„INVL LIFE“

UŽDAROJI AKCINĖ DRAUDIMO BENDROVĖ

STAND-ALONE CONDENSED INTERIM FINANCIAL STATEMENTS

30 June 2023

CONTENTS

Chief Executive Officer

Rasa Kasperavičiūtė

Chief Accountant

Stella Tomson

Head of Actuarial Unit

Rasa Stundžienė

STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME

30 June 2023

	30 June 2023	**30 June 2022**
Life insurance discontinued operations		
Insurance and reinsurance revenue/expenses	**1.104.113**	**-**
Insurance revenue	4.568.565	-
Insurance service expenses	(3.435.784)	-
Net result from reinsurance contracts	(28.668)	-
Revenue/expenses of insurance investing and financing activities	**232.480**	**-**
Net fair value gains on financial assets	3.187.159	-
Interest gains	4.410	-
Other expenses of investment activities	(49.720)	-
Net financial expenses of insurance contracts	(2.909.369)	-
Net revenue of managing investment contracts	1.198.409	-
Other income	-	-
Other expenses	(38.439)	(162.985)
Profit (loss) before income tax from discontinued operations	**2.496.563**	**(162.985)**
Income tax on discontinued operations	-	-
Profit (loss) from discontinued operations	**2.496.563**	**(162.985)**
Net gain/loss from financial investments	(2.750.446)	(846.125)
Income from dividends	1.681.615	-
Income tax on continued operations	-	-
Profit (loss) for reporting period	**1.427.732**	**(1.009.110)**
Other comprehensive income	-	-
Total comprehensive income for reporting period	**1.427.732**	**(1.009.110)**

STAND-ALONE STATEMENT OF FINANCIAL POSITION

30 June 2023

	30 June 2023	**31 December 2022 (recalculated)**
Assets		
Disposal group related to life insurance discontinued operations		
Intangible assets	989.718	1.120.302
Property, plant and equipment	164.705	200.460
Financial assets through profit or loss	150.029.154	151.031.032
Reinsurance assets	3.552	1.718
Receivables	425.706	185.999
Prepayments, accrued income and prepaid expenses	75.970	106.650
Cash and cash equivalents	-	335.864
Assets held for sale	**151.688.805**	**152.982.025**
Intangible assets	56.325	-
Financial assets through profit or loss	56.739.992	55.056.595
Deferred income tax assets	13.725	13.725
Prepayments	107.985	
Cash and cash equivalents	1.891	2.972.077
TOTAL ASSETS	**208.608.723**	**211.024.422**
Equity		
Share capital	48.000.000	48.000.000
Legal reserve	891.345	370.077
Other reserves	38.285	-
Retained earnings	9.585.348	8.678.885
TOTAL EQUITY	**58.514.978**	**57.048.962**
Liabilities		
Disposal group related to life insurance discontinued operations		
Insurance contracts liabilities	**55.952.946**	**55.220.104**
Liabilities for remaining coverage	54.818.857	53.704.897
Liabilities for incurred claims	1.134.089	1.515.207
Investment contracts liabilities	90.155.808	94.564.756
Other liabilities and payables	945.723	933.078
Accrued expenses	459.190	677.444
Liabilities directly associated with assets held for sale	**147.513.667**	**151.395.382**
Other liabilities	2.580.078	2.580.078
TOTAL LIABILITIES	**150.093.745**	**153.975.460**
TOTAL EQUITY AND LIABILITIES	**208.608.723**	**211.024.422**

STAND-ALONE CASH FLOWS STATEMENT

30 June 2023

	30 June 2023	30 June 2022
Cash flows from operating activities		
Cash flows from insurance contracts	**3.192.725**	-
Premiums (including savings component) and other amounts received	4.561.851	-
Claims (including savings component) and other amounts paid	(1.369.126)	-
Cash flows from reinsurance activity	**(28.513)**	-
Premiums and other amounts paid	(34.353)	-
Claims and other amounts received	5.840	-
Cash flows from investment contracts	**(7.380.301)**	-
Savings component and other amounts received	5.720.245	-
Savings component and other amounts paid	(13.100.546)	**-**
Paid operating expenses	**(4.803.699)**	**(195.448)**
Total cash flows from operating activities (discontinued operations)	**(9.019.788)**	**(195.448)**
Cash flows from investing activities		
Amounts received from investing activities	500.780	576.385
Amounts received on maturity or sales of investments	41.281.751	-
Amounts paid on acquisition of investments	(33.287.780)	(1.000.000)
Taxes paid on investing activities	(20.631)	-
Total cash flows from investing activities (discontinued operations)	**8.474.120**	**(423.615)**
Amounts paid on acquisition of own book investments	(4.433.843)	-
Taxes paid on investing activities	(2.460)	-
Dividends received from own book investments	1.681.615	-
Proceeds from sale of own book investments	-	-
Total cash flows from investing activities	**5.719.432**	**(423.615)**
Cash flows from financing activities		
Amounts received on issue of ordinary shares	-	3.855.997
Amounts paid on other financing activities	-	-
Total cash flows from financing activities (continued operations)	**-**	**3.855.997**
Currency exchange impact	**(5.694)**	-
Total cash flow, net	**(3.306.050)**	**3.236.934**
Cash and cash equivalents at the beginning of the period	**3.307.941**	**317.100**
Cash and cash equivalents at the end of the period	**1.891**	**3.554.034**

STAND-ALONE STATEMENT OF CHANGES IN EQUITY

30 June 2023

	Share capital	**Legal reserve**	**Other reserves**	**Retained earnings**	**Total equity**
31 12 2021	**7.500.000**	**300.000**	**-**	**1.401.546**	**9.201.546**
Paid-in capital	40.500.000				40.500.000
Profit (loss) for the reporting period				(1.009.110)	(1.009.110)
Total comprehensive income for the reporting period				**(1.009.110)**	**(1.009.110)**
30 06 2022	**48.000.000**	**300.000**	**-**	**392.436**	**48.692.436**
31 12 2022	**48.000.000**	**370.077**	**-**	**11.756.834**	**60.126.911**
Impact of IFRS 17 transition				(3.077.949)	(3.077.949)
Changes of reserves		521.268	38.285	(521.268)	38.285
Profit (loss) for the reporting period				1.427.732	1.427.732
Total comprehensive income for the reporting period				**1.427.732**	**1.427.732**
30 06 2023	**48.000.000**	**891.345**	**38.285**	**9.585.349**	**58.514.978**

NOTES TO THE INTERIM REPORT

30 June 2023

1. Accounting principles

30 September 2022 interim condensed financial statements of the Company were prepared in accordance with IAS No. 34 *Interim financial reporting*. In preparation of this interim report, the same accounting methods have been used as described in the Company's Annual financial statements for the year ended 31 December 2022, except for the application of IFRS 17 *Insurance Contracts* from 1 January 2023, the effects of which are described below. These interim financial statements should be read together with the Company's annual financial statements published in the Company's web page.

2. Transition to IFRS 17

Transition and implementation dates and estimate of impact to the Company's equity

IFRS17 Insurance contracts, which replaces IFRS4 standard, establishes principles for the recognition, measurement, presentation, and disclosures for insurance contracts issued. It also requires similar principles to be applied to investment contracts with discretionary participation features and reinsurance contracts held.

IFRS17 is effective for annual periods beginning on 1st January 2023 and the date of transition is 01.01.2022. However, since the Company did not have any insurance contracts as of the 1st of January 2022, there is no effect to the opening balance due to the transition and retrospective application of the standard is not applicable to the Company. The Company acquired insurance portfolio on 01.07.2022 and has thereafter also issued new contracts. Company does not have any insurance contract groups that were previously accounted under IFRS 9 that will be accounted under IFRS 17.

Upon transition to IFRS 17 the Company performed the following actions:

- determined which contracts of the Company are insurance contracts according to IFRS 17;
- the contracts that are not insurance contracts according to IFRS 17 were recognised by the Company as investment contracts according to IFRS 9;
- the Company categorized all insurance contracts into groups and portfolios and measured them according to IFRS 17;
- remeasured the asset related to acquired rights of customer contracts that was recognised according to previous accounting standards and derecognised part of this asset related to IFRS 17 insurance contracts because the value of these customer contracts was determined according to IFRS 17 requirements and included into contractual service margin or onerous contracts values;
- accounted for insurance liabilities according to IFRS 17 and difference between the value of newly calculated liabilities and the liabilities calculated according to previous standards, recognised in equity.

As a result of the above-mentioned calculations, the impact of transition to IFRS 17 on the Company's equity as of 31 December 2022 amounted to EUR 3.1 million decrease in equity. This impact mainly consists of the following factors: derecognition of part of the asset related to acquired rights of customer contracts;

inclusion of client acquisition costs to contractual service margin (according to previous accounting policy, client acquisition costs were recognised to profit/loss immediately), and immediate recognition of onerous contracts losses to profit/loss.

Key principles of IFRS 17

A contract is defined as an insurance contract under IFRS 17 only if it has significant insurance risk. Insurance risk is significant when there is a possibility that insured event occurs and will cause an insurer to pay significant additional amounts. The significance of additional amount shall be assessed on present value basis for each contract separately. The Company evaluated all of its insurance contracts and determined which contracts include significant insurance risk, and applied IFRS 17 for the accounting of these insurance contracts.

IFRS 17 introduces a new system of how profit/loss is to be calculated. Group of insurance contracts is measured as a risk-adjusted present value of the future cash flows (fulfilment cash flows) and a *contractual service margin (CSM)* which represent the unearned profit in the group of contracts. In order to determine how much profit should be recognized in each period, the company is required to identify the amount of coverage provided by each contract in the group (known as “coverage units”). The Company then allocates the CSM equally to each coverage unit provided in the current period and expected to be provided in future periods. The Company recognises the profit from a group of insurance contracts over the period during which the Company provides insurance coverage. Losses are recognized immediately as a loss component (LossC).

IFRS 17 also requires for a Company to identify portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and are managed together. A portfolio is divided to two groups:

- onerous contracts at initial recognition;
- non-onerous contracts at initial recognition.

The purpose of this combination of portfolio is to ensure that profits are recognized over time in proportion to the insurance service provided, and losses are recognized immediately after the entity assesses that the concluded contract is unprofitable.

The Company applies the following models for the accounting of its contract groups:

- GMM (General Measurement Model) – is the default approach that any insurance company can use. It is appropriate for longer-term contracts like life insurance or Mortgage policies, which cover a specified risk over an extended period;
- VFA (Variable Fee Approach) - is always required for “Direct Participating Contracts”. This measurement approach is mandated for contracts involving segregated funds, unit-linked contracts, etc., and can be used for any insurance contract that involves investment components.

GMM is a standard approach. The Company calculates the expected discounted cash flows, risk adjustment and the remaining CSM and accounts for these elements under liabilities. Expected loss from onerous contracts are recognised directly through profit/loss at inception of an insurance contract. Every year assumptions and amounts for expected cash flows, risk adjustment, CSM and loss component are updated. Positive or negative changes can go through CSM or recognised in profit/loss. Once the insurance service is delivered, part of the CSM is recognised through profit/loss. No profit is recognised at inception of an insurance contract.

VFA introduces the concept of a "Variable Fee", which is defined as the Company's share of the underlying items as a fee for the services it provides. The main benefit of applying VFA is to better manage the volatility of the Company's balance sheet.

The key difference between the VFA and the GMM is only evident at subsequent measurement, the transitional and at inception CSM is the same under both models. This difference is the ability to bring economic movements into the CSM each period as compared to the P&L under the GMM. This reflects the fact that future profitability is significantly impacted by the changes in underlying items values due to financial market movements. Without this mechanism, the insurance service result for these products would not reflect the reality, and the net investment result would be incredibly volatile.

In total, the Company has the following portfolios and uses the following measurement models:

- Term life contracts portfolio. Calculated according to GMM;
- Unit linked contracts portfolio. Calculated according to VFA;
- Endowment and Universal life contracts portfolio. Calculated according to GMM;
- Annuity in outpayment phase contracts portfolio. Calculated according to GMM.

The Company also takes into account issue country of contract in grouping of contracts.

The Company's insurance liabilities are classified into Liability for Remaining Coverage (LRC) and Liability for Incurred Claims (LIC).

At Initial Recognition Liability for Remaining Coverage (hereinafter LRC) consists of Expected Future Cash Flows related to remaining coverage, Risk Adjustment related to remaining coverage, and Contractual Service Margin if any (CSM),

Liability measured subsequently consists of Liability for Remaining Coverage (LRC) and Liability for Incurred Claims (LIC). LIC is measuring liability for claims which have already incurred but might be not reported yet.

Company shall present separately in profit and loss:

- Insurance revenue – as insurance service expenses incurred in the period, CSM recognised, risk adjustment released and allocation of premium to insurance acquisition cash flows;
- Insurance service expenses – as incurred claims, insurance acquisition and other expenses, as well as losses on onerous contracts and reversal of those losses;
- Insurance finance income and expenses.

IFRS 17 requires separating an investment component from a host insurance contract if, and only if, that investment component is distinct. Company's unit-linked contracts contain investment component;

however, investment component and an insurance component are highly interrelated and investment component is non-distinct therefore the Company will not apply unbundling to insurance contracts with deposit components.

The contract boundary for an insurance contract under IFRS 17 determines which cash flows should be included within the fulfilment cash flows, and hence the value of the CSM. In IFRS 17 Contract boundary is equal to the contract maturity due to long term covers and limited practical ability to reassess risk of portfolio.

IFRS 17 introduces a requirement for insurers to use fair value and market-consistent approaches to liability valuations as the basis for reporting their accounts. To calculate present value future cash flows, the Company uses discount rates derived by bottom-up approach (described as risk-free rate plus illiquidity premium formula) based on EIOPA risk free rate curve. By applying of new requirements future cashflows are discounted using up to date discount rates (for GMM model up to date discount rates are applied at initial recognition of an insurance contract group, whereas for VFA model discount rates are updated for all insurance contracts within insurance contract group in each accounting period). As these rates fluctuate each period, this makes an impact on the present value of future cash flows.

Under IFRS 17 the insurance acquisition cashflows are added to fulfilment cash flows and hence makes part of CSM, accounted under insurance liabilities and recognised through profit/loss over time.

IFRS 17 introduces the necessity to calculate *risk adjustment (RA)* for non-financial risk, a compensation amount by which the Company shall adjust the estimate of the present value of future cash flows related to the uncertainty of i) amount of the cash flows, ii) timing. IFRS 17 risk adjustment explicitly excludes financial risks and operational risks. Process of risk adjustment calculations is described as an estimation of two risks: parameter risk (i.e. estimation error, that is, the source of uncertainty in the parameters of the model used to estimate the cash flows) and process risks (i.e. volatility risk that relates to the random nature of the underlying processes which are independent one from another). Final amount of risk adjustment is calculated by summing up RA from parameter risk and RA from process risk. Risk adjustment is to be released according to the patterns of coverage units as Company’s insurance revenue.

Company decided not to use accounting policy choice to disaggregate insurance finance income or expenses for the period between profit or loss and other comprehensive income (OCI).

Under IFRS 17, the accounting treatment of reinsurance contracts depends on the terms of the contract and the nature of the risk transferred. If a reinsurance contract meets the definition of an insurance contract under IFRS 17, it must be accounted for in accordance with the standard's requirements. The Company uses PAA (Premium allocation approach) measurement model to its reinsurance portfolio. PAA is simplified measurement model in IFRS 17 to account for insurance contracts of short duration (i.e., one year or less contract boundary). Reinsurance impact on equity is evaluated as immaterial due to low volumes and rather more simplified model used than for direct business.

3. Insurance liabilities

	2023-06-31	2022-12-31
Liability for Remaining Coverage	54.818.857	53.704.897
Current value of expected future cashflows	10.216.026	10.860.421
Risk adjustment	5.739.174	5.333.540
Contractual service margin	38.863.657	37.510.936
Liability for Incurred Claims	1.134.089	1.515.207
Total	**55.952.946**	**55.220.104**

4. Insurance revenue

	2023 01-06
Expected insurance services expenses	2.387.071
Recovery of insurance acquisition cashflows	96.087
Change in risk adjustment	249.502
CSM recognised for services provided	2.132.503
Other changes that relate to current service	(296.598)
Total	**4.568.565**

5. Insurance service expenses

	2023 01-06
Incurred claims expenses	(924.438)
Losses from onerous contracts (recovery of losses)	(257.807)
Amortisation of insurance acquisition cashflows	(338.226)
Other insurance services expenses	(1.915.313)
Total	**(3.435.784)**

6. Net financial expenses of insurance contracts

	2023 01-06
Time value of money	(34.152)
Changes related to underlying items	(2.878.038)
Changes related to changes in financial risks	5.273
Changes related to effects from locked-in rates	(2.452)
Total	**(2.909.369)**

7. Net revenue of managing investment contracts

	2023 01-06
Contract fees and asset management fees	1.165.261
Net fair value change on financial assets	5.089.861
Changes in fair value of financial liabilities for investment contracts	(5.056.713)
Total	**1.198.409**