shares without par value that are held by its sole shareholder, VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.

The statutory capital reserve is created using annual net profit transfers made based on a resolution of the shareholders' general meeting. In accordance with Compensa's articles of association, the statutory capital reserve amounts to one tenth of share capital. Under section 336 (2) of the Commercial Code, one twentieth of net profit has to be allocated to the capital reserve each financial year until the reserve equals the amount provided in the articles of association, which in the case of Compensa is 1,160,400 euros. In line with section 337 of the Commercial Code and based on a resolution adopted by the general meeting, the capital reserve may be used for covering losses if losses cannot be covered with unrestricted equity or for increasing share capital. The statutory capital reserve may not be used for making distributions to shareholders.

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In 2023, Compensa paid the owner a dividend of 6,150,000 euros from retained earnings.

At 31 December 2023, Compensa's statutory capital reserve amounted to 1,160,400 euros (2022: 1,160,400 euros).

Compensa's other reserves at 31 December 2023 totalled 3,902,962 euros (31 December 2022: 6,678,283 euros). Other reserves include the IFRS 9 reserve, which reflects changes in the fair value of financial assets reported in FVOCI, and the IFRS17 reserves.

	As at 31 Dec 2023	As at 31 Dec 2022
IFRS 9 reserves	**-15 446 488**	**-28 378 725**
OCI fair value change debt instruments	-18 087 127	-29 939 980
OCI Risk provision	180 258	168 216
OCI fair value change shares in fully consolidated companies	712 426	576 939
OCI fair value change shares in affiliated nonconsolidated companies	1 747 954	816 100
IFRS 17 reserves:	**19 350 599**	**35 058 156**
OCI risk adjustment change for insurance	18 986 991	34 690 188
OCI risk adjustment change for reinsurance	363 608	367 968
Revaluation reserve of properties	**-1 149**	**-1 149**
Total reserves	**3 902 962**	**6 678 283**

Compensa's retained earnings at 31 December 2023 amounted to 59,666,331 euros (31 December 2022: 55,484,272 euros).

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Note 31 Insurance contract liabilities

2023 Profit participation In euros	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding Loss Component	Loss Component		
Opening assets	0	0	0	**0**
Opening liabilities	36,401	0	0	**36,401**
Net opening balance	**36,401**	**0**	**0**	**36,401**
Changes in the statements of profit or loss and OCI				
Other contracts	-155,725	0	0	**-155,725**
Total Insurance revenue	**-155,725**	**0,00**	**0**	**-155,725**
Incurred claims and other insurance service expenses	10,672	0	43,940	**54,612**
Losses of onerous contracts and reversals of those losses	0	19,282	0	**19,282**
Amortisation of insurance acquisition cash flows	79,183	0	0	**79,183**
Insurance Service Expenses	**89,855**	**19,282**	**43,940**	**153,077**
Insurance service result	**-65,870**	**19,282**	**43,940**	**-2,648**
Insurance finance income or expense	2,719	0,00	0	**2,719**
Total changes in the statement of profit or loss and OCI	**-63,151**	**19,282**	**43,940**	**71**
Cash flows				
Premiums received	139,053	0	0	**139,053**
Claims and claim handling expenses, including investment components	0	0	-43,940	**-43,940**
Insurance acquisition cash flows and other insurance service expenses paid	-97,656	0	0	**-97,656**
Total cash flow	**41,397**	**0**	**-43,940**	**-2,543**
Insurance contract assets as at end of period	0	0	0	**0**
Insurance contract liabilities as at end of period	14,647	19,282	0	**33,929**
Net insurance contract (assets)/liabilities as at end of period	**14,647**	**19,282**	**0**	**33,929**

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2022 Profit participation In euros	**Liabilities for remaining coverage** **Excluding Loss Component**	 **Loss Component**	**Liabilities for incurred claims**	**Total**
Opening assets	0	0	0	0
Opening liabilities	34,861	0	0	34,861
Net opening balance	**34,861**	**0**	**0**	**34,861**
Changes in the statements of profit or loss and OCI				
Contracts under the fair value approach	-33,253	0	0	-33,253
Other contracts	-66,855	0	0	-66,855
Total Insurance revenue	**-100,108**	**0**	**0**	**-100,108**
Incurred claims and other insurance service expenses	2,974	0	62,789	65,763
Amortisation of insurance acquisition cash flows	24,378	0	0	24,378
Insurance Service Expenses	**27,352**	**0**	**62,789**	**90,140**
Insurance service result	**-72,756**	**0**	**62,789**	**-9,968**
Insurance finance income or expense	-254,00	0	0	-254,00
Total changes in the statement of profit or loss and OCI	**-73,011**	**0**	**62,789**	**-10,222**
Cash flows				
Premiums received	121,335	0	0	121,335
Claims and claim handling expenses, including investment components	0	0	-62,789	-62,789
Insurance acquisition cash flows and other insurance service expenses paid	-46,783	0	0	-46,783
Total cash flow	**74,552**	**0**	**-62,789**	**11,763**
Insurance contract assets as at end of period	0	0	0	0
Insurance contract liabilities as at end of period	36,401	0	0	36,401
Net insurance contract (assets)/liabilities as at end of period	**36,401**	**0**	**0**	**36,401**

2023 Other In euros	**Liabilities for remaining coverage** **Excluding Loss Component**	 **Loss Component**	**Liabilities for incurred claims**	**Total**
Opening assets	-678,211	40,537	38,536	**-599,138**
Opening liabilities	280,254,847	2,944,933	1,826,975	**285,026,756**
Net opening balance	**279,576,635**	**2,985,471**	**1,865,512**	**284,427,618**
Changes in the statements of profit or loss and OCI				
Contracts under the fair value approach	-13,920,588	0	0	**-13,920,588**
Other contracts	-1,171,636	0	0	**-1,171,636**
Total Insurance revenue	**-15,092,224**	**0,00**	**0**	**-15,092,224**
Incurred claims and other insurance service expenses	-1,074,422	0	9,760,617	**8,686,194**
Losses of onerous contracts and reversals of those losses	0	566,715	0	**566,715**
Changes to liabilities for incurred claims	0	0	170,179	**170,179**
Amortisation of insurance acquisition cash flows	282,336	0	0	**282,336**
Insurance Service Expenses	**-792,086**	**566,715**	**9,930,796**	**9,705,424**
Investment components	-35,095,313	0	35,095,313	**0**
Insurance service result	**-50,979,624**	**566,715**	**45,026,109**	**-5,386,800**
Insurance finance income or expense	4,480,104	29,272	18	**4,509,394**
Other comprehensive income	15,703,188	0	9	**15,703,196**
Total changes in the statement of profit or loss and OCI	**-30,796,332**	**595,986**	**45,026,136**	**14,825,790**
Cash flows	,	,	,	**,**
Premiums received	63,655,244	0	0	**63,655,244**
Claims and claim handling expenses, including investment components	0	0	-44,749,774	**-44,749,774**
Insurance acquisition cash flows and other insurance service expenses paid	-6,086,252	0	0	**-6,086,252**
Total cash flow	**57,568,992**	**0**	**-44,749,774**	**12,819,218**
Insurance contract assets as at end of period	-772,871	74,651	39,833	**-658,387**
Insurance contract liabilities as at end of period	307,122,166	3,506,806	2,102,042	**312,731,013**
Net insurance contract (assets)/liabilities as at end of period	**306,349,295**	**3,581,457**	**2,141,874**	**312,072,626**

2022 Other In euros	Liabilities for remaining coverage Excluding Loss Component	Loss Component	Liabilities for incurred claims	Total
Opening assets	-1,196,054	0	62,615	-1,133,438
Opening liabilities	337,458,795	0	1,470,024	338,928,819
Net opening balance	**336,262,741**	**0**	**1,532,639**	**337,795,380**
Changes in the statements of profit or loss and OCI				
Contracts under the fair value approach	-14,610,342	0	0	-14,610,342
Other contracts	-351,648	0	0	-351,648
Total Insurance revenue	**-14,961,990,00**	**0,00**	**0**	**-14,961,990,00**
Incurred claims and other insurance service expenses	11,932,749	0	-3,901,757	8,030,992
Losses of onerous contracts and reversals of those losses	0	2,970,676	0	2,970,676
Changes to liabilities for incurred claims	0	0	10,401,414	10,401,414
Amortisation of insurance acquisition cash flows	93,772	0	0	93,772
Insurance Service Expenses	**12,026,521,00**	**2,970,676,00**	**6,499,657**	**21,496,853,00**
Investment components	-30,856,775	0	30,856,775	0
Insurance service result	**-33,792,244**	**2,970,676**	**37,356,432**	**6,534,863**
Insurance finance income or expense	2,837,051,00	14,795,00	3,827	2,855,673,00
Other comprehensive income	-94,754,401	0	-5,782	-94,760,183
Total changes in the statement of profit or loss and OCI	**-125,709,594**	**2,985,471**	**37,354,477**	**-85,369,647**
Cash flows				
Premiums received	74,915,117	0	0	74,915,117
Claims and claim handling expenses, including investment components	0	0	-37,021,604	-37,021,604
Insurance acquisition cash flows and other insurance service expenses paid	-5,891,628	0	0	-5,891,628
Total cash flow	**69,023,489**	**0**	**-37,021,604**	**32,001,885**
Insurance contract assets as at end of period	-678,211	40,537	38,536	-599,138
Insurance contract liabilities as at end of period	280,254,847	2,944,933	1,826,975	285,026,756
Net insurance contract (assets)/liabilities as at end of period	**279,576,636**	**2,985,471**	**1,865,512**	**284,427,618**

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2023 Unit-linked In euros	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding Loss Component	Loss Component		
Opening assets	0	0	0	**0**
Opening liabilities	94,951,984	437,198	1,501,501	**96,890,682**
Net opening balance	**94,951,984**	**437,198**	**1,501,501**	**96,890,682**
Changes in the statements of profit or loss and OCI				
Contracts under the fair value approach	-6,899,718	0	0	**-6,899,718**
Other contracts	-5,598,283	0	0	**-5,598,283**
Total Insurance revenue	**-12,498,001**	**0**	**0**	**-12,498,001**
Incurred claims and other insurance service expenses	4,200,603	0	3,653,106	**7,853,709**
Losses of onerous contracts and reversals of those losses	0	151,051	0	**151,051**
Changes to liabilities for incurred claims	0	0	-409,702	**-409,702**
Amortisation of insurance acquisition cash flows	1,005,839	0	0	**1,005,839**
Insurance Service Expenses	**5,206,442**	**151,051**	**3,243,403**	**8,600,896**
Investment components	-12,938,980	0	12,938,980	**0**
Insurance service result	**-20,230,539**	**151,051**	**16,182,384**	**-3,897,105**
Insurance finance income or expense	12,907,108	0	2,614,516	**15,521,624**
Total changes in the statement of profit or loss and OCI	**-7,323,431**	**151,051**	**18,796,899**	**11,624,519**
Cash flows				
Premiums received	70,476,421	0	0	**70,476,421**
Claims and claim handling expenses, including investment components	0	0	-18,614,481	**-18,614,481**
Insurance acquisition cash flows and other insurance service expenses paid	-18,126,449	0	0	**-18,126,449**
Total cash flow	**52,349,972**	**0**	**-18,614,481**	**33,735,491**
Insurance contract assets as at end of period	0	0	0	**0**
Insurance contract liabilities as at end of period	139,978,525	588,248	1,683,920	**142,250,693**
Net insurance contract (assets)/liabilities as at end of period	**139,978,525**	**588,248**	**1,683,920**	**142,250,693**

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2022 Unit-linked In euros	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding Loss Component	Loss Component		
Opening assets	0	0	0	**0**
Opening liabilities	97,739,520	0	1,116,142	**98,855,663**
Net opening balance	**97,739,520**	**0**	**1,116,142**	**98,855,663**
Changes in the statements of profit or loss and OCI				
Contracts under the modified retrospective approach	0	0	0	**0**
Contracts under the fair value approach	-10,045,116	0	0	**-10,045,116**
Other contracts	-1,908,158	0	0	**-1,908,158**
Total Insurance revenue	**-11,953,274**	**0**	**0**	**-11,953,274**
Incurred claims and other insurance service expenses	3,037,059	0	2,134,274	**5,171,333**
Losses of onerous contracts and reversals of those losses	0	437,198	0	**437,198**
Changes to liabilities for incurred claims	0	0	1,077,422	**1,077,422**
Amortisation of insurance acquisition cash flows	328,168	0	0	**328,168**
Insurance Service Expenses	**3,365,227**	**437,198**	**3,211,695**	**7,014,119**
Investment components	-11,915,033	0	11,915,033	**0**
Insurance service result	**-20,503,081**	**437,198**	**15,126,729**	**-4,939,155**
Insurance finance income or expense	-22,241,022	0,00	-2,243,089	**-24,484,112**
Total changes in the statement of profit or loss and OCI	**-42,744,103**	**437,198**	**12,883,639**	**-29,423,266**
Cash flows				
Premiums received	59,813,479	0	0	**59,813,479**
Claims and claim handling expenses, including investment components	0	0	-12,498,281	**-12,498,281**
Insurance acquisition cash flows and other insurance service expenses paid	-19,856,913	0	0	**-19,856,913**
Total cash flow	**39,956,566**	**0**	**-12,498,281**	**27,458,286**
Insurance contract assets as at end of period	0	0	0	**0**
Insurance contract liabilities as at end of period	94,951,984	437,198	1,501,501	**96,890,682**
Net insurance contract (assets)/liabilities as at end of period	**94,951,984**	**437,198**	**1,501,501**	**96,890,682**

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2023 Medical expenses In euros	Liabilities for remaining coverage: Excluding Loss Component	Liabilities for remaining coverage: Loss Component	Liabilities for incurred claims	Total
Opening assets	0	0	0	**0**
Opening liabilities	6,966,858	0	4,112,848	**11,079,706**
Net opening balance	**6,966,858**	**0**	**4,112,848**	**11,079,706**
Changes in the statements of profit or loss and OCI	r	,	,	,
Other contracts	-44,847,518	0	0	**-44,847,518**
Total Insurance revenue	**-44,847,518**	**0**	**0**	**-44,847,518**
Incurred claims and other insurance service expenses	1,162,038	0	40,069,928	**41,231,966**
Losses of onerous contracts and reversals of those losses	0	92,079	0	**92,079**
Changes to liabilities for incurred claims	0	0	-105,496	**-105,496**
Amortisation of insurance acquisition cash flows	3,343,707	0	0	**3,343,707**
Insurance Service Expenses	**4,505,745**	**92,079**	**39,964,432**	**44,562,256**
Insurance service result	**-40,341,773**	**92,079**	**39,964,432**	**-285,262**
Insurance finance income or expense	0	0	56,707	**56,707**
Total changes in the statement of profit or loss and OCI	**-40,341,773**	**92,079**	**40,021,139**	**-228,556**
Cash flows				
Premiums received	43,402,443	0	0	**43,402,443**
Claims and claim handling expenses, including investment components	0	0	-40,069,928	**-40,069,928**
Insurance acquisition cash flows and other insurance service expenses paid	-5,083,748	0	0	**-5,083,748**
Total cash flow	**38,318,695**	**0**	**-40,069,928**	**-1,751,233**
Insurance contract assets as at end of period	0	0	0	**0**
Insurance contract liabilities as at end of period	4,943,780	92,079	4,064,058	**9,099,917**
Net insurance contract (assets)/liabilities as at end of period	**4,943,780**	**92,079**	**4,064,058**	**9,099,917**

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2022 Medical expenses In euros	Liabilities for remaining coverage: Excluding Loss Component	Liabilities for remaining coverage: Loss Component	Liabilities for incurred claims	Total
Opening assets	0	0	0	**0**
Opening liabilities	2,733,726	0	1,687,524	**4,421,250**
Net opening balance	**2,733,726**	**0**	**1,687,524**	**4,421,250**
Changes in the statements of profit or loss and OCI				
Other contracts	-33,003,011	0	0	**-33,003,011**
Total Insurance revenue	**-33,003,011**	**0**	**0**	**-33,003,011**
Incurred claims and other insurance service expenses	1,059,157	0	26,611,491	**27,670,648**
Changes to liabilities for incurred claims	0	0	2,433,899	**2,433,899**
Amortisation of insurance acquisition cash flows	2,572,079	0	0	**2,572,079**
Insurance Service Expenses	**3,631,236**	**0**	**29,045,389**	**32,676,625**
Insurance service result	**-29,371,775**	**0**	**29,045,389**	**-326,386**
Insurance finance income or expense	0	0	-8,575	**-8,575**
Total changes in the statement of profit or loss and OCI	**-29,371,775**	**0**	**29,036,814**	**-334,961**
Cash flows				
Premiums received	37,769,541	0	0	**37,769,541**
Claims and claim handling expenses, including investment components	0	0	-26,611,491	**-26,611,491**
Insurance acquisition cash flows and other insurance service expenses paid	-4,164,634	0	0	**-4,164,634**
Total cash flow	**33,604,907**	**0**	**-26,611,491**	**6,993,416**
Insurance contract assets as at end of period				
Insurance contract liabilities as at end of period	6,966,858	0	4,112,848	**11,079,706**
Net insurance contract (assets)/liabilities as at end of period	**6,966,858**	**0**	**4,112,848**	**11,079,706**

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Note 32 Medical expenses claims developed

Claims triangle per accident year	2021	2022	2023	Total
Estimates of undiscounted net cumulative claims - net of reinsurance				
at the end of accident year	-1,638,279	-28,951,251	-40,447,146	**-71,036,676**
one year later	-192	-28,532,008	0	**-28,532,200**
two years later	225	0	0	**225**
Cumulative gross claims paid	**0**	**28,531,714**	**36,468,098**	**64,999,812**
Remaining estimated claims per accident year	-225	-294	-3,979,048	**-3,979,566**
Remaining A/LIC PVFCF PAA < rep. year -10 years / including Rec/Pay - issued				**-83,564**
Effect of discounting				**107,896**
Effect of risk adjustment				**-109,274**
TOTAL				**-4,064,058**

Note 33 Other current liabilities

At 31 December In euros	2023	2022
Payables to employees	2,290,548	2,385,941
Taxes payable	205,513	177,451
Payables to suppliers	378,076	283,418
Other payables	74,376	107,619
TOTAL OTHER LIABILITIES	**2,948,513**	**2,954,429**

The liabilities fall due within the next 12 months. Therefore, they may be classified as current items.

Note 34 Lease liabilities

Lease payments by lease term – undiscounted In euros	2023	2022
Less than 1 year	**564,668**	**493,607**
1–5 years	460,824	666,622
TOTAL	**1,025,492**	**1,160,229**

Note 35 Related party disclosures

For the purposes of these consolidated financial statements, related parties include:

a) the reporting entity's parent VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe;
b) companies belonging to the same group as the parent; and
c) members of the management and supervisory boards, their close family members and companies under their control.

The members of the management board are entitled to termination benefits equal to their six months' contractual remuneration.

Compensa Life Vienna Insurance Group SE's transactions with related parties in 2023 and 2022:

Amounts

In euros	2023	2022
Remuneration of members of the management board with taxes	734,990	780,604
Remuneration of members of the supervisory board with taxes	42,500	44,833

In euros	2023	2022
Parent company **Vienna Insurance Group AG Wiener Versicherung Gruppe**		
Reinsurance	1,658,030	1,444,272
Other purchased services	232,541	196,344
Interest accrued (on debt security)	50,000	50,000
Group company **NNC Real Estate sp. z o.o.**		
Loan provided (-)/ loan repayments (+)	118,478	115,693
Interest accrued	109,540	115,139
Group company **VIG Re zajišťovna a.s.**		
Reinsurance	185,136	157,864
Group company **SIA Alauksta 13/15**		
Loan provided (-)/ loan repayments (+)	8,669	8,479
Interest accrued	7,927	8,207
Group company **SIA Artilērijas 35**		
Loan provided (-)/ loan repayments (+)	9,137	8,723
Interest accrued	8,368	8,666
Dividend income	18,000	15,000
Group company **SIA Ģertrūdes 121**		
Loan provided (-)/ loan repayments (+)	30,355	29,369
Interest income	27,842	28,814
Dividend income	40,000	53,000
Group company **VIG Fund s.a and its subsidiaries**		
Loan provided (-)/ loan repayments (+)	-440,973	-195,546
Redemption of debt security	45,650	45,650
Interest accrued (on loans and debt security)	208,714	208,855
Dividend income	303,575	303,125
Group company **SIA LiveOn and its subsidiaries**		
Loan provided (-)/ loan repayments (+)	-2,716,402	-4,039,440,
Interest accrued	178,055	60,347

Receivables from and liabilities to related companies as at 31 December 2023

In euros	**Receivables**	**Liabilities**
Parent company **Vienna Insurance Group AG Wiener Versicherung Gruppe**		
Reinsurance	0	159,478
Other receivables and liabilities	0	156,499
Debt security (market price)	4,021,350	0
Interest receivable	38,251	0
Group company **NNC Real Estate sp. z o.o.**		
Balance of loans provided	4,154,359	0
Group company **VIG Re zajišťovna a.s.**		
Reinsurance	0	51,421
Group company **VIG Fund s.a**		
Debt security	587,371	0
Balance of loans provided	7,420,353	0
Interest receivable	2,393	0
Group company **SIA Alauksta 13/15**		
Balance of loans provided	350,774	0
Group company **SIA Artilērijas 35**		
Balance of loans provided	370,781	0
Group company **SIA Ģertrūdes 121**		
Balance of loans provided	1,231,942	0
Group company **Compensa Vienna Insurance Group, ADB**		
Other receivables and liabilities	9,126	0
Group company **SIA LiveOn and its subsidiaries**		
Balance of loans provided	8,000,000	0

Note 36 Contingent assets and liabilities

The tax administrator did not conduct a tax audit at Compensa in 2022 or 2023.

The tax administrator may audit tax accounting within a certain period (5 years in Latvia and Lithuania and 7 years in Estonia) after the submission of a tax return and, if misstatements are detected, may charge additional tax, late payment interest and penalties.

Compensa's management is not aware of any circumstances that should cause the tax administrator to determine a significant amount of additional tax to be paid by the company.

The maximum contingent income tax liability on the maximum possible dividend distribution is disclosed in Note 37 .

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Note 37 Income tax

At 31 December In euros	2023	2022
Income tax expense	-760,160	-508,507
Change in deferred income tax	-12,772	42,911
Total income tax expense	**-772,933**	**-465,596**

Recognised deferred income tax assets **At 31 December**	**2023**	**2022**
Deductible temporary differences	71,243	84,015
Total	**71,243**	**84,015**

Reconciliation of accounting profit and income tax expense at 31 December	**2023**	**2022**
Consolidated profit before tax	**11,104,991**	**-10,312,572**
Effect of changes in temporary differences		
Deductible temporary differences	-88,797	284,888
Profit before tax	**11,016,194**	**-10,027,684**
Permanent differences		
Non-deductible expenses	86,541,162	41,337,355
Tax exempt income	-93,142,754	-28,291,971
Total permanent differences	**-6,601,592**	**13,045,384**
Taxable profit	**4,414,603**	**3,017,700**
Corporate income tax expense	-707,271	-460,785
Income tax withheld on investments	-52,889	-47,722
Deferred tax expense	-12,772	42,911
Income tax expense for the year	**-772,933**	**-465,596**

At 31 December 2023, Compensa's retained earnings amounted to 59,672,979 euros (31 December 2022: 55,490,920 euros). The maximum income tax liability that could arise if all of the retained earnings as at the reporting date were distributed as dividends amounts to 11,602,038 euros (2022: 10,908,649 euros). Thus, the amount that could be distributed as the net dividend is 48,070,942 euros (31 December 2022: 44,582,271euros).

The contingent income tax liability has been calculated without taking into account that the profit of the Lithuanian entity is taxed in its domicile when earned.

The contingent income tax liability has been calculated taking into account of the amendment to the Estonian Income Tax Act, effective from 1 January 2018, which regulates the taxation of regular dividend distributions by resident legal entities.

Note 38 Parent company's primary financial statements

Statement of profit or loss

In euros	2023	2022
Insurance revenue	72,377,718	60,018,384
Insurance service expenses - issued business	-62,805,903	-61,277,738
Insurance service result - reinsurance held	-410,196	-459,476
Insurance service result	**9,161,619**	**-1,718,830**
Interest revenue calculated using the effective interest method	6,612,965	5,178,351
Other investment revenue	17,765,419	-34,678,195
Net impairment loss on financial assets	-24,651	-65,494
Investment return	**24,353,733**	**-29,565,338**
Net finance expenses from insurance contracts	-4,568,820	-2,846,844
Net finance income from reinsurance contracts	-547,549	-4,654
Movement in investment contract liabilities	-15,521,624	24,484,112
Net financial result	**3,715,740**	**-7,932,724**
Other operating income	203,583	17,789
Other operating expenses	-3,112,057	-1,787,081
Other investmetn income	518,088	403,359
Other finance expenses	-40,735	-47,639
Profit before tax	**10,446,238**	**-11,065,126**
Income tax	-628,874	-340,897
Net income	**9,817,364**	**-11,406,023**

Statement of profit or loss and other comprehensive income

In euros	2023	2022
Net profit of the year	**9,817,364**	**-11,406,023**
Items that will be reclassified to profit or loss in subsequent periods		
Unrealised gains and losses from debt instruments measured at FVtOCI	11,864,896	-49,716,070
Share of other reserves of associated consolidated companies	1,067,341	1,050,815
Unrealised gains and losses acc. to IFRS 17	-15,707,559	95,128,153
Total other comperhensive income	**-2,775,323**	**46,462,898**
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**7,042,041**	**35,056,875**

Statement of financial position

As at 31 December In euros	**2023**	**2022**	**As at 1 January 2022**
Cash and cash equivalents	18,838,513	24,018,898	27,054,000
Financial investments	518,414,980	440,859,609	457,382,150
Insurance contract assets	658,387	599,138	1,133,438
Reinsurance contract assets	119,920	172,863	216,430
Other assets and receivables	3,120,986	2,451,001	1,994,871
Investments in associates and joint ventures accounted for using the equity method	12,241,252	12,105,765	11,889,111
Intangible assets	1,179,156	1,003,446	1,103,669
Right-of-use assets	976,243	1,094,020	1,203,415
Property and equipment owned	232,863	239,202	272,088
Deferred tax assets	69,045	82,365	39,631
Total assets	**555,851,344**	**482,626,307**	**502,288,803**
LIABILITIES			
Current income tax liabilities	562,665	335,908	230,517
Other current liabilities	3,218,071	3,154,320	3,108,267
Financial liabilities	1,576,044	1,735,931	1,927,954
Insurance contract liabilities	464,804,512	393,648,583	442,240,593
Reinsurance contract liabilities	1,537,089	890,198	1,326,251
Provisions	400,000	0	0
Other liabilities	237	684	1,411
Total liabilities	**472,098,618**	**399,765,623**	**448,834,994**
EQUITY			
Share capital	11,604,000	11,604,000	11,604,000
Share premium	9,465,795	9,465,795	9,465,795
Statutory capital reserve	1,160,400	1,160,400	1,160,400
Other reserves	3,902,962	6,678,283	-36,401,242
Retained earnings	57,619,569	53,952,205	67,624,856
Total equity	**83,752,727**	**82,860,684**	**53,453,809**
Total equity and liabilities	**555,851,345**	**482,626,307**	**502,288,803**

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Statement of cash flows

In euros	2023	2022
CASH FLOW FORM OPERATING ACTIVITIES		
Insurance premium received	168,123,720	167,606,773
Insurance claims and benefits paid	-93,400,871	-70,414,285
Reinsurance premiums, claims and commissions paid (net)	-287,104	-504,250
Operating expenses paid	-32,551,116	-31,459,699
Rent payments made	-473,488	-560,431
Other receipts and payments to customers	761,697	748,648
Net cash flow from shares and fund units	-32,667,197	-31,604,424
Dividends received	853,238	1,026,195
Net cash flow from debt securities and deposits	-11,949,445	-32,492,485
Interest received	6,078,372	5,478,694
Paid for asset management services	-429,487	-323,481
Paid corporate income tax	-174,634	-464,421
Net cash from operating activities	**3,883,684**	**7,036,834**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	-512,851	-332,668
Repayments of loans provided	350,664	341,432
Loans provided	-3,341,402	-4,896,693
Interest received on investments	590,118	492,100
Net cash used in investing activities	**-2,913,471**	**-4,395,828**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-6,150,000	-5,650,000
Net cash used in financing activities	**-6,150,000**	**-5,650,000**
NET CASH FLOW	**-5,179,787**	**-3,008,995**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**24,018,898**	**27,054,000**
Change in cash and cash equivalents	-5,179,787	-3,008,995
Effect of movements in foreign exchange rates	-599	-26,107
CASH AND CASH EQUIVALENTS AT END OF YEAR	**18,838,513**	**24,018,898**

Statement of changes in equity

In euros	Share capital	Share premium	Statutory capital reserce	Other reserves	Retained earings	Total
As at 31 December 2021	**11,604,000**	**9,465,795**	**1,160,400**	**10,602,982**	**12,635,704**	**45,468,881**
IFRS 17/9 effect of initial application						
IFRS 9 reserve	**0**	**0**	**0**	**9,682,402**	**-211,524**	**9,470,878**
IFRS17 reserve issued	**0**	**0**	**0**	**-60,069,996**	**0**	**-60,069,996**
Transition impact	**0**	**0**	**0**	0	**58,584,046**	**58,584,046**
As at 01 January 2022 adjusted	**11,604,000**	**9,465,795**	**1,160,400**	**-39,784,612**	**71,008,226**	**53,453,809**
Transactions with owner of the company						
Profit distribution	0	0	0	0	-5,650,000	-5,650,000
Total transactions with owner of the company	0	0	0	0	-5,650,000	**-5,650,000**
IFRS 9 reserve	0	0	0	-48,665,255	0	**-48,665,255**
IFRS17 reserve	0	0	0	95,128,153	0	**95,128,153**
Change in other reserves	**0**	**0**	**0**	**46,462,898**	**0**	**46,462,898**
Total other comprehensive income	**0**	**0**	**0**	**46,462,898**	**0**	**46,462,898**
Profit/loss of the year	0	0	0	0	-11,406,023	**-11,406,023**
Total other comprehensive income for the year	0	0	0	46,462,898	-11,406,023	**35,056,875**
Balance at 31 December 2022	**11,604,000**	**9,465,795**	**1,160,400**	**6,678,285**	**53,952,203**	**82,860,684**
Transactions with owner of the company						
Profit distribution	0	0	0	0	-6,150,000	**-6,150,000**
Total transactions with owner of the company	**0**	**0**	**0**	**0**	**-6,150,000**	-6,150,000
IFRS 9 reserve	0	0	0	12,932,236	0	12,932,236
IFRS17 reserve	0	0	0	-15,707,559	0	-15,707,559
Change in other reserves	**0**	**0**	**0**	**-2,775,323**	**0**	**-2,775,323**
Total other comprehensive income	**0**	**0**	**0**	**-2,775,323**	**0**	-2,775,323
Profit/loss of the year	0	0	0	0	9,817,365	9,817,365
Total other comprehensive income for the year	0	0	0	-2,775,323	9,817,365	7,042,043
Balance at 31 December 2023	**11,604,000**	**9,465,795**	**1,160,400**	**3,902,962**	**57,619,569**	**83,752,727**

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Note 39 Pension contracts report (II pillar contracts)

In euros	2023	2022
Net earned premiums	**1,514,125**	**1,926,016**
Gross premiums written	1,514,125	1,926,016
Of which acquisition costs	28,872	27,743
Net investment income (+/-)	**906,152**	**-1,924,517**
Interest and dividend income	906,152	-1,924,517
Payments under pension contracts and change in pension contract liabilities (+/-)	**-3,614,594**	**8,281,071**
Pension payments	-3,237,276	-3,420,059
Change in pension contract liabilities	-377,319	11,701,130
Pension contract management fees	30,938	30,818
Operating expenses (-)	**-637,596**	**-543,976**
Acquisition costs	-165,162	-148,197
Administrative expenses	-208,553	-199,691
Investment management expenses	-45,129	-44,096
Other operating expenses	-218,753	-151,992
Profit for the period	**-1,831,913**	**7,738,594**
PROFIT DISTRIBUTABLE TO POLICYHOLDERS AND BENEFICIARIES	0	0

The report on pension contracts has been prepared according to the principles of IFRS4, since the regulation of the Government of the Republic establishing the form requirement has not been changed. According to Compeansa's current accounting principles (IFRS 17 and IFRS 9), the result of the second pillar pension was 1.30 million profit (2022: -2.83 million).

In connection with the transition to IFRS17, the obligation to pay additional income tax in the Lithuanian branch of Compensa was estimated at 400,000 euros.

As required by section 128, subsection 1, of the Insurance Activities Act, Compensa has organised its accounting so that it can ensure that there is separate accounting for the assets and liabilities, income and expenses and net profit/loss attributable to pension contracts and other life insurance contracts. In accordance with section 2, subsection 2, of Regulation No. 43 issued by the Minister of Finance on 17 November 2015, Compensa has prepared the pension contracts report using the same accounting policies as those applied in the preparation of its financial statements.

Costs are allocated to pension contracts and other products using Compensa’s cost allocation policies. Income and expenses that are directly related to pension contracts are recognised directly as income and expenses of pension contracts. Expenses that are not directly related to any product are allocated to pension contracts using the following principles:

- acquisition costs and other costs which are related to acquisition of contracts – based on the ratio of pension contracts signed to the total number of new contracts signed during the period;
- portfolio management expenses – based on the ratio of pension contracts in force to all contracts in force during the period;
- other operating expenses – based on the ratio of pension contracts’ premium income to total premium income for the period;
- claims handling costs – based on the ratio of pension contract claims and surrenders to all claims and surrenders for the period.

Independent auditors' report

To the Shareholders of Compensa Life Vienna Insurance Group SE

(Translation of the Estonian original)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Compensa Life Vienna Insurance Group SE and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *Auditors' 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 (Estonia) (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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.

Measurement of liabilities from insurance contracts issued in life insurance	
Refer to notes 2 "Material accounting policies", 3 "Risk management", 22 "Assets and liabilities from insurance contracts" and 31 "Insurance contract liabilities" of the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Group's consolidated statement of financial position as at 31 December 2023 includes insurance contract liabilities in the amount of 464,805 thousand euros (31 December 2022: 393,649 thousand euros), consisting primarily of liabilities arising from issued life insurance contracts of 454,357 thousand euros. These liabilities represent the most significant part of the	In auditing this area, we engaged actuaries as part of our audit team. Together with the actuaries we performed the following procedures, among others: - evaluated the application of IFRS 17 to the relevant insurance contracts and assessed the changes made to the consolidated financial

liabilities recognised in the Group's consolidated statement of financial position and, in accordance with IFRS 17 *Insurance Contracts*, require significant management judgements and accounting assumptions about uncertain future events. The above insurance contract liabilities measurement involves the use of complex and subjective actuarial methods to estimate the present value of future cash flows, risk adjustment and the contractual service margin. There is a high degree of estimation uncertainty in forecasting the amount and timing of future cash flows and significant judgement is required to determine the financial assumptions (such as discount rates) and non-financial assumptions (such as mortality, longevity and lapse rates) used in the actuarial models. The complexity of the actuarial models used to process large volumes of data can lead to errors in their structure or results and places high demands on the quality of the data used. The Group adopted IFRS 17 from 1 January 2023, and the figures for the comparative period and at the date of transition of 1 January 2022 have been restated. This represented a significant change in accounting practice and introduced, among other things, new measurement models and financial statement presentation. Thus, the significant judgements and assumptions mentioned above also affect the comparative period. Due to the materiality and complexity of the underlying assumptions and estimates made by the management, the measurement of these liabilities was of particular significance in the context of our audit.	statements and related disclosures following the adoption of IFRS 17, including o evaluating the appropriateness of the transition approaches adopted for each group of insurance contracts; o assessing whether the accounting policies and methods selected by management are consistent with IFRS 17; o assessing the appropriateness of management's data and assumptions used in calculating the contractual service margin and fair value at the transition date. - assessed the appropriateness of the methods and models used by the management; - tested the effectiveness of the general controls over the IT environment; - assessed the completeness, accuracy and appropriateness of the underlying data used in the actuarial models; - assessed the appropriateness of the key assumptions used in the actuarial models (including future mortality, longevity, lapse and discount rates and future expenses) and compared them with publicly available data and against historical experience; - performed alternative calculations of the insurance contract liabilities and related profit and loss movements and compared these with the Group's calculations; - assessed, whether the information disclosed in the consolidated financial statements, including in relation to the transition to IFRS 17, is sufficient and appropriate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the directors' report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and 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. In addition, our responsibility is to state whether the information presented in the directors' report has been prepared in accordance with the applicable legal and regulatory requirements.

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 and we state that the information presented in the directors' report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of 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.

Auditors' 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 auditors' 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 International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 International Standards on Auditing (Estonia), we exercise professional judgement 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, then we are required to draw attention in our auditors' 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 auditors' 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, actions taken to eliminate threats or safeguards applied.

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

Other Requirements of the Auditors' Report in Accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council

We were appointed by the sole shareholder of Compensa Life Vienna Insurance Group SE on 24 April 2023 to audit the consolidated financial statements of Compensa Life Vienna Insurance Group SE for the year ended 31 December 2023. Our total uninterrupted period of engagement is 11 years, covering the periods ending 31 December 2013 to 31 December 2023.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Group;
- we have not provided to the Group the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in

Tallinn, 11 April 2024

Liina Randmann

Certified Public Accountant,
Licence No 661

KPMG Baltics OÜ
Licence no 17

KPMG Baltics OÜ

Narva mnt 5

Tallinn 10117

Estonia

Tel +372 626 8700
www.kpmg.ee

Profit allocation proposal

Compensa Life Vienna Insurance Group SE ended 2023 with a net profit of 10,332,059 euros.

Total equity as at the year-end amounted to 85,799,489 euros.

The management board proposes that 6,300,000 euros be distributed to the owner as a dividend and 4,032,059 euros be transferred to retained earnings.

Chairman of the Management Board
Tomas Milašius

Member of the Management Board
Ervins Vēveris

Member of the Management Board
Tanel Talme

Signatures to group annual report 2023

The group annual report of Compensa Life Vienna Insurance Group SE was signed on **11th April 2024** and approved by the general meeting with a resolution dated **29th of April 2024**:

Chairman of the Management Board
Tomas Milašius

Member of the Management Board
Ervins Vēveris

Member of the Management Board
Tanel Talme

Compensa Life Vienna Insurance Group SE's revenue according to EMTAK

In euros	2023	2022
Life insurance (code 6511)	182,868,733	120,818,441
Gross premium income	**182,868,733**	**120,818,441**