VIENNA INSURANCE GROUP

BTA Baltic Insurance Company AAS

Annual report

For the year ended
31 december 2020

Contents

Information about the Company

Name of the company	BTA Baltic Insurance Company
Legal status of the company	Joint Stock Insurance Company
Number, place and date of registration	40103840140, registered in Riga, Latvia on 28 October 2014
Address	Sporta 11, Riga, Latvia, LV-1013
Management Board members and their positions	**Wolfgang Kurt Wilhelm Stockmeyer** – Chairman of the Management Board **Oskars Hartmanis** – Deputy Chairman of the Management Board **Evija Matveja** – Member of the Management Board **Tadeuš Podvorski** – Member of the Management Board
Supervisory Board members and their positions	**Peter Franz Höfinger** – Chairman of the Supervisory Board **Franz Fuchs** – Deputy Chairman of the Supervisory Board **Elisabeth Stadler** – Deputy Chairlady of the Supervisory Board **Jan Bogutyn** – Member of the Supervisory Board **Artur Borowinski** – Member of the Supervisory Board
Reporting period	01.01.2020 – 31.12.2020
Auditors	KPMG Baltics AS Vesetas iela 7, Riga, Latvia, LV-1013 Licence No 55

Management report

BTA Baltic Insurance Company AAS (BTA or the Company) maintains a leading role as one of the most important providers of insurance services in the Baltic States with a stable and positive development outlook. BTA offers the broadest range of non-life insurance services in the Baltic States – Latvia, Lithuania and Estonia. The sole shareholder of the Company is Vienna Insurance Group AG Wiener Versicherung Gruppe (VIG) with close to 200 years of experience in the insurance business. VIG has more than 25,000 employees in 50 insurance companies and is represented in 30 countries. VIG is a clear market leader in its Central and Eastern European markets, and takes care of more than 22 million customers. VIG is the best-rated company of ATX, the leading index of Vienna Stock Exchange (since 1994) with a rating of A+ with stable outlook from Standard & Poor's; its share is also listed on the Prague Stock Exchange. VIG works in close partnership with Erste Group – the largest retail bank in CEE.

About BTA

Although 2020 with the spread of coronavirus was a challenging year in all the Baltic countries and had a larger or lesser impact on all companies on the insurance market, their development and future plans, the Company was able to handle this situation well, maintain its focus and prove its high added value to customers and partners. This resulted in remarkable profit figures.

Despite the restrictions to limit the spread of coronavirus which has resulted in lockdowns for entrepreneurs and citizens, the Company continued to make a number of changes in its internal processes and services to customers in order to implement the goal of its strategy to be the most recognizable insurer to its customers and business partners. In 2020, the Company repeatedly emphasized that, despite the external impact caused by the spread of the pandemic in the world and also in the Baltic States, the initiated projects will be continued and new ones will be developed, which will contribute to the Company's long-term development.

Continuing to focus on the driving forces of its strategy – innovation and people – the Company's employees made a significant and invaluable contribution to a number of very important projects. For example, change of the internal business management and administration system in the Lithuanian branch, which involved more than 100 specialists of various positions within the Company. Thus, the Company will operate in a unified business management and administration system now across all three Baltic States, which will facilitate the operation of employees and cooperation partners with respect to customer data processing, issuing policies, preparing reports, which for the customers will result in yet further improved quality of customer service.

The Company's employees also continued working on innovating and developing the internal processes, focusing on the creation of innovative products and offering customers new opportunities to receive the Company's services in person and remotely. For example, major changes in the functionality of the Company's website and Health Insurance mobile application have created innovations unprecedented in the insurance market. Along with these and several other projects, the Company and its efforts in 2020 were also praised by its shareholder by being recognized as the most innovative company in the Group.

A change in the Company's shareholding structure was carried out last year, concluded in October 2020, whereby VIG Group became the owner of 100% shares of the Company. The Company's Management Board carries on in its current composition and is continuously be represented by its Chairman Wolfgang Stockmeyer, Deputy Chairman Oskars Hartmanis, and Members Evija Matveja and Tadeuš Podvorski. The strategic development goals of the Company for 2020, set by the Management Board, were continued diversification of the portfolio and an increased share of voluntary types of insurance, as well as strengthening the Company's market position in all three Baltic States.

The demonstrated ability of the Company's employees to perform under extreme stress and volatility last year, still managing to generate ideas and solutions to sustain the Company's development, meanwhile adhering to accessibility, humanity and credibility, which are the Company's core values, should be appreciated. The Company realizes – people are its main asset.

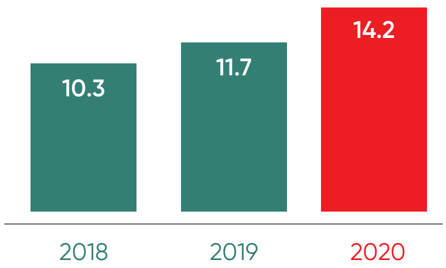
Financial information

The year 2020 was as challenging for the Company as it was for most other enterprises in Europe. With the introduction of restrictive measures in March 2020 in the Baltic States, the Company faced significant pressure from a decrease of consumer and corporate demand for insurance products and at the same time a decrease in prices, above all, in Motor insurance business. Despite that, the Company succeeded in achieving most of its financial goals by managing to largely retain its premium volumes in such products as Health, Property and other insurances and demonstrating excellent financial results.

The year 2020 also served as a thorough test for the Company's information technology solutions and internal processes from the switch to the home-office work mode. It proved that the Company's focus on continuous improvement of technological solutions and efficiency of internal processes was the right strategy.

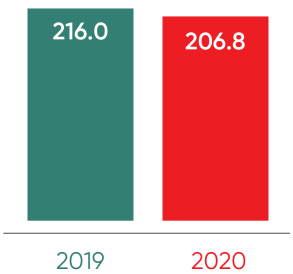
Thanks to successful retention of the business volumes, improvements in pricing of insurance products, increased efficiency of internal processes, further development of information technology solutions as well as changes in customer habits of insurance service usage during last year which will potentially have impact in long-term aspect, the Company achieved impressive financial results. The total profit before tax reached EUR 14.2 million while net profit in the year 2020 amounted to EUR 12.6 million, an increase by 18% compared to 2019.

Financial result (PBT), mEUR



The Company's gross written insurance premiums (after mandatory fees) amounted to EUR 207 million in the Baltic States, showing a decrease by 4% compared to the results of year 2019, which in general followed the market development.

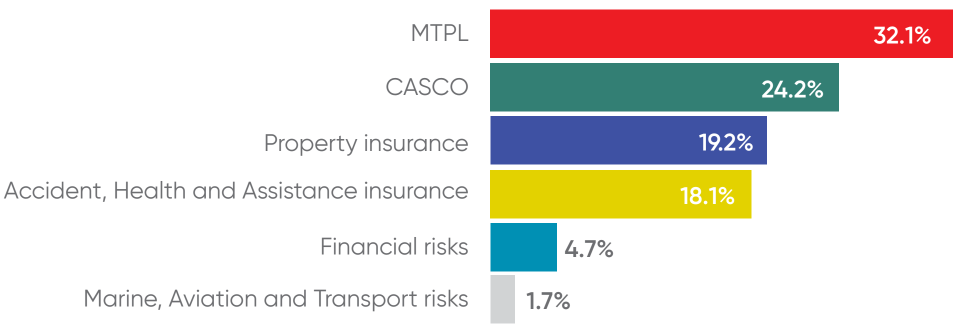
Gross written premiums, mEUR



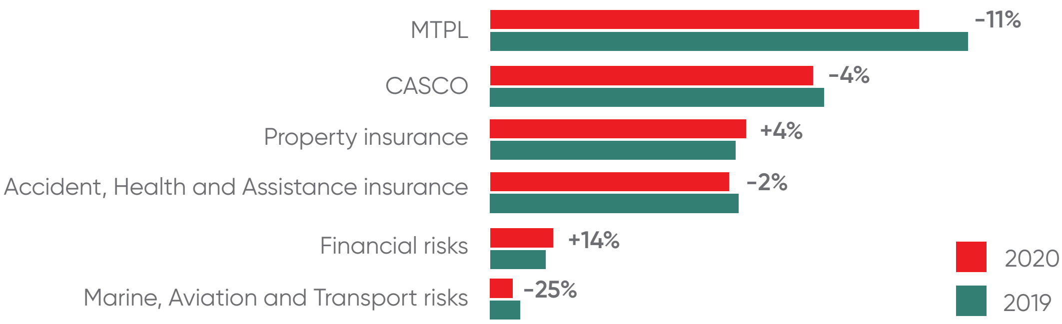
Adverse market conditions led to decrease of premium volumes by 8% (total) in Motor insurance lines which were significantly impacted by the intense price competition: CASCO insurance premiums decreased by 4% and motor third party liability insurance (MTPL) premiums decreased by 11% in the reporting year compared to 2019.

Despite that, the Company achieved significant premium growth in many main voluntary insurance lines of business, particularly in Property insurance (+8%) and Accident and Health insurance (+9%).

Premium share by line of business

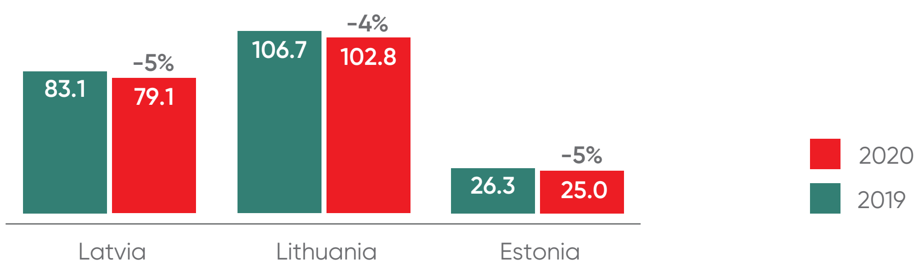


Premium growth by line of business



Development of the premium volume for the Company in each of the Baltic countries was similar in year 2020 – in Estonia the premium volume reached EUR 25.0 million (-5% compared to year 2019 volume), in Lithuania EUR 102.8 million (-4%) and in Latvia EUR 79.1 million (-5%).

Gross written premium



Overall, the Company performed in line with the Baltic market in 2020, which allowed the Company to maintain its market position and keep its market share in key voluntary lines of business, particularly Property, CASCO, and Health insurance. The Company was firmly the second biggest property and casualty insurance company in Latvia and Lithuania with market shares of 19% and 16%, respectively. On the highly segmented Estonian insurance market the Company ranked on sixth position with the market share of 7%.

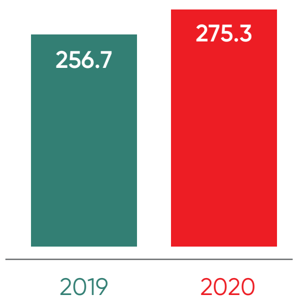
In year 2020 the Company strengthened its position as a leading insurance company on the Baltic insurance market and proved that it is a key market player in the main market segments – Motor insurance lines in Lithuania and Latvia, Health and other Personal risk insurance in Latvia, Financial risk insurance in Latvia and Lithuania, General third-party liability insurance in Lithuania.

Following the decrease of the insurance premiums volume, the volume of insurance claims paid out by the Company decreased by 8% in 2020 and reached EUR 127.8 million. The Company paid out about EUR 506 thousand on average during every business day in 2020, which is approximately EUR 63 thousand every business hour.
This decrease in the volume of paid insurance claims was primarily caused by short-term factors, namely decrease of economic activity by private and corporate customers due to the pandemic imposed restrictions, the effect of these restrictions on mobility of the population and transport, limited availability of medical services, and others.

The long-term trends in development of claims, which were observed during the previous years – such as increasing prices for car repair works and medical services, increased expectations of future price inflation, indexations of pensions – remained in effect during year 2020. In order to mitigate the impact of these events and to be able to offer its customers prices that adequately reflect the risks the Company assumes, the Company continued its work on analysis and improvement of pricing for insurance products.

The total size of investment assets (investments in bonds, equities, loans, fund certificates and cash) under management of the Company increased to EUR 275.3 million by the end of 2020.

Investment assets under management, mEUR



In the reporting year, the Company continued to exercise a conservative approach towards the investment policy based on low risk assets. The share of investments into government and corporate debt securities with high investment rating (between A and AAA according to international rating agency Standard & Poor's classification) constituted 66% of the total volume of the Company's investments at 31 December 2020. In addition, the Company continued to diversify its investment portfolio with carefully evaluated investments into other investment classes. In particular, the Company increased the volume of investments into real estate backed assets.

Insurance Market Profile

Baltic insurance market in 2020 responded to changes in customer habits and is characterized by fierce competition in all types of insurance, especially MTPL and CASCO. This factor decreased premiums in both types of motor insurance, which according to the Market data dropped by 10% in MTPL and 4% in CASCO against 2019. Despite the fact that, in 2019, MTPL and CASCO were the largest types of insurance in the Baltic non-life insurance market in terms of premiums, their total share decreased to 54% of the total premium volume in the market.

In contrast, several forms of voluntary insurance showed much more active development. According to the Company's estimates, gross written premiums in Property insurance increased by 5% compared to the previous year. The share of Property insurance in the total volume of premiums in the Baltic market increased to 23% in 2020, and the Company expects that this type of insurance will increase in importance in the coming years as the purchasing power of the population and a better understanding of the importance of insurance increase.

In the reporting year, high growth rates were also achieved in personal risk insurance lines of business - Health insurance and Accident insurance, which increased by 7% compared to 2019. Assistance (mostly travel) insurance suffered dramatically from travel resctrictions and decreased by 38% compared to 2019.

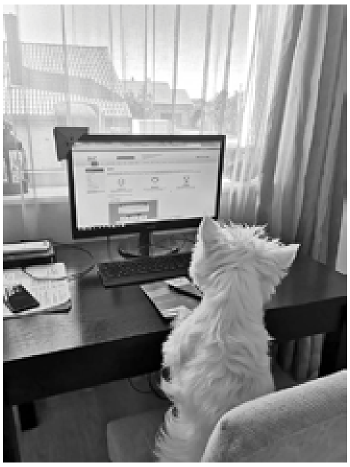
Market premium volume in Health insurance grew in the Baltics by 7% compared to last year, showing that employers more frequently complement motivation and social guarantee programme packages for their employees with health insurance coverage even in such unstable and uncertain conditions as they were in 2020 due to Covid-19. In 2020, particularly active Health insurance developed in the Lithuanian and Estonian markets. In 2020 in Latvia, the Company continued to operate as a leader in the health insurance market with a market share of 23%.

Among other types, bond insurance also showed significant growth rates: + 15% compared to the premium volume in 2019.

Major events and development

Strength of team 2020: Flexibility

Last year was a proof to the capability of the Company's team to adapt to any conditions, as a team of more than 1000 employees managed to restructure its operation from office work to work from home in just 3 days (including weekend), sustaining the Company's business continuity and maintaining excellent customer service in the new conditions. This was achieved by the ongoing digital development that had already been started in previous years, in systems and internal processes, as well as by the availability of technical infrastructure and equipment. However, the most important aspect was the ability of the Company's employees to respond professionally already in the very first days of the restrictions in effect.

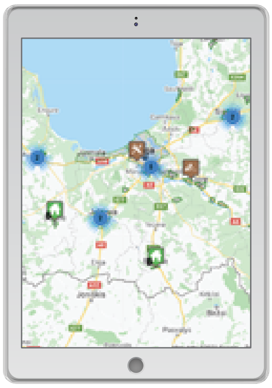


Both sales and support staff demonstrated excellent flexibility, and together with strong development digitally with paper-less concept, digital signatures for all employees, remote communications channels in sales and claims settlement process, document management systems and other improvements helped to react in a great speed, whereby this internal transformation of the operating mode had no adverse effects on the Company's customers and partners in receiving the accustomed best service.

Unity of internal systems at the Baltic level

In 2020, the Company proceeded with the started projects in development of internal systems. One of the most important and extensive projects was the change of the internal business management and administration system in the Lithuanian branch. This project involved more than 100 employees of the Company and external partners in the Baltic States, which raised different challenges because of the restrictions to meeting in person and working from home set-up. These specialists had been working side by side for more than a year, as the project was complicated and time consuming. The top priority for the Company was a safe and complete migration of customer data from one system to another, which required a thorough planning of each activity and process and reiterated testing. The complete shift to the new system in the Lithuanian branch and its cooperation partners is scheduled during 2021. With the introduction of the new business management and administration system in the Lithuanian branch, all the Company's employees in Latvia, Lithuania and Estonia will further on work under a unified system that means improved information exchange, reporting and other internal processes.

At the beginning of 2020, the Company completed a project on implementation of the Group's unified accounting program SAP ERP in the Baltics as preparation for IFRS17 accounting standard implementation. With the implementation of the new accounting program, the accounting reporting process in the VIG Group has been harmonized and simplified, increasing the reporting speed, data quality and efficiency. The implementation of this program took several months of work and it involved staff from the accounting and information technology departments. The project was supported by other Group companies that had experience in SAP implementation and its application for daily accounting tasks.



During the second half of 2020, the Company strengthened its position by introducing a unified assistance service company for customers in the Baltics. The establishment of a new company, SIA Global Assistance Baltic, is part of the Company's shareholder expansion strategy to increase service capacity. The new company will be involved in providing all the current assistance services in motor, travel and housing insurance to the customers of the VIG Group companies in the Baltics, for example, Roadside Assistance, medical assistance during travel, private property assistance package, etc.

New websites and apps

At the beginning of 2020, the Company launched the fastest, most modern and innovative Health Insurance software application in the Latvian financial sector. The response from customers was highly positive and a number of well-known Latvian enterprises – clients of the Company, now have made a choice in favour of electronic insurance cards for their employees instead of plastic ones, and have made a complete transition to electronic cards, available in BTA Health Insurance application. Carrying the project's development yet further, the Company focused on even more active improvement of the user experience.

As a result, a huge amount of staff and external partners worked to launch a new website in Estonia in September 2020, which was immediately followed by the launch of the Health Insurance app for Estonian customers, while the fourth quarter was focused on launching a new website in Lithuania.

The next step in this project is implementation of the Health Insurance application in Lithuania. In Latvia, the launch of the new website is scheduled for the first quarter of 2021. The Company believes that this project will further improve the customer experience of using the Company's services, increase the satisfaction of partners **and make the Company even more competitive in the insurance industry throughout the Baltics.**

Focus on employee satisfaction

Last year, the Company paid great attention raising the professionalism of employees, as well as their emotional health and work place satisfaction.

In total, in 2020, more than 200 vacancies were announced at Baltics, for which more than 1000 applications were received, thus almost all vacancies were filled. Company also values the contribution of its employees and promotes their development, and as evidenced there were around 100 promotions during 2020. There was also a restructuring of several existing units, as well as the creation of new ones, which strengthened the team, introduced a clearer division of responsibilities and duties, so that these specialists can focus on solving issues important for business development.

Already at the end of the first quarter, when almost 1000 employees were only sent to work remotely, the need to strengthen team cohesion on a daily basis became clear, when employees rarely met in person. Decisions were made very quickly at the level of the Company's Management, which was qualitatively communicated to all employees of the Company in all Baltic States, considering the specifics of each country and the decisions made by the government. In subsequent surveys, almost 90% of employees indicated that information about remote work and the future activities of the Company was received in a timely and understandable manner.

A number of support mechanisms and activities were also developed to strengthen employees' emotional health and maintain productivity. This was achieved through various internal activities as well as lectures by external experts. The Company used all possible means to take care of and strengthen the health and wellness of its employees. During the summer, when there were fewer restrictions and the situation with the spread of the coronavirus was calmer, employees were invited to use opportunity of the Company together in smaller teams meet outdoors to reunite employees.

In order to promote employee satisfaction, the Company also actively worked on adjusting the remuneration system, thus making it even more motivating and appropriate to the individual performance of each and the joint work of the teams. Further improvements in the personnel management process are also planned for 2021.

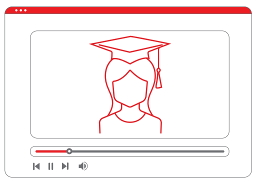
Knowledge is power – even in remote work

One of the driving forces of the company is people, which also includes the development of a professional team. In order to achieve this, the Company continued to develop opportunities for employees to acquire new knowledge for work and personal growth last year.

As in many other processes, in the field of training, the Company adapted to the needs of remote working and started to offer employees a new approach contrary the traditional face-to-face training - online trainings and events. This opportunity has been used by almost every employee of the Company, but it is especially appreciated by the regional sales and new employees, where in this way they can quickly and in their workplace get the information needed for the work and personal development. The process of internal information exchange about trainings was also changed, providing employees with full information on internal and external training on a single platform.

8635 h

internal and external trainings

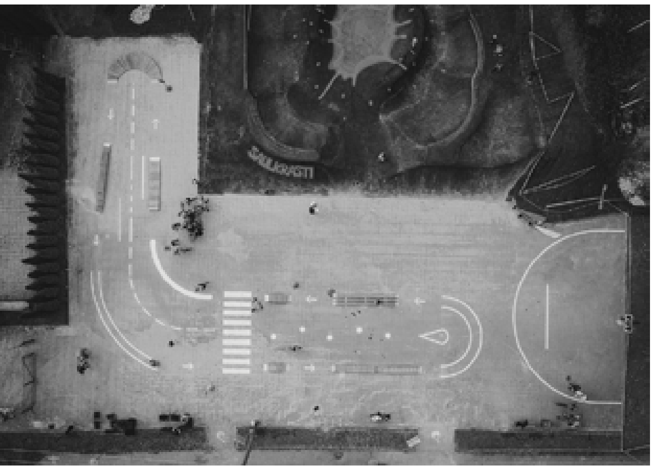


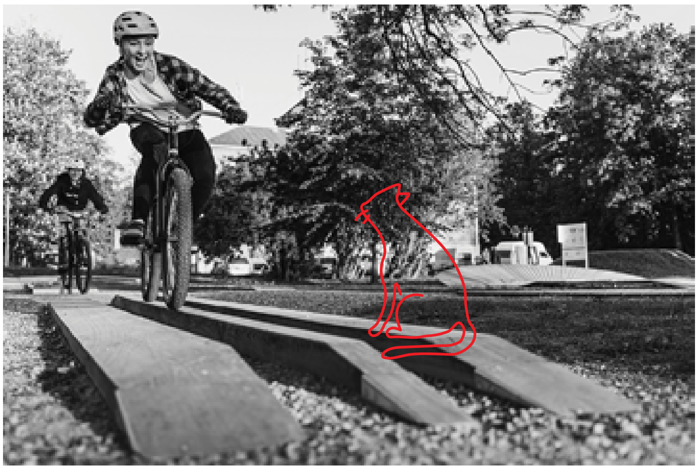
In 2020, the Company's employees spent a total of 8 635 hours in 134 different internal and external trainings. In addition, most of these trainings were watched remotely by employees.

The Company also made changes to the Leadership Program launched in previous years, adapting it to the current situation and requirements. The number of participants in the Leadership Program was expanded to include middle managers, as well as changes were made in the content, taking into account the recommendations of the participants of the program, as well as the new conditions of remote work and team management.

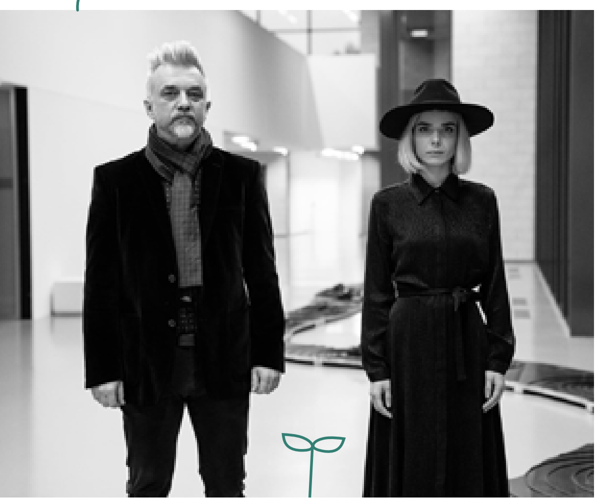
Social responsibility with BTA Velozinis, Be Stresso and the World Wide Fund

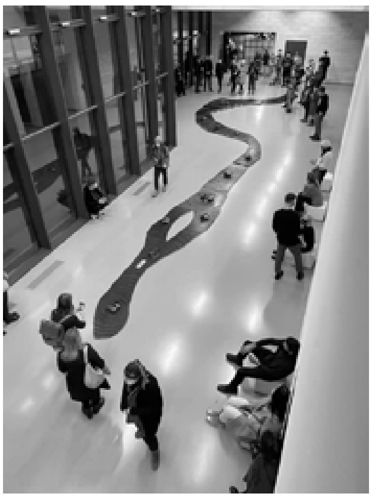
In 2020, the Company continued to implement its Corporate Social Innovation Strategy. The development and implementation of this strategy is vital for the development and future perspective of the Company. One of the directions in this strategy is the implementation of a socially responsible project worthy of physical health. In order to carry out this initiative, which is useful for Latvian society, the Company sought and found reliable and professional experts. Thus, the development of the innovative project BTA Velozinis (Velomaster) was started. Its basic idea is to enable children to learn cycling skills with their parents in a safe and comfortable environment, so that they can later to use these skills more confidently when moving in real traffic on the street. All the most common traffic obstacles have been created on the bicycle track, which can interfere with safe driving and overcoming them for children with bicycles. Within the framework of the BTA Velozinis project, it was planned to open 10 tracks in different cities of Latvia in 2020. The restrictions changed the times and possibilities of opening the tracks, but despite this, the Company continued to move forward and did its best to safely and smoothly open 6 tracks during the summer and autumn. Recognition from the shareholder, customers, partners and also employees is a proof of the success story of the BTA Velozinis project and the basis for its continuation in 2021 as well.





In Lithuania, the Company re-organized Be Stresso campaign in 2020. It was first organized in 2019 and included both customer and employee involvement in different activities. Last year, several of the project's plans and ideas had to be changed several times. However, it once again proved the flexibility and professionalism of the Company's employees, being able to find new ideas on how to implement this important project. As part of the Be Stresso project, the Company invited customers and partners, as well as employees, to engage in various activities. One of the activities was suggestions for stress-free places in Lithuania by sending photos or drawings. The Company's employees actively participated in the voting of new types of greetings, while the lists of the Company's stress-free music were published throughout the Baltics on the popular digital music service. The Art-supported art installation “Say Goodbye to Stress” was also significant part of this project’s activities.





Also in Lithuania, the Company received public recognition for its performance in the field of social responsibility - in a survey conducted by the news portal Delfi and the magazine Ratings, the Company was ranked in the Top 7 category "Culture and Art". The company was recognized as one of the leaders in the ranking of more than 100 socially responsible companies thanks to the support provided in the projects of the Lithuanian National Museum.

Although face-to-face activities in 2020 were very limited, the Company's Latvian employees managed to participate in the Do for Nature event organized in cooperation with Pasaules Dabas Fonds (associated partner of World Wide Fund in Latvia) at the beginning of autumn. More than 80 employees took part in it. This is another project that implements the Corporate Social Innovation Strategy, which also envisages the promotion of the physical and mental health of employees. Employees of the company had the opportunity to go to one of the places in Latvia on a working day and help to restore natural resources. In a strict safety conditions, the Company's employees helped the specialists of the Nature Protection Administration to clean up the territory for several kilometres in Krimulda and to make a significant contribution to the arrangement of Latvia's nature and the restoration of processes in it. In cooperation with the Pasaules Dabas Fonds, the Company also became more involved in the public information campaign in 2020, during which an advice series of 10 video stories about nature friendly farming in accordance with natural processes was created. One of the heroes of these stories was also an employee of the Company.

BTA BALTIC DIVERSITY STRATEGY

2020 – 2022

To be the most preferred insurance company for customers and partners.

MAIN AIM OF THE STRATEGY

BTA appreciates the contribution of each individual and the di erent approach to the company's development.

BTA's Baltic diversity strategy provides a possibility for everyone to receive equal opportunities to develop, build a career, share opinions, gain international experience, respecting the balance of work and leisure time of each employee, gender, age, sexual orientation, cultural di erences.

Each of us are so di erent, but united by the same values that make us stronger.

BTA FOCUS

Equal rights

Equal rights, regardless of gender, age, orientation

Work and leisure life balance

Work and leisure life balance as a value of BTA humanity

Internationality

Internationality, uniting employees of the three Baltic States

The Diversity Strategy 2020-2022 has been created

Inspired by the experience of shareholder, the Company decided to develop a new strategy that would strengthen the understanding and assessment of diversity in the Company. The Diversity strategy provides an opportunity for everyone to have equal opportunities to develop, make a career, share opinions, gain international experience, respect for the work-life balance, gender, age, sexual orientation, cultural differences of each employee, as the Company assess the contribution of each individual and diverse approach to company development.

Customer service improvements

In 2020, the Company invested a lot of effort and professional contribution of employees to further develop the high level of customer service. More visual changes and possibilities for customers in Latvia and Lithuania for receive face-to-face consultations in Customer Business Centres, as before, in 2020, clients greatly appreciated this opportunity whenever possible. In a special security conditions, more than 180 Customer Business Centres in Latvia and Lithuania mostly continued to work at a time when the spread of the virus was more active to satisfy customers' desire for face-to-face communication.

However, a lot has been done on remote communication services too. In Latvia and Estonia, the Company began to offer customers an unprecedented opportunity in the insurance industry – to receive a video consultation on issues of interest to them. This project was created with the participation of Baltic employees, who strengthen their professionalism by regularly exchanging experience and information in all three countries.

With the launch of new websites, existing Customer Portals in Lithuania and Estonia were introduced or modified, which also improved internal administration processes. In addition, more than 50% of the Company's customers throughout the Baltics already use the opportunity to find out information about Companies products using their smart devices. In Estonia, for example, after the launch of the new website and portal last September, purchases from mobile devices rose from 25% to 47%. This is a strong basis for further plans of the Company, which were put forward in previous years, for the development of digital platforms not only in Lithuania and Estonia, but also the introduction of a new website and Customer Portal in Latvia.

According to the number of paid claims, in 2020 the most popular claim submission channels in Latvia were all remote - 54% of cases through the Customer Portal, 26% of cases through the Health Insurance application, but 9% - by phone. Similar development was observed in Estonia and Lithuania, where respectively 88% and 95% of all claim applications were submitted to the Company through distant communication channels.

Business development in the Baltics

The Company's gross written premiums amounted to 207 mln. EUR, which is 4% less than in 2019. The primary reason for the decrease in the business volume was strong price competition in Motor insurance lines, which led to the decrease of premium volume in CASCO insurance by 4% and motor third party liability insurance (MTPL) by 11% in the reporting year compared to 2019. The most significant increase last year for the Company was in the health insurance, with gross premiums of 27.9 mln. EUR, which is 9% more than in the same period a year earlier.

Premium development in Latvia in the reporting year was most affected by the decrease of business volumes in CASCO and MTPL insurance, second and third largest line of business respectively. Gross written premium volume in CASCO insurance reached 15.8 mln. EUR, which was 11% less than a year earlier, while gross written premiums in MTPL insurance in year 2020 decreased by 20% to 11.2 mln. EUR.

However, the Company managed to partly compensate this decrease of premium volumes by achieving premium growth of 5% in Health insurance, which is the biggest line of business in Latvia. Premium volume in Health insurance reached 23.2 mln. EUR in the reporting year. Gross written premiums also increased by 4% in Property insurance, reaching 16.1 mln. EUR in year 2020.

In Lithuania, MTPL insurance, the biggest line of business, also saw a decrease of gross written premiums by 9% in year 2020 compared to 2019 and reached 47.8 mln. EUR. In the second largest line of business in Lithuania – CASCO insurance – the volume of gross written premiums was 25.4 mln. EUR in 2020, an increase of 3% compared to the last year. The Company also increased its premium volumes in Property insurance, the third biggest line of business, by 8% to 11.0 mln. EUR.

In Estonia, gross written premium volumes in both lines of Motor insurance – CASCO and MTPL – developed similarly. CASCO insurance lost 9% in premium volumes and reached 8.8 mln. EUR, while MTPL insurance reached 7.4 mln. EUR of gross written premiums, a decrease of 7% compared with year 2019. Similarly to Latvia and Lithuania, the Company grew its premium volumes in Property insurance in Estonia, which helped partly mitigate the loss of premium volume in Motor lines. Property insurance grew by 23% in year 2020, reaching the volume of 4.1 mln. EUR.

VIG becomes the sole shareholder of the Company

On October 29, 2020, VIG became a 100% owner of BTA shares. VIG sees positive trends and development opportunities in the Baltic insurance market. Evaluating the large contribution of the Company's employees to the company's excellent results, it was decided to acquire 100% of the Company's shares, thus further strengthening its position at the Baltic level.

Risk management

The nature of the insurance business is the deliberate assumption and management of diverse risks to achieve profit. One of the primary responsibilities of BTA risk management is to ensure that the obligations assumed under insurance policies can be satisfied at all times.
The Company's risk management system is tailored to the scale and complexity of its operations and includes effective risk identification, measurement and evaluation, as well as monitoring and control to ensure the Company's sustainability and strategic objectives. When developing the risk management system, the Company complies with the requirements set out in the VIG Group policies and guidelines.

Risks related to the investments made by the Company are controlled in accordance with the Company's Investment and Risk Strategy, which sets limitations on transactions with a single business partner, as well as thresholds on credit ratings of debt securities obtained by the Company.
In addition to the above mentioned risks, BTA is exposed to a number of other risks, including operational risk. Risk control measures are used to avoid, reduce, diversify, transfer and accept risks. Transparent and verifiable decisions are essential to ensuring an effective risk management system. The Company pays special attention to developing and strengthening the risk awareness culture among its employees.

Compliance with solvency requirements and increase of eligible own funds

In accordance with the Company's risk strategy the target solvency ratio level should range above 125%. The solvency ratio was steadily above this level in 2020 and was 135.79% (unaudited) as at 31 December 2020.

Proposal on distribution of profits

To ensure prudent capital planning, in conditions of uncertainty caused by the ourbreak of Covid-19, before the proposal of dividend distribution, BTA performed additional scenario analysis and stress tests taking into account the recent economic forecasts and market trends in the context of Covid-19 pandemic and its potential impact on solvency and financial position.

Taking into account the Company's planned development path, the Management Board recommends to pay out a dividend of EUR 24.04 per share, that is a total amount of EUR 10,002,899.76 equal to rounded up 80% of the net profit for the financial year 2020. The remaining part of the net profit in the amount of EUR 2 599 765.46 is proposed to be accumulated for increase of the Company's equity.

Subsequent events

As a part of real estate investment strategy, in January 2021 Company made an investment of 1 674 thousand EUR in subsidiaries' (Ģertrūdes 121 SIA, Artilērijas 35 SIA and Alauksta 13/15 SIA) equity and issued loans to same subsidiaries in total amount of 2 000 thousand EUR.
As of the last day of the reporting period until the date of signing these separate financial statements (hereinafter – financial statements) there have been no other events requiring adjustment of or disclosure in the financial statements or notes thereto, except of mentioned above.

There are different Covid-19 related restrictions in place at the time of singing these financial statements. The Company has done risk appraisal and included Covid-19 related impacts in our risk models. Company continues to monitor Covid-19 situation and its effect on business processes as well as actively responds to any changes which could have any impact on the Company. Although there is uncertainty about Covid-19 long term impact on economy and financial markets, Company is ready to react and adapt to whatever the future holds. The Company does not see any going concern risks.

Further development

The business development of the Company in year 2021 is going to depend to a large extent on the development of the insurance market, which, in turn, is strongly related to gradual easing of the pandemic inflicted restrictions and the following economic recovery. Provided that the economic recovery is not significantly delayed, the Company sees a growth potential in several key voluntary lines of business, particularly CASCO and Property insurance.

Proceeding with improvement of its insurance products and customer service, the Company plans to increase its business volume in 2021 in the Baltic States and achieve around 4% growth in gross written insurance premiums total for the Baltic region overall. The Company plans to strengthen its insurance portfolio, proceeding with its diversification and increasing the share of voluntary lines of business.
Meanwhile the Company is going to proceed with the started initiatives on improvement of processes and management efficiency in all realms of operations, which includes improvement of private and corporate customer service standards and developing online sales.
We believe that the Covid-19 pandemic will affect more internal and external processes of the Company's. The working model of employees will continue to be more flexible, meetings will be of a mixed type with face-to-face and participants remotely. 2020 with its restrictions was also a great time to test our operational performance and readiness to respond to changes in the market, which will help maintain the Company's flexibility in the future. Along with the change in customer habits, which requires even more convenient solutions for receiving remote services, the Company will pay more attention to further development of remote communication and service channels, but also providing the same face-to-face services in customer service centers.

The Company will further sustain its quick and high-quality decision-making, with a particular focus on improvement of insurance claims handling processes. The Company's Board is going to enable the professional development of its staff, meanwhile keeping on with improvement of its insurance products, increasing their quality, thus maintaining and improving the Company's long-term capacity to operate at profit.

Wolfgang Stockmeyer Chairman of the Management Board	**Oskars Hartmanis** Deputy Chairman of the Management Board	**Evija Matveja** Member of Management Board	**Tadeuš Podvorski** Member of Management Board

18 March 2021

VIENNA INSURANCE GROUP

COMPANY PROFILE

"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 Vienna Insurance Group, at around 50 companies in 30 countries. We develop insurance solutions in line with personal and local needs, which has made us the leader in the insurance industry in Austria and Central and Eastern Europe (CEE).

EXPERTISE AND STABILITY

Vienna Insurance Group is an international insurance group headquartered in the Austrian capital. After the fall of the Iron Curtain in 1989, the Group expanded rapidly from a purely Austrian business into an international group. Vienna Insurance Group is synonymous with stability and expertise in providing financial protection against risks. 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.

FOCUS ON CENTRAL AND EASTERN EUROPE

Besides Austria, Vienna Insurance Group 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. The Group's operations are also focused on this region. This primarily reflects the forecasts for economic growth in CEE, which is predicted to be twice as high as in Western Europe, as well as the current level of insurance density, which is still well below the EU average.

LOCAL MARKET PRESENCE

For Vienna Insurance Group, protecting customers financially against risk is a responsibility. The Group pursues a multi-brand strategy based on established local brands 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.

STRONG FINANCES AND CREDIT RATING

Vienna Insurance Group has an A+ rating with stable outlook from the well-known 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.

ALBANIA
SIGMA INTERALBANIAN VIENNA INSURANCE GROUP
INTERSIG VIENNA INSURANCE GROUP

AUSTRIA
WIENER STÄDTISCHE VIENNA INSURANCE GROUP
Donau VIENNA INSURANCE GROUP

BELARUS
КУПАЛА VIENNA INSURANCE GROUP

BOSNIA-HERZEGOVINA
WIENER OSIGURANJE VIENNA INSURANCE GROUP
vienna osiguranje VIENNA INSURANCE GROUP

BULGARIA
BULSTRAD VIENNA INSURANCE GROUP
Life BULSTRAD VIENNA INSURANCE GROUP
novains VIENNA INSURANCE GROUP
PENSION ASSURANCE COMPANY DOVERIE VIENNA INSURANCE GROUP

CROATIA
WIENER OSIGURANJE VIENNA INSURANCE GROUP

CZECH REPUBLIC
Kooperativa VIENNA INSURANCE GROUP
ČPP VIENNA INSURANCE GROUP
VIG Re

DENMARK
VIG VIENNA INSURANCE GROUP

ESTONIA
bta VIENNA INSURANCE GROUP
COMPENSA VIENNA INSURANCE GROUP
Seesam VIENNA INSURANCE GROUP

FRANCE
VIG Re

GEORGIA
GPI VIENNA INSURANCE GROUP
IRAO VIENNA INSURANCE GROUP

GERMANY
InterRisk VIENNA INSURANCE GROUP
VIG Re

HUNGARY
UNION VIENNA INSURANCE GROUP

ITALY
WIENER STÄDTISCHE VIENNA INSURANCE GROUP

KOSOVO
SIGMA VIENNA INSURANCE GROUP

LATVIA
bta VIENNA INSURANCE GROUP
COMPENSA VIENNA INSURANCE GROUP

LIECHTENSTEIN
VIENNA-LIFE VIENNA INSURANCE GROUP

LITHUANIA
bta VIENNA INSURANCE GROUP
COMPENSA VIENNA INSURANCE GROUP

MOLDOVA
DONARIS VIENNA INSURANCE GROUP

MONTENEGRO
Život WIENER STÄDTISCHE VIENNA INSURANCE GROUP

NORTH MACEDONIA
WINNER VIENNA INSURANCE GROUP
Life WINNER VIENNA INSURANCE GROUP
ОСИГУРУВАЊЕ МАКЕДОНИЈА VIENNA INSURANCE GROUP

NORWAY
VIG VIENNA INSURANCE GROUP

POLAND
COMPENSA VIENNA INSURANCE GROUP
InterRisk VIENNA INSURANCE GROUP
Vienna Life VIENNA INSURANCE GROUP
wiener VIENNA INSURANCE GROUP

ROMANIA
OMNIASIG VIENNA INSURANCE GROUP
Asirom VIENNA INSURANCE GROUP
DE VIATA BCR ASIGURARI VIENNA INSURANCE GROUP

SERBIA
WIENER STÄDTISCHE VIENNA INSURANCE GROUP
WIENER RE Beograd VIENNA INSURANCE GROUP

SLOVAKIA
Kooperativa VIENNA INSURANCE GROUP
KOMUNÁLNA POISŤOVŇA VIENNA INSURANCE GROUP

SLOVENIA
WIENER STÄDTISCHE VIENNA INSURANCE GROUP

SWEDEN
VIG VIENNA INSURANCE GROUP

TURKEY
RAY SİGORTA VIENNA INSURANCE GROUP

UKRAINE
КНЯЖА VIENNA INSURANCE GROUP
life КНЯЖА VIENNA INSURANCE GROUP
УКРАЇНСЬКА СТРАХОВА ГРУПА VIENNA INSURANCE GROUP

Status: January 2021

WE ARE THE **NUMBER ONE** IN AUSTRIA, CENTRAL AND EASTERN EUROPE

VIG VIENNA INSURANCE GROUP
Protecting what matters.

Statement of management responsibility

In 2020 the Management Board of BTA Baltic Insurance Company AAS (the Company) was responsible for the management of the Company. The Management regularly informed the Supervisory Board about key developments in the Company and provided necessary explanations.
The Management assumes responsibility for the preparation of the accounting records, compliance in the process of recording transactions under the regulative norms applicable to accounting, safekeeping of the assets of the Company as well as the prevention of fraud and other dishonest activities.

The Company's Management assumes responsibility for the preparation of the Company's separate financial statements (hereinafter – financial statements) for the year ended 31 December 2020 prepared in accordance with IFRS as adopted by the European Union to reflect fairly the activities and cash flows of BTA Baltic Insurance Company AAS for the year ended 31 December 2020, as well as its financial position as at 31 December 2020.
The Company's Management confirms that the Company's financial statements for the year ended 31 December 2020 have been prepared in accordance with the effective requirements of legislation and the Financial and Capital Market Commission of the Republic of Latvia, and IFRS as adopted by the European Union.

The Company's financial statements for the year ended 31 December 2020 have been prepared on the basis of prudent decisions and assumptions of the Management.

The Company uses exemption rules from the obligation to prepare non-financial statements according to the Regulations of the Financial and Capital Market Commission No. 114 "Statutory provisions for the preparation of the annual report and the consolidated annual report of insurance and reinsurance companies and non-member country insurers' branches" (paragraph No 16 of the above Regulation) as "Vienna Insurance Group AG" is publishing a separate consolidated non-financial report for financial year 2020.

The Management confirms that the requirements of Latvian legislation and applicable legislation in other European Union countries have been met and that the financial statements have been prepared on a going concern basis.

The Management is not aware of any significant events after the year-end, which are not reflected in these financial statements and that might have a material impact on activities of the insurance company and the assessment of the financial statements. There are different Covid-19 related restrictions in place at the time of signing these financial statements. Company has done risk appraisal and included Covid-19 related impacts in our risk models. Company continues to monitor Covid-19 situation and its effect on business processes as well as actively responds to any changes which could have any impact on the Company. Although there is uncertainty about Covid-19 long term impact on economy and financial markets, Company is ready to react and adapt to whatever the future holds. Company does not see any going concern risks.

Wolfgang Stockmeyer Chairman of the Management Board	**Oskars Hartmanis** Deputy Chairman of the Management Board	**Evija Matveja** Member of Management Board	**Tadeuš Podvorski** Member of Management Board

18 March 2021

Separate Statement of Comprehensive Income

	Note	2020 EUR'000	2019 EUR'000
Earned premiums			
Written premiums			
Gross written premiums	5	206 814	215 995
Reinsurers' share in written premiums	5,19	(51 405)	(51 227)
Net written premiums	5	**155 409**	**164 768**
Change in unearned premium and unexpiredrisk reserves			
Gross change	7	(2 173)	(8 800)
Reinsurers' share	7,19	997	1 492
Change in net unearned premium and unexpired risk reserves	7	**(1 176)**	**(7 308)**
Net earned premiums	6	**154 233**	**157 460**
Other technical income, net	8	**792**	**398**
Paid claims, net			
Paid claims	9	(131 375)	(140 695)
Loss adjustment expenses	9	(7 625)	(7 193)
Recovered losses	9	11 229	9 070
Gross claims paid	9	(127 771)	(138 818)
Reinsurers' share of claims paid	9,19	28 692	36 537
Net paid claims	9	**(99 079)**	**(102 281)**
Change in outstanding claim reserve			
Change in gross outstanding claim reserve	10	(1 857)	(9 280)
Reinsurers' share	10,19	691	4 140
Change in net outstanding claim reserve	10	**(1 166)**	**(5 140)**
Net incurred claims	11	**(100 245)**	**(107 421)**
Operating (expenses)/income			
Client acquisition costs	12	(37 483)	(38 498)
Change in deferred client acquisition costs	12	108	955
Administrative expenses	13	(15 570)	(14 924)
Depreciation and amortisation	20,21a,22	(3 338)	(3 040)
Impairment	21a	-	-
Reinsurance commission income, net	14,19	14 703	13 498
Change in unearned reinsurance commission	14,19	(602)	(453)
Net operating expenses		**(42 182)**	**(42 462)**
Other technical expenses, net	15	**(219)**	**(489)**

Continued table

	Note	2020 EUR'000	2019 EUR'000
Investment management charges		(292)	(279)
Depreciation of investment property	21b	(84)	(69)
Impairment of investment property	21b	-	(34)
Interest income	16	2 374	2 082
Interest expense	17	(452)	(493)
Gain from financial assets and liabilities measured at fair value, net	45	76	2 443
Gain/(loss) on foreign currency fluctuation		(278)	132
Other income		1 635	1 575
Other expenses		(1 180)	(1 104)
Profit before tax		**14 178**	**11 739**
Income tax expense in Latvia and Lithuania	18	(1 575)	(1 090)
Net profit for the period		**12 603**	**10 649**

	Note	2020 EUR'000	2019 EUR'000
Items that are or may be reclassified to profit or loss			
Available-for-sale financial assets – net change in fair value	45	1 744	6 742
Other comprehensive income for the period		**1 744**	**6 742**
Total comprehensive income for the period		**14 347**	**17 391**

Separate Statement of Financial Position

Assets	Note	31.12.2020 EUR'000	31.12.2019 EUR'000
Property and equipment	20	**2 798**	**2 649**
Land and buildings			
Land and buildings for own use	21a	5 784	6 945
Investment property	21b	1 017	1 007
Total land and buildings		**6 801**	**7 952**
Assets held for sale		**10**	**63**
Intangible assets	22	**3 001**	**1 538**
Investment in subsidiaries and an associate	23	**614**	**506**
Financial investments			
Financial instruments at fair value through profit or loss	45	1 386	1 779
Available-for-sale instruments	45	227 428	211 704
Held-to-maturity financial instruments	45	1 771	1 774
Total financial investments	24	**230 585**	**215 257**
Inventory		**101**	**107**
Loans and Receivables			
Loans	25,41	10 555	11 701
Receivables from direct insurance activities			
Due from policy holders		46 291	40 434
Due from intermediaries		221	820
Total receivables from direct insurance activities	26	**46 512**	**41 254**
Receivables from reinsurance activities		3 094	2 535
Other receivables	27	490	506
Total loans and receivables		**60 651**	**55 996**
Accrued income and deferred expenses			
Deferred client acquisition costs	12	10 515	10 407
Other accrued income and deferred expenses		1 128	895
Total accrued income and deferred expenses		**11 643**	**11 302**
Deferred tax asset	33	**222**	**244**
Prepaid corporate income tax in Latvia	34	**-**	**53**
Reinsurers' share of insurance contract liabilities			
Reinsurers' share in unearned premium reserves	7,42	21 987	19 840
Reinsurers' share in outstanding claim reserve	10,42	51 426	50 735
Total reinsurers' share of insurance contract liabilities	42	**73 413**	**70 575**
Cash and cash equivalents	28	**31 397**	**26 825**
Total assets		**421 236**	**393 067**

Equity and liabilities	Note	31.12.2020 EUR'000	31.12.2019 EUR'000
Equity			
Share capital	30	41 609	41 609
Revaluation reserves	30	8 157	6 796
Other reserves		(1 605)	(1 605)
Retained earnings		11 133	8 086
Profit for the period		12 603	10 649
Total equity		**71 897**	**65 535**
Liabilities			
Insurance contract liabilities			
Gross unearned premium and unexpired risk reserves	7,42	106 811	104 638
Gross outstanding claim reserves	10,42	140 703	138 846
Total insurance contract liabilities		**247 514**	**243 484**
Reinsurers' deposit	31,41	41 704	37 297
Subordinated loan	41	7 000	7 000
Lease liabilities	32	4 974	5 839
Payables from direct insurance activities			
Due to policy holders		10 046	4 516
Due to intermediaries		1 362	2 243
Total direct insurance creditors		**11 408**	**6 759**
Payables from reinsurance activities	35	5 315	5 257
Other creditors	36	22 789	10 755
Provisions	37	2 161	1 852
Taxes and social insurance contributions	34	935	787
Accrued liabilities	37	2 565	6 129
Unearned reinsurance commission income	14	2 974	2 372
Deferred next period income		–	1
Total liabilities		**349 339**	**327 532**
Total equity and liabilities		**421 236**	**393 067**

Separate Statement of Cash Flows

	Note	2020 EUR'000	2019 EUR'000
Cash flows from operating activities			
Premiums received in direct insurance		213 907	222 213
Claims paid in direct insurance		(131 375)	(140 739)
Payments received from reinsurers		4 531	12 753
Payments made to reinsurers		(10 936)	(7 500)
Income tax paid in Latvia and Lithuania	34	(1 206)	(1 437)
Obligatory payments	29	(2 229)	(2 564)
Payments to employees		(15 340)	(14 429)
Payments to intermediaries		(13 929)	(14 597)
Other payments made:		(23 980)	(24 838)
Other tax paid	34	*(12 282)*	*(11 164)*
Payments to other suppliers		*(11 486)*	*(13 053)*
Other payment made		*(212)*	*(621)*
Other payments received		9 358	139
Total cash flows from operating activities		**28 801**	**29 001**
Cash flows from/(used in) investing activities			
Purchase of property and equipment and intangible assets	20,21,22	(4 060)	(2 117)
Acquisition of investments		(25 453)	(89 650)
Investments in subsidiaries and associates		(108)	-
Disposal of investments		11 670	77 684
Investment income received		3 556	3 704
Total cash flows (used in) investing activities		**(14 395)**	**(10 379)**
Cash flows from/(used in) financing activities			
Paid dividends	30	(7 985)	(5 950)
Payment of lease liabilities	43	(1 849)	(1 697)
Total cash flows (used in) financing activities		**(9 834)**	**(7 647)**
Cash and cash equivalents net increase/(decrease)		**4 572**	**10 975**
Cash and cash equivalents at the beginning of the period		**26 825**	**15 850**
Cash and cash equivalents at the end of the period	28	**31 397**	**26 825**

Separate Statement of Changes in Shareholder's Equity

	Share capital EUR'000	Other reserves EUR'000	Revaluation reserve EUR'000	Retained earnings EUR'000	Total Equity EUR'000
31.12.2018	**41 609**	**(1 605)**	**54**	**14 036**	**54 094**
Total comprehensive income					
Profit for the period	-	-	-	10 649	**10 649**
Other comprehensive income	-	-	6 742	-	**6 742**
Transactions with shareholder recorded directly in equity					
Dividends paid	-	-	-	(5 950)	**(5 950)**
31.12.2019	**41 609**	**(1 605)**	**6 796**	**18 735**	**65 535**
Total comprehensive income					
Profit for the period	-	-	-	12 603	**12 603**
Other comprehensive income	-	-	1 744	-	**1 744**
Other reclassification*	-	-	(383)	383	-
Transactions with shareholder recorded directly in equity					
Dividends paid	-	-	-	(7 985)	**(7 985)**
31.12.2020	**41 609**	**(1 605)**	**8 157**	**23 736**	**71 897**

*see Note 30

Notes to the Separate Financial Statements

(1) General information

(a) Principal activities

BTA Baltic Insurance Company AAS (BTA or the Company) is a company domiciled in the Republic of Latvia (Latvia). The Company was registered on 28 October 2014 in Riga, Latvia as a Joint Stock Insurance Company. The headquarter is located in Riga, Sporta Street 11, Republic of Latvia.
On 10 June 2015 the Company obtained the following insurance licenses in Latvia:
• accident insurance;
• health insurance (insurance against illnesses);
• motor transport (except railway transport) insurance (CASCO);
• railway rolling stock insurance;
• aircraft insurance;
• marine vessel insurance;
• freight insurance;
• property insurance against damage by fire and natural disasters (damages caused to property, except for motor transport, railway rolling stock, aircraft, marine vessel and freight, by fire, explosion, nuclear power, subsiding of land and other disasters);
• property insurance against other damage (damages caused to property, except for motor transport, railway rolling stock, aircraft, marine vessel and freight, by hail, frost, theft and other accidents, except fire, explosion, nuclear power, subsiding of land and other disasters);
• motor vehicle owner third party liability insurance (MTPL);
• aircraft owner third party liability insurance;
• ship owner liability third party insurance;
• general third party liability insurance (TPL);
• credit insurance;
• surety insurance;
• miscellaneous financial loss insurance;
• legal expenses insurance;
• assistance insurance.

The Company operates in Latvia, Lithuania and Estonia, and it offers a wide range of non-life insurance products to legal entities and individuals in the abovementioned insurance lines.
Insurance services are offered through the network of branches, intermediaries and client customer centres in Latvia, Lithuania and Estonia.

(b) Branches

A branch is an economical entity established for offering services on behalf of a company. A branch is not an independent legal person. The company is liable for the obligations arising from the activities of a branch. The accounts of foreign branches are maintained separately. Branches prepare their financial information for the same periods and using the same accounting policies, see Note 2 for additional information. Any balances, income, expenses, gains and losses arising from intra-company transactions are eliminated in full.

The Company has two foreign branches – in Estonia and Lithuania. Business is conducted through permanent establishments (branches) within the European Union. The registered address of the branch in Estonia – Lõõtsa 2B, Tallinn 11415; in Lithuania – Viršuliškių skg. 34, LT-05132 Vilnius.

(c) Subsidiaries

The Company has not consolidated the financial information of the subsidiaries SIA Urban Space, SIA Ģertrūdes 121, SIA Alauksta 13/15, SIA Artilerijas 35 because the subsidiaries' revenue and assets account for an immaterial share of the Company's respective figures. SIA Urban Space, SIA Ģertrūdes 121, SIA Alauksta 13/15, SIA Artilerijas 35 are consolidated at the Company's parent company's – Vienna Insurance Group AG Wiener Versicherung Gruppe – level. Subsidiaries investments are accounted at cost less impairment, if any.

(d) Associates

The Company has not consolidated the financial information of the associate SIA Global Assistance, because the associate's revenue and assets account for an immaterial share of the Company's respective figures. SIA Global Space is consolidated at the Company's parent company's – Vienna Insurance Group AG Wiener Versicherung Gruppe – level. Associates investments are accounted at cost less impairment, if any.

(e) Shareholder

Information on the shareholder:

	31.12.2020	
	Number of shares	Shareholding
Vienna Insurance Group AG Wiener Versicherung Gruppe	416 094	100%
	416 094	**100%**

	31.12.2019	
	Number of shares	Shareholding
Vienna Insurance Group AG Wiener Versicherung Gruppe	377 920	90.83%
Balcia Insurance SE	38 174	9.17%
	416 094	**100.00%**

(2) Basis of preparation

(a) Statement of compliance

The accompanying separate financial statements (hereinafter – financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and regulations of the Financial and Capital Market Commission of the Republic of Latvia (FCMC) in force as at the reporting date.
The financial statements were authorised for issue by the Management Board on 18 March 2021. The shareholder have the right to reject the financial statements and request that new financial statements are prepared and issued.

(b) Functional and Presentation Currency

These financial statements are presented in thousands of euro (EUR'000), unless stated otherwise.
The functional currency of the Company and its branches in Estonia and Lithuania is Euro.

(c) Reporting period

The reporting period comprises the 12 months from 1 January 2020 to 31 December 2020. The comparative period is from 1 January 2019 to 31 December 2019.

(d) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are carried at fair value:
• derivatives,
• other financial assets and liabilities designated at fair value through profit or loss,
• available-for-sale assets.

(e) Changes in accounting policies

Except for IFRS 16 amendments, the Company has no transactions that are affected by the newly effective standards or its accounting policies are already consistent with the new requirements.

Company has applied 30 June 2020 IFRS 16 amendments. All rent concession is in the form of a one-off reduction in rent, is accounted as a variable lease payment and recognised in profit or loss. Refer to 3.10.

Standards and interpretations effective in the reporting period

(i) Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023; to be applied prospectively)

The amendments address concerns arising from implementing IFRS 9 before implementing the replacement standard (IFRS 17) for IFRS 4. The amendments introduce two optional solutions. One solution is a temporary exemption from IFRS 9, effectively deferring its application for some insurers. The other is an overlay approach to presentation to alleviate the volatility that may arise when applying IFRS 9 before the IFRS 17.
The Company, as an insurance provider, has applied the temporary exemption from adopting IFRS 9,

(ii) IFRS 9 Financial Instruments (2014) (effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted. The IASB implemented an amendment to IFRS 4 Insurance contracts that permits insurance companies to apply IAS 39 instead of IFRS 9 until IFRS 17 is implemented in 2023.)

This Standard replaces IAS 39 Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortised cost if the following two conditions are met:
• the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
• its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.
In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

It is expected that the new Standard, when initially applied, may have an impact on the financial statements, since the classification and the measurement of some of the Company's financial instruments are expected to change.

Based on its preliminary assessment the Company expects that substantially all of financial assets classified as loans and receivables under IAS 39 will continue to be measured at amortised cost under IFRS 9.

At this stage it is still unclear what portion of the Company's debt securities exactly will be measured at FVTPL, at FVOCI or amortised cost as this determination will depend on the outcome of the business model test and will be subject to an election to be made by the Company at the date of initial application.

Following the decision of Vienna Insurance Group as a group to make use of the temporary exemption and postpone application of IFRS 9, the Company does not plan to adopt this standard until adoption of IFRS 17. Therefore, the Company has provided additional disclosures which are obligatory, when exercising the temporary exemption until the date of initial application of IFRS 9:

Fair Value Analysis of the financial assets:

	31.12.2020			31.12.2019		
	SPPI*	Other**	Total	SPPI*	Other**	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Loans	10 555	-	**10 555**	11 863	-	**11 863**
Other investments	-	-	**-**	-	-	**-**
Other securities						
Bonds	200 177	1 386	**201 563**	193 361	1 779	**195 140**
Shares	-	2 818	**2 818**	-	2 226	**2 226**
Investment funds	-	26 204	**26 204**	-	18 142	**18 142**
Total other securities	**200 177**	**30 408**	**230 585**	**193 361**	**22 147**	**215 508**
Non-underwriting receivables	-	-	**-**	438	-	**438**
Cash and cash equivalents	31 397	-	**31 397**	26 825	-	**26 825**
	242 129	**30 408**	**272 537**	**232 487**	**22 147**	**254 634**

* Financial instruments with constractual cash flows that are solely payments of principal and interest on the principal amount outstanding except for those reported under "Other". The SPPI assesmsment is preliminary.
** Financial instruments that do not meet SPPI criteria or are held for held for trading or managed on a fair value basis are reported under "Other". The SPPI assesmsment is preliminary.

New Standards and Interpretations not yet adopted.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below.

(i) IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023, not yet adopted by the EU)

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.

The Company is planning to implement IFRS 17 for statutory statements and group consolidation starting from 1 January 2023 based on Vienna Insurance Group guidance. The Company expects that this new standard, when initially applied, will have a material impact on the financial statements of the Company as the Company concludes insurance contracts, however, the Company management has not yet started the assessment of the quantitative impact.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

(ii) Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
(iii) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
(iv) Reference to Conceptual Framework (Amendments to IFRS 3).
(v) Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
(vi) Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

(3) Significant accounting policies

3.1 Foreign currency

Foreign exchange transactions are translated to the functional currency of the Company in accordance with the exchange rate set by the European Central Bank on the date of the respective transaction.

Monetary assets and liabilities, including commitments and contingencies denominated in foreign currencies are retranslated into functional currency in accordance with the exchange rate set by the European Central Bank on the last date of the reporting period.

Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value or cost are translated at the exchange rate as at the date fair value or cost was determined.

Foreign exchange rates at the end of the reporting period are as follows:

	31.12.2020	**31.12.2019**
USD	1.2271	1.1234
PLN	4.5597	4.2568
GBP	0.89903	0.8508
DKK	7.4409	7.4715

Profit or loss relating to fluctuations in the exchange rate on assets and liabilities denominated in a foreign currency is recognised in the profit or loss.

3.2 Insurance contracts

(a) Classification of insurance contracts

An insurance contract signed by the insurer is classified as an insurance contract only if it transfers a significant insurance risk from the policyholder to the insurer. All contracts concluded by the Company are classified as non-life insurance contracts and the Company does not conclude any investment contracts.

Non-life insurance includes contracts:
• in which the insurer assumes substantial insurance risk on behalf of the other contracting party – the policyholder, by agreeing to compensate losses to the policyholders if a certain unexpected future event (insured occurrence) has been previously agreed, which adversely impacts the policyholder. An unexpected future event is considered to be a situation when at the time of signing the insurance contract is not known:
1. whether the insured occurrence will occur;
2. when it will occur;
3. how much the insurer will have to pay if it occurs.
• in which the insured event is the discovery of a loss during the term of the contract, even if the loss arises from an event that occurred before the inception of the contract;
• in which the insured event is an event that occurred during the term of the contract, even if the resulting loss is discovered after the end of the contract term;
• which comprise events, which have already occurred, but whose financial impact is not yet fixed. For example, reinsurance contracts that protect direct insurer from the adverse development of claims already reported by the policy holder;
• which require or permit payment in kind, e.g., the insurer directly replaces a stolen object rather than compensates the claim to the policy holder in money;
• which stipulate a fixed charge service, in which the service level depends on an unexpected event. Fixed charge services are based on the number of expected equipment malfunctions, but it cannot be determined on

whether some specific equipment will not function;
• in which one insurer (reinsurer) compensates the losses of one or several contracts closed with other insurers (assignor).

Recognition and evaluation of insurance contracts

A contract, which is deemed to be an insurance contract, remains an insurance contract, until all rights and liabilities are paid off or their validity period has expired. A contract, if in form and substance an insurance contract, may not be reclassified to another contract.

When classifying insurance contracts for accounting purposes, the basis is the substance of transfer of insurance risk and common signs of possible risk. For example:
• accident insurance;
• assistance insurance;
• insurance against property damage or thefts;
• motor vehicle insurance;
• general third party liability insurance.

Each of these contract groups may be divided in more detail by taking into account the substance of the transferred insurance risk.

(b) Insurance premium and premium income

Written premiums are insurance premiums for the insurance contracts signed during the reporting period, that have come into force in the reporting period irrespective whether these premiums have become due or not. Premiums written are decreased by premiums cancelled and terminated during the reporting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. The earned portion of premiums received is recognised as revenue. Premiums are recognised as earned according to the assumed risk exposure over the term of the related policy coverage and are reported as earned premiums.

The unearned portion of premiums is recognised as unearned premium reserves.

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

(c) Unearned premium and unexpired risk reserves

Unearned premium reserves (UPR)

Unearned premium reserves represent the proportion of premiums written which relate to the period of risk subsequent to the reporting period. Reserves are calculated for each insurance policy under the 365 – day Pro Rata Temporis method based on the period in force for a particular policy, except for insurance of warranties and performance bonds within surety insurance line of business. UPR for these policies are calculated based on exponential trend approach which is typical for this insurance type because claims are reported and paid at the end of policy term.

Unexpired risk reserve (URR)

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

(d) Claims incurred

Claims incurred from insurance activities are claims attributable to the reporting period and consist of claims paid in the financial period, the corresponding claim handling expenses (loss adjustment expenses) and changes in the claim reserves. Claims paid are decreased by the amount of losses recovered through cession, sales of salvage or subrogation. Recovered losses are recognised on a cash basis when they are recovered.

Claim amounts recoverable under reinsurance contracts are assessed on each reporting period end date. The value of those assets decrease if due to an event subsequent to initial recognition there is objective evidence that the Company will not be able to recover all amounts, and this event has a reasonable measurable impact on the amounts receivable by the Company from the reinsurer.

(e) Outstanding claim reserves

Outstanding claim reserves comprise reserves for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the period end date whether reported or not, and the related internal and external claims handling expenses. Reserves outstanding are not discounted, with the exception of annuities which may arise from third part liability insurance.

Reported but not settled claims reserve (RBNS)

The RBNS claims reserve is calculated on a case-by-case basis by the Company's loss adjusters for claims reported and not yet settled (including loss adjustment expenses) as at the reporting date.

Incurred but not reported claims reserve (IBNR)

Both, gross and net IBNR reserves are calculated for whole Company's portfolio, except for MTPL where InterRisk Vienna Insurance Group AAS portfolio, which arises from merger in 2019, which is calculated separately and later counted together with the rest of Company's portfolio.

The chain-ladder method is used in the calculation of the IBNR reserve for following lines of business:
• accident insurance;
• motor transport (except railway transport) insurance (CASCO);
• property insurance against other risks;
• general third party liability insurance;
• credit insurance;
• surety insurance;
• motor vehicle owner third party liability insurance (MTPL).

Where available statistics are considered to be insufficient, e.g. lack of historical data, IBNR reserve is calculated as a maximum from a percentage of premiums (5%) written during the last 12 months in the respective line of business or at least initial reserve or from triangle in the following lines of business:
• health insurance in Lithuania and Estonia;
• railway rolling stock insurance;
• aircraft insurance;
• marine vessel insurance;
• freight insurance;
• property insurance against damage by fire and natural disasters;
• aircraft owner third party liability insurance;
• ship owners' third party liability insurance;
• miscellaneous financial losses insurance;
• legal expenses insurance;
• assistance insurance.

In order to calculate IBNR reserve for Latvian health insurance line of business, the Company analyses claims that are reported late for every month within the last two years before the respective reporting period end. Based on this analysis IBNR reserve is set.

(f) Ceded reinsurance

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

Reinsurance assets include the recoveries due from (re)insurance companies in respect of claims paid and the reinsurance share in the insurance contract liabilities.

Reinsurance commissions and profit participations include commissions received or receivables from reinsurers and profit participations based on the reinsurance contracts. Reinsurance commissions are deferred in a manner consistent with the deferred client acquisition costs.

(g) Client acquisition costs

Client acquisition costs include commissions paid to intermediaries and other expenses related to the acquisition of insurance policies.

Deferred client acquisition (DAC) costs, primarily consisting of intermediary commissions are deferred to the extent that they are recoverable out of future premiums and are recognised as expenses over the life of the insurance policies, except for insurance of warranties and performance bonds within surety insurance line of business. Starting from 2019 DAC for these policies are calculated based on the same principles as UPR, see Note 3.2(c).

(h) Allocation of administration expenses among cost centres and insurance types

The allocation of administrative expenses to loss adjustment expenses, client acquisition costs and investment management expenses is based on the expenses incurred in different cost centres.

Administration expenses, which are not directly referred to in a specific type of insurance, are distributed among types of insurance mainly in proportion to the volume of the gross premiums written.

(i) Outstanding claim reserves

Forecast inflation and discount rates are one of the key assumptions used in the estimates of the outstanding claim reserves for annuities. Every year the Company evaluates the adequacy of its previous year provisions by preparing run-off tests. Additionally sensitivity of main assumptions is checked. Below are the gross results of sensitivity analysis as at 31 December 2020 for inflation:

EUR'000	Projected annual inflation increased by 1%	Projected annual inflation decreased by 1%
Increase/ (decrease) in outstanding claim reserves (including annuities)	7 785	(5 937)

(j) Insurance receivables and payables

Amounts due to and from policyholders, intermediaries and reinsurers are financial instruments and are included in receivables and payables from direct insurance activities and reinsurance activities, and not in insurance contract liabilities or reinsurers' share of insurance contract liabilities.

3.3 Financial instruments

(a) Classification

At inception, all financial instruments are classified into one of the following categories:

Financial instruments at fair value through profit or loss are financial assets or liabilities that are acquired or incurred principally for the purpose of selling or repurchasing in the near term; or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or that are a derivative (except for a derivative that is a designated and effective hedging instrument); or that are upon initial recognition, designated by the entity as at fair value through the profit or loss. These include groups of financial assets designated at fair value through profit and loss, which are managed, and performance evaluated on a fair value basis, in accordance with the Company's documented investment strategy and information about the Company internally on that basis is provided to key management personnel.

Held-to-maturity instruments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity, and which are not designated at fair value through profit or loss, or available for sale.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include loans, term deposits with banks and debtors in the statement of financial position.

Available-for-sale instruments are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity instruments or financial instruments at fair value through profit or loss.

Financial liabilities carried at amortised cost represent financial liabilities of the Company other than financial instruments designated at fair value through profit or loss. This category includes due to creditors balances.

Derivative financial instruments

Derivative financial instruments are initially recognised in the statement of financial position at their fair value. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when negative.

Changes in the fair value of derivatives are included in net gains and losses on financial instruments designated at fair value through profit or loss.

(b) Recognition and derecognition

Financial instruments are recognised when the Company becomes a party to the contractual rights of the instrument. All regular way purchase and sales of financial assets are recognised in the statement of financial position on the transaction date representing the date when the financial asset is delivered. In the period between the dates of transaction and settlement, the Company accounts for the changes in the fair value of the received or transferred asset based on the same principles used for any other acquired asset of the respective category.

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or where the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

(c) Initial and subsequent measurement

Financial instruments are initially measured at fair value and except for financial instruments at fair value through profit or loss include directly attributable transaction costs.

Subsequent to initial measurement, all financial assets and liabilities designated at fair value through profit or loss and all available for sale financial assets are measured at fair value except those instruments for which no reliable fair value measurement is possible. In this case, such instruments are carried at cost less transaction expenses and impairment.

All financial liabilities other than financial liabilities designated through profit or loss and all loans and receivables are measured at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

All instruments, excluding investments at fair value through profit and loss, are subject to revaluation when impaired.

Profit or loss arising from changes to the fair value of financial instruments designated through profit or loss is recognised in the profit or loss. Differences arising from changes to the fair value of available for sale financial instruments are recognised through other comprehensive income, except for impairment, which is recognised in profit or loss. For financial assets and liabilities carried at amortised cost, a gain or loss is recognized in the profit or loss when the financial asset or liability is derecognized.

3.4 Fair value measurement

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

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

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values

Specific controls include:
• Verification of observable pricing;
• Regular re-performance of model valuations;
• A review and approval process for new models against observed market transactions;
• Analysis and investigation of significant daily valuation movements;
• Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month.

The methods described below have been used for the determination of fair values.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions with the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When the transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in the statement of comprehensive income depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

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

Valuation techniques include recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data. Where third-party information, such as broker quotes or pricing services, are used to measure fair value, the Company assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS as adopted by EU. This includes:
• Verifying that equity broker or pricing service is approved by the Company for use in pricing the relevant type of financial instrument;
• Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
• When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;

Further analysis of basis for fair value and fair value determination principles are disclosed in Notes 21 and 45.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far 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 might be categorized in different levels of the fair value hierarchy, 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 Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.5 Impairment

(a) Financial assets

At each reporting period end date the Company assesses whether there is objective evidence that the financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Insurance receivables that are overdue are reversed against premium income once the policy is cancelled. No impairment allowances are recognised in respect of amounts that have not yet become due if no portion of the premium is taken to income. Receivables are disclosed net of impairment allowance. The amount of allowance represents the difference between the gross and recoverable amount of receivables.

Other debtors are stated at the recoverable amount. Impairment allowances are recognised on doubtful receivables.

Impairment of loans and receivables

Loans and receivables, or those amounts that are overdue, or for which there are indications of impairment are assessed for objective evidence of impairment individually. The Company assesses probability of the debtor fulfilling its obligations in the future and timing of fulfilment of those obligations, to be able to assess recoverable amount of the assets.

Loans and receivables for which no individual impairment loss is measured are assessed on collective level using statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred. These are then adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate. They will, however, always include uncertainty and may change depending on financial position of customers or general economic environment.

(b) Impairment of insutrance receivables

Insurance receivables, or those amounts that are overdue, or for which there are indications of impairment are assessed for objective evidence of impairment individually. The Company assesses probability of the debtor fulfilling its obligations in the future and timing of fulfilment of those obligations, to be able to assess recoverable amount of the assets.Insurance receivables for which no individual impairment loss is measured are assessed on collective level using statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred. These are then adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate. They will, however, always include uncertainty and may change depending on financial position of customers or general economic environment.

(c) Non-financial assets

Non-financial assets, other than deferred taxes and deferred acquisition costs, are assessed at each reporting date for any indications of impairment. In the presence of such evidence, the Company estimates the recoverable amount of the related asset. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in the profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 Property and equipment

Property and equipment are disclosed at cost less accumulated depreciation and impairment. Depreciation is calculated using a linear method over the entire useful life of the respective asset in order to write their value down to the residual value at the end of the useful life based on the following rates:

Office equipment	20% per year
Computers, electrical equipment	33% per year
Vehicles	20% per year
Buildings for own use	5% per year

Land and buildings used for the Company's operating activities are initially stated at cost. Subsequently buildings for own use are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and is carried at a cost less any accumulated impairment losses.

Maintenance costs of property and equipment are recognised in the profit or loss as incurred. Costs of capital repairs of property and equipment (leasehold improvements) are added to the value of the respective asset and written off over the useful lifetime of the asset. Capital repair costs on leased property and equipment are written off on a straight-line basis during the shorter of the useful lifetime of the capital repairs and the period of lease.

Profit or loss from disposal of property and equipment is calculated as the difference between the carrying amount of the asset and income generated from sale, and reflected as profit or loss in the profit or loss when disposed.

When revalued fixed assets are disposed, the related revaluation reserve is transferred to retained earnings. Depreciation methods, useful lives and residual values are reviewed annually.

3.7 Intangible assets

Software licences

Software licences are capitalised. Software licences are recorded at cost including acquisition and implementation costs less accumulated amortisation and impairment. Amortisation is calculated using the linear method over the entire useful life of the respective asset in order to write their value down to the estimated residual value at the end of the useful life based on a 20% per year rate.

3.8 Investment property

Land and buildings held either to earn rental income or for capital appreciation or both are classified as investment property and are measured at cost less accumulated depreciation and impairment.
Depreciation is calculated using a linear method over the entire useful life of the respective asset in order to write their value down to the residual value at the end of the useful life based on the following rates:

Buildings	5% per year

Land is not depreciated and is carried at a cost less any accumulated impairment losses.

Transfers to or from investment property are made when there is a change in use.

When an item of land and buildings is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in gain or losses.

If an investment property becomes owner-occupied, it is reclassified as property and equipment and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting, any differences arising are recognised directly in gain or losses.

3.9 Assets held for sale

Non-current assets are classified as held-forsale if it is highly probable that their carrying value will be recovered through sale rather than through continuing use and if they meet the following two classification criteria:
• these items, in their current state, are available for immediate sale and subject only to the normal conditions of sale of such items;
• their sale is reliable (based on the management's decision to sell these items, the sale process has been initiated and there is assurance that it will be completed within one year of the date of commencement of this process).

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. If the facts or events indicate a decrease in the value of non-current assets held for sale, the assets are tested for impairment and the resulting losses are assessed and recognized in the profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

3.10 Leases

The Company has applied IFRS 16 for accounting lease contracts.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The incremental borrowing rates are determined by the Vienna Insurance Group AG Wiener Versicherung Gruppe Group's accounting department based on interest rates from various external financing sources and making certain adjustments to reflect the terms of the lease and type of the asset leased.

After the commencement date, the lessee shall measure the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The amount of the remeasurement of the lease liability shall be recognised as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, any remaining amount of the remeasurement shall be recognised in profit or loss.

The Company presents right-of-use assets that meet definition of land and buildings in "Land and Building for own use" while those assets that do not – in "Property and equipment" and lease liabilities in 'Lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

<u>As a lessor</u>

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. In the reporting period the Company has only operating lease agreements.

Rental income from an investment property leased out under an operating lease is recognised on a straight-line basis over each lease term.

The accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16 apart from Covid-19 related changes in rent concessions. Company applies permition to account concession is in the form of a one-off reduction in rent, and it is accounted for as a variable lease payment and is recognised in profit or loss.

The Company as a lessor

Rental income from an investment property leased out under an operating lease is recognised on a straight-line basis over each lease term.

The Company as a lessee

Operating lease payments are recognised in the profit or loss on a straight-line basis over the lease term. Discounts received are recognised in the profit or loss as a significant part of the total lease expenses.

3.11 Corporate income tax

(a) Payable tax

Based on the Law on Corporate Income Tax of the Republic of Latvia the tax rate is 20%, the taxation period is one month and the taxable base, determined by dividing the value of the taxable item by a factor of 0.8, includes:
• distributed profit (dividends calculated, payments equivalent to dividends, conditional dividends) and
• conditionally or theoretically distributed profit (non-operating expenses, doubtful debts, excessive interest payments, loans to related parties, decrease of income or excessive expenses which are incurred by entering into transactions at prices other than those on the market that should be calculated using the methodology determined by the Cabinet of Ministers, benefits bestowed by the non-resident upon its staff or Management board and Supervisory Board members regardless of whether the receiving party is a resident or a non-resident, if they relate to the operation of a permanent establishment in Latvia, liquidation quota).

The use of tax losses carried forward from previous periods is limited: it is possible to utilise these losses to decrease the amount of tax calculated on dividends in the reporting period by no more than 50%. It is possible to carry forward unused tax losses and utilise them in the previously described manner only until 2022.

(b) Deferred tax

Lithuania

Deferred tax is recognised providing for temporary differences between the carrying value of assets and liabilities in the financial statements (financial reporting purposes) and the amounts used for tax purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

The carrying amount of deferred tax asset was reviewed at 31 December 2020 and changes were charged to profit or loss in the reporting period.

Latvia

IAS 12 Income taxes requires that, if there is a difference between the tax rate applicable to distributed profit and undistributed profit, deferred tax assets and liabilities shall be recognized at the tax rate applied to retained earnings.

The Law on Corporate Income Tax of the Republic of Latvia applies 20% tax rate to distributed profit while the applicable tax rate for profit that is added to retained earnings is 0%. Consequently, the deferred tax asset and liabilities are to be recognized in zero amount.

Estonia

Company does not recognizes deferred tax asset or liability in Estonia's part of business, because Company controls the dividend policy of its branches. In Estonia all undistributed corporate profits are tax exempt and Company does not expect to pay out dividends from Estonian branch in the foreseeable future, and, therefore no deferred tax liability in relation to these profits has been recognised.

(c) Contingent assets that derive from the calculation of the Company's Corporate Income Tax for periods prior to 31 December 2017

The Company has tax losses brought forward from reorganisation which happened in 2018, when InterRisk Vienna Insurance Group AAS was merged with Company in the amount of EUR 1.28 million as at 31 December 2020. In accordance with the new Corporate Income Tax Law referred to above, the Company will be able to utilise these losses to decrease up to 50% of corporate income tax calculated on dividends payable exclusively from profit for 2018-2021 and distributed as dividends by the end of 2022, as well as from profit for 2022 which will be distributed as extraordinary dividends in 2022.

The potential benefits described above as at 31 December 2020 that may arise from the potential possibility to decrease the amount of tax in the future are treated as contingent assets and are not recognised on the balance sheet.

(d) Tax relief

A corporate income tax relief has been applied due to amounts donated to budget institutions, and public, cultural, science, sports, charity, health and environment protection organisations registered in Latvia, as well foundations and religious organisations which are permitted to accept donations in accordance with Article 8 and 12 of the Corporate Income Tax Law.

3.12 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents comprise cash in hand, demand deposits, overnight deposits and term deposits with banks with the initial maturity term of less than three months. In the statement of cash flows, cash flows are presented using the direct method.

3.13 Dividends

Dividends are reflected as an appropriation of retained earnings in the period in which they are declared.

3.14 Employee benefits

Short-term employee benefits, including salaries and social security contributions, bonuses and vacation benefits are included in net operating expenses on an accrual basis as the services are provided. The Company pays fixed social security contributions to State Social Fund on behalf of its employees during the employment period in accordance with local legal requirements and will have no obligations to pay further contributions relating to employee services in respect of retired employees.

3.15 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.16 Related parties

Related parties represent both legal entities and private individuals related to the company in accordance with the following rules.
a) A person or a close member of that person's family is related to a reporting entity if that person:
i) has control or joint control over the reporting entity;
ii) has significant influence over the reporting entity;
iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:
i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
iii) Both entities are joint ventures of the same third party.
iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi) The entity is controlled, or jointly controlled by a person identified in (a).
vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
viii) The entity, or any member of a group to which the entity belongs provides management personnel services to the entity or to the parent of the entity.
Related party transaction – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a consideration is determined.

3.17 Significant accounting estimates and judgement in applying accounting policies

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those estimates.

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

Key sources of estimation uncertainty:

Outstanding claim reserves

The nature of the business makes it difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and the historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The reserves are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The reserve estimation difficulties also differ by class of business due to claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim and reporting lags.

The most judgemental estimation is related to incurred-but-not-reported (IBNR) reserves. The key assumptions in respect of sufficiency of outstanding claim reserves are monitored regularly through claims reserves run-off analyses and liability adequacy testing, performed for each line of business.

The key methods, which are used and have remained unchanged from prior year, are:
• Chain Ladder methods, which use historical data to estimate potential claims incurred in future;
• frequency-severity method;
• or analysed premium trend.

The Company is calculating IBNER (incurred but not enough reported) reserve for large claims incurred but not enough reported for each country separately in MTPL line of business on a net basis. Calculation assumptions among others include frequency, net premium amount and reinsurance retention for each country separately. Starting from 2020 pandemic reserve IBNER is set aside for financial lines which is calculated by appling publicly available default rates (Lursoft, SIA), stock indexes of leisure sectors and exposure (sum insured). Mojarity share of reserve is for fulfilment of the travel agency obligations insurance product. IBNER reserve is included under IBNR reserve position in the financial statements.

In addition, IBNR reserve volume for MTPL and Property line of business is reviewed by using stochastic methods – Bootstrapping Chain Ladder, Mack Chain Ladder.

The actual method or mix of methods used varies by line of business and observed historical claims development.

To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:
• changes in processes that affect the development/ recording of claims paid and incurred (such as changes in claim reserving procedures);
• economic, legal, political and social trends (resulting in different than expected levels of inflation);
• changes in mix of business;
• random fluctuations, including the impact of large losses.

Measurement of fair values

More detailed description of fair value measurement is disclosed in Note 3.4.

(4) Risk management

4.1 General principles

The Company's risk management is an integral part of the governance and decision-making system, and a systematic set of measures – ensuring risk identification, assessment, monitoring and control of the individual exposure level.

The risk management system ensures three levels of defence:
• the first level of defence is based on management controls and internal control measures within responsibility of the process/risk owner (following "four eyes" principle; documentation of critical processes etc.);
• the second level of defence is ensured by the functions that oversee risks – risk management function, compliance function, actuarial function which have a direct access to the Company's Management Board to report any concerns. These functions ensure the first line of defence is properly designed, in place, and operating as intended. Each of these functions has some degree of independence from the first line of defence. They may intervene directly in modifying and developing the internal control and risk systems. Therefore, the second line of defence serves a vital purpose but cannot offer truly independent analyses to governing bodies regarding risk management and internal controls;

• the third level is carried out by Internal Audit activities providing independent assurance on risk management system and control processes and having a direct access to Company's Management Board, Audit Committee and the Supervisory Board.

The business of insurance represents the transfer of risk from the policyholder to the insurer and management of this risk. Consequently, the largest risks result from:
- accepting insurance risk, choosing the reinsurance cover and fulfilling obligations with respect to signed insurance contracts;
- the financial risks arising from investment activities;
- operational risk - losses that may occur in the course of day-to-day operations due to employee errors, process inconsistencies, information system failures or external influences.

The Company monitors its risk profile regularly. The calculation of the required solvency capital is carried out once per quarter, as well as regular stress tests, sensitivity tests are performed to check if the actual indicators differ from the own risks and solvency assessment forecast. The use of the standard formula corresponds to the Company's risk profile, which is assessed in the own risk and solvency assessment.

The results of the own risk and solvency evaluation are used in strategic and operational planning, budgeting process. If significant changes are planned in the Company's activities or unexpected changes are observed in financial data, add-hoc own risk and solvency evaluation will be performed.

In order to ensure the reliability of the risk management system, the Company separates Risk measurement, analysis and control functions from business functions, e.g. the Company ensures that those who affect the risk profile are not simultaneously assigned risk monitoring and risk control. Additionally, the Company educates its employees regularly and systematically in order to raise their awareness of the risks.

4.2 Insurance risks

Insurance risk is the most significant risk faced by the Company in day-to-day activities. The main components of the insurance risk are premium and reserve risk, lapse risk and catastrophe risk.

In order to manage insurance risk, the Company has developed different control and management tools. For all insurance types, insurance terms and conditions have been developed and are binding both for the Company, as well as for the customers. Product methodologies have been developed for all insurance types and should be followed when assessing and accepting the risk assumed by the Company. The Company has established Baltic Risk Underwriting Department which employees are responsible for development of insurance products, insurance terms and conditions and risk assessment methods. In addition, limits have been fixed, up to which each of the employees is allowed to make a decision on risk underwriting. When fixing limits, the hierarchy principle is observed; employee with higher the level of responsibility has higher risk underwriting authority.

Complementary to Tariff Committee, established in the end of 2018, the Tariffication Division was created in the beginning of 2020 to support pricing activities in the Company.

(a) Underwriting strategy

Underwriting risk means the risk of loss or adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions. To mitigate underwriting risk, the Company's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome. The underwriting strategy is set out in an annual business plan.

This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by insurance line, class of business and industry in order to enforce appropriate risk selection within the portfolio.

Risk diversification is assumed as highly important through the same risk underwriting process across all Baltic countries.

Stress tests and analysis of the critical situation are used for underwriting strategy assessment.

The calculation of the tariffs and prices on insurance products reflects current market conditions and covers the most probable assumptions necessary for the adjustment of future results, aiming to significantly mitigate financial risks.

Adherence to the underwriting authorities is being monitored by management on an on-going basis. Those transactions requiring special authorisation are subject to the special attention of the Company's Management Board.

(b) Basic products

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below. In addition, the following gives an assessment of the Company's main products and the ways in which it manages the associated risks.

Motor transport (except railway transport) insurance (CASCO)

Product features

The insurance indemnifies for losses, which arise from damage to, destruction, or loss of vehicle. Several additional insurance covers may also be purchased which are related to the insured vehicle. The largest losses arise from theft or total loss.

Management of risks

The key risks associated with this product are underwriting risk and claims development risk.

CASCO premiums are determined on the basis of the bonus-malus system, driver's driving experience period, insurance territory and other criteria, which decreases the insurance premium upon the absence of losses and increases the insurance premium upon the occurrence of losses. The sums insured rarely exceed EUR 70 000. Insurance premiums are set in line with applicable insurance methodology. Vehicles are divided into four risk groups with different insurance premiums. CASCO usually contains a retention element by the policyholder.

Motor vehicle owner third party liability insurance (MTPL)

Product features

This insurance is a compulsory insurance which policy conditions and indemnification rules are prescribed by the respective regulations on Motor Vehicle Owner Third Party Liability Insurance. MTPL insurance covers physical injury claims and property claims in countries where the policies has been issued as well as claims caused abroad by insured motorists under the Green Card system. Most of the motor vehicle owner third party liability insurance indemnities are for property damage and lump sum personal injuries, mostly medical treatment costs, and temporary absence from work. However, long-term indemnities may also be possible, such as pensions and permanent inability to work which may be paid out over a long term as annuities.

Even if according to previous statistics the claims have been notified promptly and can be settled without delay, the situation can change and claims arising from motor vehicle owner third party liability insurance are classified as 'long-tail' classes where the ultimate claim cost takes longer to determine.

Management of risks

The key risks associated with this product are underwriting risk and claims development risk. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates. For determining the premiums of motor vehicle owner third party liability insurance, a bonus-malus system is used which reduces the insurance premium upon the absence of losses created by the insured persons and increases the insurance premium upon the existence of losses created by the insured persons.

Health insurance

Product features

The health insurance product is offered to companies that purchase health insurance for their employees. Health insurance indemnifies against expenses such as doctor visits, laboratory and diagnostic tests and hospital treatment.

Management of risks

The Company monitors and reacts to changes in the prices for medical services, monitors the claim ratios on employer's bases and adjusts insurance premiums accordingly each year when renewal takes place.

<u>Property insurance</u>

Product features

Property insurance indemnifies, subject to any specified limits or deductibles, the insured against loss or damage of property. The risks covered by property insurance include fire risk, pipe leakage, explosion, third party illegal activities, and natural disasters. The most frequently occurring risks for property include pipe leakages and fire. Most often larger losses result from fire.

Generally, claims in the property insurance line are notified promptly and can be settled without delay. Property business is therefore classified as 'short-tail', contrasted with the 'long-tail' classes where the ultimate claim cost takes longer to determine.

In addition to property insurance, customer can get the indemnity of business interruption arising from insured property damage, as well as to purchase liability insurance with insuring real estate assets.

Business interruption insurance covers lost business profits and fixed costs incurred that arise from the realisation of any risk covered by the property insurance of the Company. Upon the sale of that insurance type, it is considered to be particularly important to take into account the transparency of the financial statements.

Management of risks

The key risks associated with this product are underwriting risk and claims development risk.

In order to charge appropriate premiums different specifics of properties are assessed. For private property insurance, it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this may not be the case. Many commercial property proposals comprise a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be more complex.

Insurance risk is managed primarily through pricing, independent assessment of property under international standards, product design, risk selection and reinsurance. Therefore, the Company monitors and reacts to changes in the general economic and business by changing pricing or product conditions.

(c) Insurance risk concentration

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

Risk concentration may occur as a result of different coincidences and regularities. In property insurance, risk concentration might occur if one densely populated area experiences any of the exposures (e.g. fire), which may easily transfer from one property to another one and this action cannot be avoided.

In addition, the management is aware that the possible risk concentration can be in one company or an industry in total, for which several risks are insured. When insuring such risks, a precondition is the assessment of the company's financial position and capacity, as well as identifying how large financial liabilities can arise, how large the liabilities are that are already held by the Company and what it can afford. When evaluating financial risks, the trends of economic growth and the risks that might impact this area are studied.

In order to minimise losses that could occur because of risk concentration, the Company uses reinsurance effectively – by protecting risks proportionally and non-proportionally. Placing reinsurance, the Company's net retention for one risk is defined per one object and per one event, when losses happen simultaneously for several objects. The Company follows the Reinsurance policy, which has been approved by the Management Board.

The Company's key methods in managing these risks are two-fold. Firstly, the risk is managed through appropriate underwriting. Underwriters are not permitted to accept the risks unless the expected profits are commensurating with the risks assumed. Secondly, the risk is managed through the use of reinsurance. The Company purchases reinsurance coverage for various insurance lines of business. The Company assesses the costs and benefits associated with the reinsurance programme on an ongoing basis.

The Company sets out the total aggregate exposure that it is prepared to accept in relation to the concentrations of risk. It monitors these exposures both at the time of underwriting a risk, and on a monthly basis by reviewing reports, which show the key aggregations to which the Company is exposed. The Company uses a number of modelling tools to monitor risk accumulation in order to measure the effectiveness of the reinsurance programme and the Company's net retention.

Concentration risk is tested and evaluated within different scenario tests. Stress test results are used for decision making to understand what concentration risk the Company may undertake.

Geographic concentration of risks

To reduce the concentration risk in one country, the Company continues to develop operations in all Baltic countries. As a result, in the reporting period, 40.5% of all business (by net earned premiums) was conducted in Latvia, 47% in Lithuania and 12.5% in Estonia.

Concentration of risks by industry

The concentration of insurance risks by industry does not exceed 20% for an industry, therefore the Company's management considers that the risk concentration is at an acceptable level.

(d) Catastrophes

The Company's management is aware that catastrophe risks are possible. In the Company's geographic position these risks are mostly connected with meteorological phenomena: storms, floods, hail, snow, freezing, etc. Large fires and earthquakes are unlikely, but they may occur. The most characteristic catastrophes in Baltics are floods and storms while the largest claims usually are because of a fire. In order to minimise the impact of catastrophe risk on the Company, reinsurance is arranged – both proportionally and non-proportionally. In addition, facultative reinsurance is purchased for large risks. The retention is specified and reviewed in accordance with business needs, involving the Management Board and Actuarial Department, and taking into account maximum allowed net Retention of 3% of the Company's equity. According to the management, the measures taken sufficiently reduce the impact of catastrophe risk on the Company.

(e) Liability adequacy test

A liability adequacy test is carried out by line of business in Latvia, Lithuania and Estonia at each reporting date and assesses whether the insurance liabilities recognized during the reporting year for valid policies are adequate by comparing the insurance reserves established to the present value of the estimated future cash flows arising on existing insurance policies. The test takes into account potential decrease of claims paid due to regress and it is performed after the deduction of any deferred acquisition and administration costs from unearned premium reserve. However, it does not take into account reinsurance. If the assessment indicates a deficiency in the carrying amount of liabilities, the deficiency is recognised in the profit or loss by set up of additional unexpired risk reserve.

Liability adequacy test as at 31 December 2020 did not identify any deficiency that would require setting of unexpired risk reserve.

Claims development

Information on the claims development has been provided in order to illustrate the insurance risk to which the Company is subject. The claim table discloses a comparison of cumulative payments to date and the development of claim reserves made for these insurance claims by accident year.

The following table shows how the Company estimates total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the Statement of the Financial position.

Claim development analysis, EUR'000

	Year of insured occurrence						
	2015 year and before EUR'000	2016 EUR'000	2017 EUR'000	2018 EUR'000	2019 EUR'000	2020 EUR'000	Total EUR'000
Gross claim provision at the end of the reporting period							
At the end of accident year	55 700	27 996	41 344	57 359	56 483	57 548	-
-one year later	31 326	14 390	17 692	20 160	16 849	-	-
-two years later	45 617	9 881	12 049	13 284	-	-	-
-three years later	45 835	8 652	10 145	-	-	-	-
-four years later	42 703	5 523	-	-	-	-	-
-five years later	37 354	-	-	-	-	-	-
Gross claims paid in subsequent years							
-one year later	20 903	16 765	28 415	37 089	28 610	-	-
-two years later	5 494	5 017	2 687	4 526	-	-	-
-three years later	4 720	1 802	1 508	-	-	-	-
-four years later	4 277	1 010	-	-	-	-	-
-five years later	2 847	-	-	-	-	-	-
Gross claims paid	**38 241**	**24 594**	**32 610**	**41 615**	**28 610**	-	**165 670**
Current year (deficiency)/ redundancy	**2 662**	**2 119**	**396**	**2 350**	**11 023**	-	**18 551**

(f) Sensitivity analysis assumptions

The estimated amount of IBNR reserve could be influenced by inflation, the risk that significantly large claims will be reported with delay, seasonality of the reporting of claims and other risks.

As at 31 December 2020 84% of IBNR reserve (excluding IBNER - large claim, pandemic reserve) consists of the following lines of business: MTPL and general third party liability insurance. Considering the current market situation, the Company believes that the most volatile assumption, which stands in one line with average claim amount, is inflation.

The table below presents the change in IBNR reserve as at 31 December 2020 – if the annual inflation used in the IBNR reserve estimation would change as a result of a 1 percentage point (p.p.) change in projected annual inflation, the IBNR reserve would change respectively:

EUR'000 **Line of business**	**IBNR, as at 31.12.2020**	**IBNR if projected annual inflation increased by 1 p.p.**	**IBNR without using inflation**
MTPL	23 967	24 339	23 603
General TPL	4 207	4 298	4 118

EUR'000 **Line of business**	**IBNR, as at 31.12.2019**	**IBNR if projected annual inflation increased by 1 p.p.**	**IBNR without using inflation**
MTPL	20 410	21 208	18 304
General TPL	4 170	4 272	3 881

Assumptions used for estimation of MTPL insurance claim reserves

IBNR reserve estimation for MTPL insurance claims is performed for the main part of claims incurred excluding annuities and another bodily injury claims for which a separate calculation is performed. Chain coefficients are calculated separately for material claims incurred triangle for each Baltic state.

RBNS reserves for annuities are calculated based on mathematical formulas used in life insurance. The main assumptions in these calculations are mortality tables, inflation and discount rates. General Latvian mortality tables are used for RBNS reserve calculations. Special disabled person mortality tables are used for first or second group disabled persons. Cash flows are calculated until the end of life or until age of retirement. EIOPA (The European Insurance and Occupational Pensions Authority) given discount rates are used for discounting cash flows. In addition, RBNS reserve for cases involving government social insurance agencies and private persons are calculated using specific indexation inflation coefficients set by each country separately.

4.3 Financial risk management

The Company is exposed to financial risks due to operations with financial instruments. Financial risks include market risk, credit risk and liquidity risk. Below is a description of each of these financial risks and a summary of the methods used by the Company to manage these risks. Exposure to those risks arises in the normal course of the Company's business.

The Company's financial assets and liabilities, including investments, deposits with banks, loans, insurance receivables and receivables from reinsurance activities, are exposed to financial risk as follows:
• Market risk: risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments, including interest rate risk, price risk and currency risk;
• Credit risk: risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which Company is exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations;
• Liquidity risk: risk that Company is unable to realise investments and other assets in order to settle its financial obligations when they fall due.

Market risk

All financial instruments and positions are subject to market risk, the risk that future changes in market conditions may make an instrument more or less valuable. The Company is subject to potential market risks and can incur losses from financial assets and financial liabilities as the result of changes in interest rates, currency exchange rates and changes in price of equity instruments.

In order to limit investment risk, investments are made in different financial instruments. When choosing financial instruments, the requirements of the insurance company and solvency capital requirements are observed.

When carrying out investing activities, the employees of Financial Department are guided according to the approved Investment and risk strategy, which regulates issues related to control and the minimisation of investments risk.

The reduction of investments risk is carried out in two ways – firstly, by diversifying the investments portfolio, and secondly, by analysing the specific asset before the purchase of this asset and following the available information on this asset. On quarterly basis, the Company performs mismatch analysis of asset and liabilities' currencies, duration and cash flows during solvency capital requirement calculations.

(a) Currency (foreign exchange rate) risk

Currency risk is the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates.

Some insurance liabilities are denominated in foreign currencies. The Company's policy is to restrict the currency risk with respect to known and expected transactions in foreign currencies. Currency risk management is based on investments in the respective currencies. The Company is not engaged in any speculative transactions that may increase the currency risk.

The Company held an open currency position in DKK in the equivalent of EUR 16 729 thousand, primarily invested into covered fixed income securities. Taking into account that DKK is pegged to EUR, the Company believes that the underlying currency risk is insignificant and acceptable, and does not require any risk mitigation measures.

An analysis of sensitivity of the Company's net income for the period and equity to changes in the foreign currency exchange rates based on currency positions from assets and liabilities denominated in foreign currency existing as at 31 December 2020 and 2019 and a simplified scenario of a 10% change in PLN, GBP, USD to EUR exchange rate is as follows:

	2020	2019
EUR'000	**Net income**	**Net income**
10% depreciation of PLN against EUR	86	66
10% appreciation of PLN against EUR	(86)	(66)
10% depreciation of GBP against EUR	30	49
10% appreciation of GBP against EUR	(30)	(49)
10% depreciation of USD against EUR	73	48
10% appreciation of USD against EUR	(73)	(48)

The split of financial assets and liabilities and insurance contract liabilities by currencies in EUR equivalent as at period end were as follows:

31 December 2020	**EUR EUR'000**	**USD EUR'000**	**DKK EUR'000**	**PLN EUR'000**	**GBP EUR'000**	**Other EUR'000**	**Total EUR'000**
Financial and insurance related assets							
Debt securities and other fixed income securities	183 842	-	16 718	1 003	-	-	**201 563**
Non-fixed income securities	29 022	-	-	-	-	-	**29 022**
Loans	10 555	-	-	-	-	-	**10 555**
Insurance Receivables and Receivables	50 096	-	-	-	-	-	**50 096**
Cash and cash equivalents	27 423	1 287	11	790	1 687	199	**31 397**
Total financial assets	**300 938**	**1 287**	**16 729**	**1 793**	**1 687**	**199**	**322 633**
Insurance contract liabilities, net and financial liabilities							
Unearned premium and unexpired risk reserves, net	87 304	494	-	-	-	-	**87 798**
Outstanding claim reserves, net	83 024	64	258	2 649	1 989	293	**89 277**
Financial liabilities	34 197	-	-	-	-	-	**34 197**
Reinsurers' deposit	41 704	-	-	-	-	-	**41 704**
Total insurance contract liabilities, net and financial liabilities	**246 229**	**558**	**258**	**2 649**	**1 989**	**293**	**252 976**
Open currency position	**54 709**	**729**	**16 471**	**(856)**	**(302)**	**(94)**	**69 657**

31 December 2019	EUR EUR'000	USD EUR'000	DKK EUR'000	PLN EUR'000	GBP EUR'000	Other EUR'000	Total EUR'000
Financial and insurance related assets							
Debt securities and other fixed income securities	179 189	447	14 148	1 019	-	-	**194 803**
Non-fixed income securities	20 454	-				-	**20 454**
Loans	11 701	-	-	-	-	-	**11 701**
Insurance Receivables and Receivables	44 227	-	-	-	-	-	**44 227**
Cash and cash equivalents	23 570	651	26	619	1 896	63	**26 825**
Total financial assets	**279 141**	**1 098**	**14 174**	**1 638**	**1 896**	**63**	**298 010**
Insurance contract liabilities, net and financial liabilities							
Unearned premium and unexpired risk reserves, net	83 388	1 410	-	-	-	-	**84 798**
Outstanding claim reserves, net	82 807	163	138	2 298	2 383	322	**88 111**
Financial liabilities	34 450	-	-	-	-	-	**34 450**
Reinsurers' deposit	37 297	-	-	-	-	-	**37 297**
Total insurance contract liabilities, net and financial liabilities	**237 942**	**1 573**	**138**	**2 298**	**2 383**	**322**	**244 656**
Open currency position	**41 199**	**(475)**	**14 036**	**(660)**	**(487)**	**(259)**	**53 354**

(b) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Company takes a long or short position in a financial instrument.

A significant share of the Company's financial investments was accounted for as available-for-sale instruments. Changes in securities prices for available-for-sale instruments is reported through other comprehensive income for the period. A simplified scenario of 5% change in investment funds' prices would result in the following effect on the other comprehensive income as at 31 December 2020 and 2019:

	2020 EUR'000	2019 EUR'000
5% increase in non-fixed income securities prices	1 310	907
5% decrease in non-fixed income securities prices	(1 310)	(907)

An analysis of the sensitivity of the Company's profit or loss to changes in securities prices based on positions existing as at 31 December 2020 and 2019 and a simplified scenario of a 5% change in all fair value through profit and loss instruments prices is as follows:

	2020 EUR'000	2019 EUR'000
5% increase in securities prices	69	88
5% decrease in securities prices	(69)	(88)

(c) Interest rate risk

Interest rate risk is defined as the loss in value resulting from a change in interest rates and is viewed both from the asset-only perspective and in relation to the interest-rate sensitivity of the liabilities.

Measures for management of the interest rate risk in the Company are based on the assessment of the impact of the interest rate risk on the Company's financial indices. The Company is using EIOPA given discount rates for long-term liabilities (annuities).

The Company is exposed to a moderate interest rate risk. The duration matching of assets and liabilities is analysed quarterly.

EUR'000	31.12.2020 Profit or loss	31.12.2020 OCI	31.12.2019 Profit or loss	31.12.2019 OCI
10 bp parallel increase	(268)	(1 065)	(272)	(1 164)
10 bp parallel decrease	274	1 065	279	1 164

Fluctuations in fair value that results from changes of interest rate of financial assets with fixed interest rate are reflected in price risk sensitivity analysis.

The following table present the Company's financial assets analysed according to repricing periods determined as the earlier of the remaining contractual maturity and the contractual repricing. The interest rate repricing profile of the Company's assets as at end of the period:

31 December 2020	Up to 12 months EUR'000	1-5 years EUR'000	Over 5 years EUR'000	Non-interest bearing EUR'000	Total EUR'000	Of which subject to fixed rates EUR'000
Financial assets						
Investments at fair value through profit or loss	15	1 371	-	-	**1 386**	**1 386**
Available-for-sale instruments	14 988	71 038	112 380	29 022	**227 428**	**183 843**
Held-to-maturity instruments	30	-	1 741	-	**1 771**	**1 741**
Loans	-	-	10 555	-	**10 555**	**10 555**
Insurance Receivables and Receivables	-	-	-	50 096	**50 096**	**-**
Cash and cash equivalents	-	-	-	31 397	**31 397**	**-**
Total financial assets	**15 033**	**72 409**	**122 935**	**110 515**	**322 633**	**197 525**

31 December 2019	Up to 12 months EUR'000	1-5 years EUR'000	Over 5 years EUR'000	Non-interest bearing EUR'000	Total EUR'000	Of which subject to fixed rates EUR'000
Financial assets						
Investments at fair value through profit or loss	397	1 382	-	-	**1 779**	**1 779**
Available-for-sale instruments	3 558	44 601	143 091	20 454	**211 704**	**191 250**
Held-to-maturity instruments	30	-	1 744	-	**1 774**	**1 774**
Loan	6	-	11 695	-	**11 701**	**11 701**
Insurance Receivables and Receivables	-	-	-	44 227	**44 227**	**-**
Cash and cash equivalents	-	-	-	26 825	**26 825**	-
Total financial assets	**3 991**	**45 983**	**156 530**	**91 506**	**298 010**	**206 504**

Liquidity risk

The Company understands liquidity as the ability to meet its current liabilities in timely and comprehensive manner.

In order to mitigate any short-term liquidity risks, the Company carries out regular cash flow planning and continuously maintains a minimal cash position. As a long-term liquidity risk mitigation, the Company invests primarily into highly liquid investments.

Highly liquid investments are deemed to be the following assets:
1) claims on demand to credit institutions;
2) other claims to solvent credit institutions (term deposits, etc.) whose remaining repayment term does not exceed 30 days, and deposits with another term if the agreement stipulates an option to withdraw money before the due date (less the amount of contractual penalty for preterm withdrawal of deposits if such is provided);
3) investments in securities if they have a constant, unrestricted market, i.e., they can be sold in a short time without considerable losses or can be used as a collateral for receipt of loan.

The tables below shows the allocation of the Company's assets and liabilities to maturity groups based on the time remaining from the reporting period end date to the maturity dates or expected dates of settlement. While the tables below reflect the liquidity risk, it is based on time to contractual maturity. Investments classified as financial instruments at fair value through profit and loss and available for sale instruments, are considered as highly liquid financial assets and management has the ability to sell them earlier than the contractual date, thereby helping to manage its liquidity gap, if needed.

31 December 2020	Up to 12 months EUR'000	From 1 to 5 years EUR'000	Over 5 years EUR'000	No fixed maturity EUR'000	Total EUR'000
Financial and insurance related assets					
Financial instruments at fair value through profit or loss	15	1 371	-	-	**1 386**
Available-for-sale instruments	14 988	71 038	112 380	29 022	**227 428**
Held-to-maturity instruments	30	-	1 741	-	**1 771**
Loans	-	-	10 555	-	**10 555**
Receivables from direct insurance activities	46 512	-	-	-	**46 512**
Receivables from reinsurance activities	3 094	-	-	-	**3 094**
Other receivables	490	-	-	-	**490**
Cash and cash equivalents	31 397	-	-	-	**31 397**
Total financial assets taking into account maturity	**96 526**	**72 409**	**124 676**	**29 022**	**322 633**
Insurance contract liabilities, net and financial liabilities					
Insurance contract liabilities, net	135 807	16 278	22 015	-	**174 100**
Financial liabilities	34 450	-	-	-	**34 450**
Reinsurers' deposit	37 297	-	-	-	**37 297**
Total Insurance contract liabilities, net and financial liabilities	**207 554**	**16 278**	**22 015**	**-**	**245 847**
Maturity gap	**(111 028)**	**56 131**	**102 661**	**29 022**	**76 786**

31 December 2019	Up to 12 months EUR'000	From 1 to 5 years EUR'000	Over 5 years EUR'000	No fixed maturity EUR'000	Total EUR'000
Financial and insurance related assets					
Financial instruments at fair value through profit or loss	397	1 382	-	-	**1 779**
Available-for-sale instruments	3 558	44 601	143 091	20 454	**211 704**
Held-to-maturity instruments	30	-	1 744	-	**1 774**
Loan	6	-	11 695	-	**11 701**
Receivables from direct insurance activities	41 254	-	-	-	**41 254**
Receivables from reinsurance activities	2 535	-	-	-	**2 535**
Other receivables	438	-	-	-	**438**
Cash and cash equivalents	26 825	-	-	-	**26 825**
Total financial assets taking into account maturity	**75 043**	**45 983**	**156 530**	**20 454**	**298 010**
Total financial assets taking into account liquidity	**284 571**	**-**	**13 439**	**-**	**298 010**
Insurance contract liabilities, net and financial liabilities					
Insurance contract liabilities, net	143 898	8 831	20 180	-	**172 909**
Financial liabilities	23 332	4 085	7 033	-	**34 450**
Reinsurers' deposit	37 297	-	-	-	**37 297**
Total insurance contract liabilities, net and financial liabilities	**204 527**	**12 916**	**27 213**	**-**	**244 656**
Maturity gap	**(129 484)**	**33 067**	**129 317**	**20 454**	**53 354**

The Company carries out regular analysis of maturity structure of assets and liabilities, including evaluation of potential effect of mismatches in the maturity structure of such assets and liabilities on the Company's financial results and financial position. Effects of investments on maturity structure of assets are evaluated prior to investments.

Credit risk

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

Credit risk mainly arising from direct insurance debtors, intermediaries and reinsurance debtors in case the counterparty fails to fulfil its payment obligations.

Maximum credit risk	**2020 EUR'000**		**2019 EUR'000**	
	Gross	**Net**	**Gross**	**Net**
Government bonds	150 695	150 695	146 787	146 787
Corporate bonds	34 151	34 151	33 868	33 868
Mortgage bonds	16 718	16 718	14 148	14 148
Loans	10 555	10 555	11 701	11 701
Due from policy holders	46 752	46 291	41 169	40 434
Due from intermediaries	294	221	899	820
Receivables from reinsurance activities	3 472	3 094	2 535	2 535
Other debtors	789	490	739	438
Cash	31 397	31 397	26 825	26 825
	294 823	**293 612**	**278 671**	**277 556**

Credit risk arises on the financial investments, direct insurance amounts receivable and the reinsurance amounts receivable and is the risk the counterparty defaults on the payment of the amount due. Except for due from policy holders, intermediaries and other debtors, no financial assets are overdue or with impairment allowances.

Management of Financial investments

The Company manages credit risks by investing most of the investments in markets and investments with high ratings. Deposits are invested in Latvian, Lithuanian and Estonian commercial banks that are subsidiaries of foreign banks and that do not have separate ratings.

Investment analysis by ratings:

2020	Rating	Government bonds EUR'000	Listed debt securities EUR'000	Mortgage bonds EUR'000	Total EUR'000
Agency: S&P, Fitch, Moody's					
	AAA	-	-	16 718	**16 718**
	AA	7 302	3 605	-	**10 907**
	A	141 529	10 946	-	**152 475**
	BBB	1 864	17 594	-	**19 458**
	BB and lower	-	1 486	-	**1 486**
	No rating	-	520	-	**520**
		150 695	**34 151**	**16 718**	**201 564**

2019	Rating	Government bonds EUR'000	Listed debt securities EUR'000	Mortgage bonds EUR'000	Total EUR'000
Agency: S&P, Fitch, Moody's					
	AAA	-	-	14 148	**14 148**
	AA	2 777	3 414	-	**6 191**
	A	140 656	11 986	-	**152 642**
	BBB	3 354	17 189	-	**20 543**
	BB and lower	-	742	-	**742**
	No rating	-	537	-	**537**
		146 787	**33 868**	**14 148**	**194 803**

Insurance receivables

Direct insurance amounts receivable are monitored by management on a periodic basis and policies are cancelled if appropriate notification has been provided to the policy holder and the amounts due are not paid.

Reinsurance

The Company reinsures a part of the risk portfolio in order to increase its underwriting capabilities, to control its exposure to losses and to protect own capital. It purchases the obligatory and facultative reinsurance coverage to underwrite a larger quantity and/or volume of risk, to reduce the net exposure and to keep the solvency ratio in favourable range. The Company also buys reinsurance treaties for the main lines of its business that protect the Company from any cumulative losses that may arise from multiple claims resulting from the same event, including natural catastrophes. By covering against accumulated individual commitments, reinsurance gives the Company more security for its equity and solvency by increasing its ability to withstand the financial burden when unusual and major events occur.

Ceded reinsurance contains credit risk, and such reinsurance recoverable is reported after deductions for known counterparty insolvencies and uncollectible items. The Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically.

Risks are ceded to the (re)insurance companies with a sound reputation taking into account internal and VIG Reinsurance Security guidelines. The decision of choosing a cooperation partner with a rating below A- level by Standard and Poor's, Moody, Reuters, A.M. Best and Fitch, upon evaluating all risks, is coordinated with the Management Board and VIG Security Committee.

Reinsurance companies settle their obligations in the time period of 30 days. Reinsurance agreements also stipulate the reinsurer's obligation to pay the insurance indemnity immediately when the amount of the indemnity exceeds a certain amount.

During the reporting period, all reinsurance companies fulfilled their obligations to the Company in accordance with the applicable agreements.

	31 December 2020	
Rating	**Reinsurance debtors EUR'000**	**Reinsurers' share of insurance contract liabilities EUR'000**
AA	1 995	25 812
A	1 091	42 208
No rating	9	5 393
	3 095	**73 413**

	31 December 2019	
Rating	**Reinsurance debtors EUR'000**	**Reinsurers' share of insurance contract liabilities EUR'000**
AA	474	11 621
A	2 040	57 341
No rating	21	1 613
	2 535	**70 575**

Taking into account the reinsurance agreements the Company's liability for each insurance risk per event for the main business lines is as follows:

	31 December 2020 EUR'000	**31 December 2019 EUR'000**
Accident insurance	100	50
Health insurance	Retained on net	Retained on net
CASCO	Retained on net	Retained on net
Railway rolling stock insurance	100	100
Aircraft insurance	100	100
Marine vessel insurance	805	800
Freight insurance	100	100
Property insurance	500	1 000
MTPL	600	600
Aircraft owner third party liability insurance	100	100
Ship owner third party liability insurance	805	800
General third party liability insurance	400	400
Credit insurance	800	800
Surety insurance	750	750
Miscellaneous financial losses insurance	500	1 000
Legal expense insurance	Retained on net	Retained on net
Assistance insurance	Retained on net	Retained on net

4.4 Operational risk management

Operational risk is the risk of financial loss, resulting from inadequate or failed processes, people, systems or external events. The Company has a framework to identify, assess, manage, monitor, and report operational risk.

The Company considers internal control to be key for managing operational risk. The objectives of the internal control system are:
- to provide reasonable assurance financial statements and disclosures are materially correct;
- to support reliable operations,
- to ensure legal and regulatory compliance.

The internal control system is designed to mitigate rather than eliminate the risk that business objectives might not be met. To ensure consistency of proceses and reliability of operations, the Company develops internal regulatory documents for essential processes.

The Company collects and registers the data on operational risk events, their causes, consequences and measures taken to prevent their recurrence. Key controls are assessed for their design and operating effectiveness. The risk awareness and understanding of controls are promoted through communication and employee training.

Due to the corona virus pandemic, busines continuity was one of the key focus areas in 2021. An excellent level of digitization and an effective management and control system ensured that the Company did not interrupt the provision of services for any day due to emergencies and restrictions.

4.5 Capital adequacy requirements and Capital management

According to the requirements of the "Insurance and Reinsurance Law" of the Republic of Latvia, Directive 2009/138/EC of the European Parliament and of the Council and Commission Delegated Regulation 2015/35 which are in force for the reporting period, the Company should constantly have at its disposal eligible own funds, which should equal or be higher than a determined solvency capital requirement.

The Company has developed a capital management policy to be sure:
(a) that eligible own fund items, both at issue and subsequently, are classified according to the features in Articles 71, 73, 75 and 77 of Commission Delegated Regulation 2015/35.
(b) before issuance of any own fund items that it can satisfy the criteria for the appropriate tier on a continuous basis;
(c) that own funds items are not encumbered by the existence of any agreements or connected transactions, or as a consequence of a group structure, which would undermine their efficacy as capital;
(d) that the actions required or permitted under the contractual, statutory or legal provisions governing an own fund item are initiated and completed in a timely manner;
(e) that the contractual terms governing own fund item items are clear and unambiguous in relation to the criteria for classification into tiers;
(f) that any policy or statement in respect of ordinary share dividends is fully taken into account in consideration of the capital position and the assessment of the foreseeable dividends;
(g) that the manner in which items included in own funds under the transitional measures operate in times of stress, and in particular how the items absorb losses is assessed and taken into account in the ORSA (own risk solvency assessment).

Capital management

The Company has adopted the Solvency II regulation, which entered into force on 1 January 2016 and served as the main model for capital risk management in the reporting period. When developing capital management policies and capital management plans, the Company's management uses the methods for calculating the Solvency Capital Requirement in order to determine the capital requirements of the Company, taking into account the Company's existing financial situation, liabilities and future development plans. The management of the company evaluates the level of capitalization desired and determines the measures that are necessary to achieve it in the future taking into account the Company's risk profile and market conditions. Such measures may include limiting and reducing the risks taken, additional capital attraction, and adjusting the Company's development strategy.

Capital management policies and capital management plans are developed by the Management Board of the Company together with the Finance Department, the actuarial function and risk management function and approved by the Supervisory Board of the Company.

(5) Gross written premiums

	2020 EUR'000			2019 EUR'000		
	Gross written premiums	Reinsurers' share in premiums	Net written premiums	Gross written premiums	Reinsurers' share in premiums	Net written premiums
Accident insurance	5 331	(2 696)	2 635	4 888	(38)	4 850
Health insurance	27 876	–	27 876	25 634	–	25 634
CASCO	50 023	(6)	50 017	52 057	(4)	52 053
Railway rolling stock insurance	287	(31)	256	341	(27)	314
Aircraft insurance	150	(23)	127	110	(13)	97
Marine vessel insurance	1 791	(1 507)	284	3 048	(2 751)	297
Freight insurance	930	(116)	814	928	(187)	741
Property insurance	31 121	(6 495)	24 626	28 935	(5 404)	23 531
MTPL**	66 414	(33 710)	32 704	74 292	(37 650)	36 642
Aircraft owner third party liability insurance	176	(49)	127	146	(40)	106
Ship owner third party liability insurance	165	(134)	31	103	(93)	10
General third party liability insurance	8 023	(1 195)	6 828	8 623	(1 106)	7 517
Credit insurance	344	(208)	136	275	(172)	103
Surety insurance	9 373	(4 994)	4 379	8 262	(3 586)	4 676
Miscellaneous financial losses insurance	523	(156)	367	448	(154)	294
Legal expenses insurance	17	–	17	17	–	17
Assistance insurance	4 270	(85)	4 185	7 888	(2)	7 886
Total	**206 814**	**(51 405)**	**155 409**	**215 995**	**(51 227)**	**164 768**

** The Company makes obligatory deductions in accordance with the law "On compulsory motor third party liability" and the related Cabinet of Ministers regulations of the Republic of Latvia. Gross written premiums on motor third party liabilities insurance are shown net of the obligatory deductions EUR 469 thousand (2019: EUR 629 thousand).

The Company makes obligatory deductions to the Motor Bureaus of Lithuania and Estonia in accordance with the statutory requirements. Gross written premiums on motor third party liabilities insurance are shown net of the obligatory deductions to the transport insurance offices of Lithuania and Estonia in the amount of EUR 1 195 thousand (2019: EUR 1 296 thousand).

According to the law "On Motor Vehicles Third Party Liability Obligatory Insurance" and the related Cabinet Regulations of the Republic of Latvia, during the reporting period the Company made the following obligatory deductions from gross premiums written in this insurance type:

• Co-financing of the activities of the Motor Insurers' Bureau of Latvia: EUR 0.39 (2019:0.41) per contract + EUR 3 214(2019: EUR 2 755) per month;

• For the MTPL Guarantee Fund: payments are made in accordance to special calculation by taking into account the period of contract and the type of insured motor vehicle;

• For the Road Traffic Accidents Fund in Latvia: 2% from gross written premium.

Breakdown of gross written premiums by country:

	2020 EUR'000	2019 EUR'000
Latvia	79 080	83 059
Lithuania	102 783	106 679
Estonia	24 951	26 257
	206 814	**215 995**

(6) Net earned premiums

	2020 EUR'000			2019 EUR'000		
	Gross earned premiums	Reinsurers' share in premiums	Net earned premiums	Gross earned premiums	Reinsurers' share in premiums	Net earned premiums
Accident insurance	5 066	(2 588)	2 478	4 738	(39)	4 699
Health insurance	27 317	–	27 317	24 551	–	24 551
CASCO	50 964	(4)	50 960	50 495	(5)	50 490
Railway rolling stock insurance	310	(31)	279	326	(27)	299
Aircraft insurance	130	(23)	107	112	(12)	100
Marine vessel insurance	2 563	(2 273)	290	3 087	(2 775)	312
Freight insurance	952	(114)	838	989	(186)	803
Property insurance	28 996	(6 135)	22 861	25 963	(4 781)	21 182
MTPL	67 970	(34 455)	33 515	74 862	(37 945)	36 917
Aircraft owner third party liability insurance	166	(46)	120	149	(39)	110
Ship owner third party liability insurance	150	(130)	20	101	(91)	10
General third party liability insurance	7 850	(1 146)	6 704	8 318	(1 115)	7 203
Credit insurance	331	(200)	131	273	(171)	102
Surety insurance	6 827	(3 027)	3 800	4 946	(2 386)	2 560
Miscellaneous financial losses insurance	419	(154)	265	453	(161)	292
Legal expenses insurance	16	–	16	23	–	23
Assistance insurance	4 614	(82)	4 532	7 809	(2)	7 807
Total	**204 641**	**(50 408)**	**154 233**	**207 195**	**(49 735)**	**157 460**

(7) Unearned premium and unexpired risk reserves

	Gross EUR'000	Reinsurers' share EUR'000	Net EUR'000
Balance at 31.12.2018	**95 838**	**(18 348)**	**77 490**
Written premiums	215 995	(51 227)	164 768
Premiums earned	(207 195)	49 735	(157 460)
Changes during period	*8 800*	*(1 492)*	*7 308*
Balance at 31.12.2019	**104 638**	**(19 840)**	**84 798**
Written premiums	206 814	(51 405)	155 409
Premiums earned	(204 641)	50 408	(154 233)
Changes during period	*2 173*	*(997)*	*1 176*
Reinsurers deposit	–	*(1 150)*	*(1 150)*
Balance at 31.12.2020	**106 811**	**(21 987)**	**84 824**

	31.12.2020 EUR'000		31.12.2019 EUR'000	
	Gross	Net	Gross	Net
Unearned premium reserve	106 811	85 974	104 638	84 798
	106 811	**85 974**	**104 638**	**84 798**

(8) Other technical income, net

	2020 EUR'000	2019 EUR'000
Fee for policy amendments and cancellation	318	278
Change in impairment allowance for receivables from direct insurance and reinsurance operations	281	-
Other technical income	193	120
	792	**398**

The Company acts as an agent when paying out insurance claims on behalf of other non-resident companies. The Company does not accept insurance risks and receives full reimbursement of claims paid on behalf of other insurance companies. The Company receives an agent fee for the services and it is included under "Other technical income" above.

(9) Gross claims paid

	2020 EUR'000			2019 EUR'000		
	Gross claims paid	Reinsurers' share in claim	Net claims paid	Gross claims paid	Reinsurers' share in claim	Net claims paid
Accident insurance	(2 286)	922	(1 364)	(1 848)	-	(1 848)
Health insurance	(20 917)	-	(20 917)	(19 708)	-	(19 708)
CASCO	(31 771)	(1)	(31 772)	(32 216)	-	(32 216)
Railway rolling stock insurance	(1 026)	171	(855)	(366)	-	(366)
Aircraft insurance	(158)	-	(158)	(22)	-	(22)
Marine vessel insurance	(3 588)	3 210	(378)	(4 222)	3 484	(738)
Freight insurance	(966)	625	(341)	(844)	9	(835)
Property insurance	(17 178)	3 464	(13 714)	(20 327)	6 368	(13 959)
MTPL	(44 326)	19 965	(24 361)	(47 031)	20 435	(26 596)
Aircraft owner third party liability insurance	(11)	-	(11)	(1)	-	(1)
Ship owner third party liability insurance	(33)	27	(6)	(14)	11	(3)
General third party liability insurance	(2 622)	181	(2 441)	(3 393)	966	(2 427)
Credit insurance	(315)	279	(36)	(6)	14	8
Surety insurance	(374)	(210)	(584)	(5 998)	5 250	(748)
Miscellaneous financial losses insurance	(57)	-	(57)	(291)	-	(291)
Legal expenses insurance	-	-	-	(1)	-	(1)
Assistance insurance	(2 143)	59	(2 084)	(2 530)	-	(2 530)
	(127 771)	**28 692**	**(99 079)**	**(138 818)**	**36 537**	**(102 281)**

Gross claims paid include:

	2020 EUR'000	2019 EUR'000
Paid claims	(131 375)	(140 695)
Loss adjustment expenses*	(7 625)	(7 193)
Recovered losses	11 229	9 070
	(127 771)	**(138 818)**

*Loss adjustment expenses in the reporting period include EUR 4 600 thousand (2019: EUR 4 425 thousand) salaries and social contributions for employees dealing with claims handling and allocation of salaries and social contributions for back office employees.

(10) Outstanding claim reserve

	Gross EUR'000	Reinsurers' share EUR'000	Net EUR'000
Balance at 31.12.2018	**129 566**	**(46 595)**	**82 971**
Claims incurred during the period	148 098	(40 677)	107 421
Claims paid	(138 818)	36 537	(102 281)
Changes during period	*9 280*	*(4 140)*	*5 140*
Balance at 31.12.2019	**138 846**	**(50 735)**	**88 111**
Claims incurred during the period	129 628	(29 383)	100 245
Claims paid	(127 771)	28 692	(99 079)
Changes during period	*1 857*	*(691)*	*1 166*
Balance at 31.12.2020	**140 703**	**(51 426)**	**89 277**

	31.12.2020 EUR'000			31.12.2019 EUR'000		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	97 587	(36 989)	60 598	106 145	(40 419)	65 726
IBNR	43 116	(14 437)	28 679	32 701	(10 316)	22 385
	140 703	**(51 426)**	**89 277**	**138 846**	**(50 735)**	**88 111**

(11) Net incurred claims

	2020 EUR'000			2019 EUR'000		
	Gross claims incurred	Reinsurers' share in claims incurred	Net claims incurred	Gross claims incurred	Reinsurers' share in claims incurred	Net claims incurred
Accident insurance	(2 394)	1 231	(1 163)	(1 914)	–	(1 914)
Health insurance	(20 865)	–	(20 865)	(19 659)	–	(19 659)
CASCO	(32 261)	(3)	(32 264)	(31 702)	–	(31 702)
Railway rolling stock insurance	13	(54)	(41)	(373)	–	(373)
Aircraft insurance	(201)	5	(196)	28	(8)	20
Marine vessel insurance	(2 552)	1 878	(674)	(4 966)	4 163	(803)
Freight insurance	(10)	545	535	(399)	25	(374)
Property insurance	(15 744)	3 527	(12 217)	(17 639)	3 652	(13 987)
MTPL	(46 166)	19 341	(26 825)	(57 042)	27 014	(30 028)
Aircraft owner third party liability insurance	(87)	-	(87)	1	(5)	(4)
Ship owner third party liability insurance	(68)	-	(68)	(36)	31	(5)
General third party liability insurance	(2 137)	(317)	(2 454)	(4 736)	708	(4 028)
Credit insurance	(105)	97	(8)	(44)	50	6
Surety insurance	(5 015)	3 018	(1 997)	(6 601)	5 051	(1 550)
Miscellaneous financial losses insurance	2	23	25	(426)	(4)	(430)
Legal expenses insurance	2	–	2	(2)	–	(2)
Assistance insurance	(2 040)	92	(1 948)	(2 588)	–	(2 588)
	(129 628)	**29 383**	**(100 245)**	**(148 098)**	**40 677**	**(107 421)**

(12) Deferred client acquisition costs

	EUR'000
Balance at 31.12.2018	**9 452**
Direct client acquisition costs	22 240
Deferred commissions allocated to the profit or loss	(21 285)
Changes during period	*955*
Balance at 31.12.2019	**10 407**
Direct client acquisition costs	20 816
Deferred commissions allocated to the profit or loss	(20 708)
Changes during period	*108*
Balance at 31.12.2020	**10 515**

Client acquisition costs:

	2020 EUR'000	2019 EUR'000
Direct client acquisition costs		
Intermediaries' commissions payable	19 655	21 699
Agents' commissions payable	594	264
Other payable to intermediaries	567	277
Total direct client acquisition costs	**20 816**	**22 240**
Indirect client acquisition costs		
Salaries and social contributions of front office employees	13 451	12 741
Allocated salaries and social contributions of back office employees	387	201
Front office administrative expenses	2 829	3 316
Total indirect client acquisition costs	**16 667**	**16 258**
	37 483	**38 498**

(13) Administrative expenses

	2020 EUR'000	2019 EUR'000
Salaries and social contribution expenses	8 551	8 185
Computer programs rent and maintenance	3 599	2 576
Advertising expenses	701	560
Business related costs	487	569
Audit and consultant service expenses***	486	358
Other personnel expenses	255	786
Presentation expenses	247	233
Car maintenance costs	199	207
Telecommunication costs	185	207
Utility expenses (electricity, heating, water)	151	182
Computer maintenance	135	26
Rent payments*	116	95
Public relations expenses	102	62
Legal expenses	87	8
Cleaning expenses	57	50
Typographic costs	32	45
Obligatory payments**	14	29
Other administrative expenses	166	746
	15 570	**14 924**

* Rent payments in 2020 consists of expenses relating to short-term leases and leases of low-value assets, as well as VAT part of lease payments that are directly expensed and are not taken into account when assessing right-of-use asset and lease liability.
** According to the Latvian legislation, 0.20% of gross premiums in the MTLP line and 0.283% of gross premiums in other lines of insurance should be transferred to the FCMC. Payments to the Insured Interests Protection Fund are made in amount of 1% of premiums paid by private person policyholders for voluntary types of insurance.
*** Audit and consultancy service expenses include other services received from auditor's company. Total amount of services received is below EUR 1 thousand.

Administrative expenses allocated by insurance types*:

	2020 EUR'000	2019 EUR'000
Accident insurance	344	330
Health insurance	1 793	1 608
CASCO	3 751	3 624
Railway rolling stock insurance	24	26
Aircraft insurance	8	9
Marine vessel insurance	230	210
Freight insurance	69	66
Property insurance	1 912	1 809
MTPL	5 714	5 520
Aircraft owner third party liability insurance	10	11
Ship owner third party liability insurance	8	8
General third party liability insurance	612	593
Credit insurance	20	18
Surety insurance	460	487
Miscellaneous financial losses insurance	30	35
Legal expenses insurance	1	1
Assistance insurance	584	569
	15 570	**14 924**

* See Note 3.2(h) for allocation principles.

(14) Unearned reinsurance commission income

	EUR'000
Balance at 31.12.2018	**1 919**
Written commissions	(13 498)
Deferred commissions allocated to the profit or loss	13 045
Changes during period	*453*
Balance at 31.12.2019	**2 372**
Written commissions	(14 703)
Deferred commissions allocated to the profit or loss	14 101
Changes during period	*602*
Balance at 31.12.2020	**2 974**

(15) Other technical expenses

	2020 EUR'000	2019 EUR'000
Impairment allowance for receivables from direct insurance and reinsurance operations	-	292
Expenses related to distribution of policies	165	115
Other	54	82
	219	**489**

(16) Interest income

	2020 EUR'000	2019 EUR'000
Interest income from financial assets at fair value through profit or loss	24	31
Interest income from held to maturity financial investments	35	35
Interest income from available for sale financial investments	1 414	1 613
Dividend income from available for sale financial investments	636	340
Interest income from deposits with credit institutions	1	1
Interest on loans	264	62
	2 374	**2 082**

(17) Interest expense

	2020 EUR'000	2019 EUR'000
Interest expense on subordinated loans	378	378
Interest expense on reinsurers' deposit	15	26
Interest expense on lease liabilities	59	89
	452	**493**

(18) Income tax expense

	2020 EUR'000	2019 EUR'000
Current corporate income tax	(1 553)	(1 127)
Deferred tax	(22)	37
	(1 575)	**(1 090)**

Effective tax rate reconciliation

	2020 EUR'000			
	Latvia	Lithuania	Estonia	Total
Profit before tax	**2 156**	**9 771**	**2 251**	**14 178**
Theoretical tax using the 15% or 20% rate*	431	1 466	338	**2 235**
Non-deductible expenses	14	107	-	**121**
Profit taxation on distribution impact	(431)	-	(338)	**(769)**
Donations	-	(12)	-	**(12)**
Tax expenses	**14**	**1 561**	**-**	**1 575**

	2019 EUR'000			
	Latvia	Lithuania	Estonia	Total
Profit before tax	**6 732**	**6 949**	**(1 942)**	**11 739**
Theoretical tax using the 15% or 20% rate*	1 346	1 042	-	**2 388**
Non-deductible expenses	27	54	-	**81**
Profit taxation on distribution	(1 373)	-	-	**(1 373)**
Donations	-	(6)	-	**(6)**
Tax expenses	**-**	**1 090**	**-**	**1 090**

* Theoretical tax rate in 2020 and 2019 for Latvia is 20%, for Lithuania – 15%, for Estonia – 20%.

According to the double taxation treaty between Latvia and Estonia income declared by the Estonian branch is taxable in Latvia. According to the treaty, the Company applies the credit method in order to avoid double taxation.

According to the double taxation treaty between Latvia and Lithuania income declared by the Lithuanian branch is taxable in Lithuania. According to the treaty, the Company applies the release method in order to avoid double taxation. When determining taxable income, income generated by the Company's branch in Lithuania is not taken into account. Taxable income is reduced by the Company's income for the taxation period that was generated in Lithuania and included in the profit or loss of the Company and the taxable amount has been increased by the amount of expenses that are connected with generating the above income and included in the profit or loss of the Company.

(19) Reinsurance cession result

	2020 EUR'000	2019 EUR'000
Reinsurance premiums	(51 405)	(51 227)
Changes in reinsurers' share in unearned premiums reserve	997	1 492
Reinsurers' share in claims paid	28 692	36 537
Changes in reinsurers' share in reserve for outstanding claims	691	4 140
Reinsurance commissions and profit participation	14 703	13 498
Change in unearned reinsurance commissions	(602)	(453)
	(6 924)	**3 987**

The significant decrease in claims paid in 2020 compared to 2019 is mirrored in the decreased amount in reinsurer's share in claims paid. This, together with the absense of incurred large claims in 2020, resulted in reinsurance cession result being 6.9m EUR.

(20) Property and equipment

	Vehicles EUR'000	Art in BTA EUR'000	Other property and equipment EUR'000	Prepayments for fixed assets EUR'000	Right-of-use assets EUR'000	Total EUR'000
Cost						
31.12.2018	**1 785**	**161**	**3 594**	**-**	**-**	**5 540**
Balance at 01.01.2019	1 785	161	3 594	-	-	5 540
Recognition of right-of-use asset on initial application of IFRS 16	-	-	-	-	284	284
Adjusted balance at 01.01.2019	**1 785**	**161**	**3 594**	**-**	**284**	**5 824**
Purchased	328	-	469	590	12	1 399
Disposals	(264)	-	(339)	-	-	(603)
Reclassification to low-value-inventory	-	-	(153)	-	-	(153)
31.12.2019	**1 849**	**161**	**3 571**	**590**	**296**	**6 467**
Purchased	832	-	780	-	75	1 687
Disposals	(734)	-	(788)	-	(3)	(1 525)
Reclasified to intangibles	-	-		(590)		(590)
31.12.2020	**1 947**	**161**	**3 563**	-	**368**	**6 039**
Accumulated depreciation						
31.12.2018	**(1 205)**	**-**	**(2 489)**	**-**	**-**	**(3 694)**
Depreciation for the period	(193)	-	(519)	-	(88)	(800)
Depreciation on disposed assets	220	-	325	-	-	545
Reclassification to low-value-inventory	-	-	131	-	-	131
31.12.2019	**(1 178)**	**-**	**(2 552)**	**-**	**(88)**	**(3 818)**
Depreciation for the period	(305)	**-**	(501)	**-**	(96)	(902)
Depreciation on disposed assets	691	**-**	785	**-**	3	1 479
31.12.2020	**(792)**	**-**	**(2 268)**	**-**	**(181)**	**(3 241)**
Balance at 31.12.2019	**671**	**161**	**1 019**	**590**	**208**	**2 649**
Balance at 31.12.2020	**1 155**	**161**	**1 295**	**-**	**187**	**2 798**

Depreciation for the period is presented in the profit or loss under Depreciation and amortisation caption.

(21) Land and buildings and Investment property

(a) Land and buildings

	Land and buildings EUR'000	Right-of-use assets EUR'000	Total EUR'000
Cost			
31.12.2018	**2 699**	**-**	**2 699**
Balance at 01.01.2019	2 699	–	2 699
Recognition of right-of-use asset on initial application of IFRS 16	–	6 029	6 029
Adjusted balance at 01.01.2019	**2 699**	**6 029**	**8 728**
Additions	–	1 220	1 220
Disposals	–	(35)	(35)
Reclassification to Investment Property	(314)	–	(314)
31.12.2019	**2 385**	**7 214**	**9 599**
Additions	-	871	871
Disposals	(156)	(219)	(375)
Reclassification to Investment Property	(161)	-	(161)
Reclassification from Investment Property	67	-	67
31.12.2020	**2 135**	**7 866**	**10 001**
Accumulated depreciation			
31.12.2018	**(924)**	**-**	**(924)**
Depreciation for the period	(120)	(1 661)	(1 781)
Reclassification to Investment Property	16	–	16
Depreciation on disposed assets	–	35	35
31.12.2019	**(1 028)**	**(1 626)**	**(2 654)**
Depreciation for the period	(93)	(1 753)	(1 846)
Depreciation on disposed assets	64	219	283
31.12.2020	**(1 057)**	**(3 160)**	**(4 217)**
Balance at 31.12.2019	**1 357**	**5 588**	**6 945**
Balance at 31.12.2020	**1 078**	**4 706**	**5 784**

Depreciation for the period is presented in the profit or loss under Depreciation and amortisation caption.

Transfer to investment property

During 2019 and 2020, part of a building and land located in Riga were transferred to investment property (see Note 21(b)), because they were no longer used by the Company and it was decided that the respective part of the building and land would be leased to third parties.

(b) Investment property

	Investment property EUR'000
Balance at 31.12.2018	**875**
Reclassification from Land and Buildings	298
Disposals	(63)
Impairment	(34)
Depreciation for the period	(69)
Balance at 31.12.2019	**1 007**
Reclassification from Land and Buildings	161
Reclassification to Land and Buildings	(67)
Depreciation for the period	(84)
Balance at 31.12.2020	**1 017**

Investment property comprises a number of commercial properties that are leased to third parties.

Rental income and operating expenses are recognized in the profit or loss under Other income.

All investment properties represent Level 3 fair value hierarchy.

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used for 2020 and 2019 in brackets:

Type	Fair value, EUR'000 (year 2019)	Valuation technique	Significant unobservable inputs (year 2019)	Inter-relation between significant unobservable inputs and fair value measurement
Building and land located in Tukums	160 (60)	Discounted cash flows technique*	Rental income of EUR 4.67 per m^2 Discount rate 10% (Rental income of EUR 3.50 per m^2 Discount rate 10.30%)	The estimated fair value would increase/ (decrease) if rental income per m^2 was higher/ (lower). The estimated fair value would increase/ (decrease) if discount rate was lower/ (higher)
Building and land located in Talsi	57 (45)	Discounted cash flows technique*	Rental income of EUR 2.99 per m^2 Discount rate 10% (Rental income of EUR 2.3-3.7 per m^2 Discount rate 11%)	The estimated fair value would increase/ (decrease) if rental income per m^2 was higher/ (lower). The estimated fair value would increase/ (decrease) if discount rate was lower (higher)
Building located in Tallinn	269 (269)	The income capitalization and sales comparison approach	Rental income of EUR 10 per m^2 Discount rate 10% (Rental income of EUR 10 per m^2 Discount rate 10%)	The estimated fair value would increase/ (decrease) if rental income per m^2 was higher/ (lower). The estimated fair value would increase/ (decrease) if discount rate was lower (higher)
Buildings and land located in Riga	139 (159)	Discounted cash flows technique*	Rental income of EUR 7.8 per m^2 Discount rate 8% (Rental income of EUR 8.62 per m^2 Discount rate 9%)	The estimated fair value would increase/ (decrease) if rental income per m^2 was higher/ (lower). The estimated fair value would increase/ (decrease) if discount rate was lower (higher)
Buildings and land located in Daugavpils	210 (115)	Discounted cash flows technique*	Rental income of EUR 2.48 to 3.98 per m^2 Discount rate 11% (Rental income of EUR 2.48 per m^2 Discount rate 11%)	The estimated fair value would increase/ (decrease) if rental income per m^2 was higher/ (lower). The estimated fair value would increase/ (decrease) if discount rate was lower (higher)
Building and land located in Riga	702 (747)	Discounted cash flows technique*	Rental income range EUR 4.5-7 per m^2 Discount rate 9% (Rental income of EUR 6.33 per m^2 Discount rate 9%)	The estimated fair value would increase/ (decrease) if rental income per m^2 was higher/ (lower). The estimated fair value would increase/ (decrease) if discount rate was lower (higher)

	2020 EUR'000	2019 EUR'000
Total fair value	1 537	1 395

* Discounted cash flows technique is a model based on discounted cash flows from rental income.

All assets held for sale represent Level 3 fair value hierarchy.

(22) Intangible assets

	Software EUR'000	Unfinished long term intangible assets EUR'000	Total EUR'000
Cost			
31.12.2018	**4 847**	**-**	**4 847**
Purchased	533	173	706
Disposals	(1 603)	-	(1 603)
31.12.2019	**3 777**	**173**	**3 950**
Purchased	1 503	-	1 503
Disposals	(413)	-	(413)
Reclassification from prepayments under property and equipment	763	(173)	590
31.12.2020	**5 630**	**-**	**5 630**
Accumulated amortisation			
31.12.2018	**(3 305)**	**-**	**(3 305)**
Amortisation for the period	(459)	-	(459)
Amortisation on disposed assets	1 352	-	1 352
31.12.2019	**(2 412)**	**-**	**(2 412)**
Amortisation for the period	(590)	-	(590)
Amortisation on disposed assets	373	-	373
31.12.2020	**(2 629)**	**-**	**(2 629)**
Balance at 31.12.2019	**1 365**	**173**	**1 538**
Balance at 31.12.2020	**3 001**	**-**	**3 001**

Amortisation for the period is presented in the profit or loss under Depreciation and amortisation caption.

(23) Investment in subsidiaries and associate companies

On 18 June 2019 BTA Baltic Insurance Company AAS acquired 100% share capital of and complete control over Urban Space SIA for EUR 406 thousand. At the moment of acquisition Urban Space SIA share capital was EUR 381 thousand, after the acquisition it was increased by EUR 100 thousand to EUR 481 thousand; consequently the Company's investment in Urban Space SIA increased to EUR 506 thousand.

In 2020 three new subsidiaries were established Ģertrūdes 121 SIA, Artilērijas 35 SIA and Alauksta 13/15 SIA with share capital of EUR 2 800.

Reason of establishing these companies is real estate acquisition. During 2020 BTA Baltic Insurance Company AAS acquired 33.33% shares of SIA Global Assistance. Company will be involved in providing assistance services in motor, travel and housing insurance to the customers of VIG Group companies in the Baltics. As at 31 December 2020 the subsidiaries and associate companies are accounted using the cost method. Based on impairment analysis performed by management as at 31.12.2020, no impairment has been identified.

Name of the Company	Participation	Investment amount 31.12.2020 EUR'000	Net asset value 31.12.2020 (unaudited) EUR'000
Urban Space SIA	100%	506	497
Ģertrūdes 121 SIA	100%	3	3
Artilērijas 35 SIA	100%	3	3
Alauksta 13/15 SIA	100%	3	3
Global Assistance SIA	33.33%	100	300

(24) Financial instruments

	31.12.2020 EUR'000	31.12.2019 EUR'000
Fixed income securities	201 563	194 803
Investment funds	26 204	18 142
Investment in share capital of VIG Fund, a.s. (see Note 41)*	2 312	2 312
Equity securities	506	-
	230 585	**215 257**

* The portfolio of available-for-sale securities also includes shares held at cost of EUR 2 312 thousand (2019: EUR 2 312 thousand). These are unlisted equity securities in VIG group company – VIG Fund, a.s. – for which fair value could not be measured reliably due to the existence of significant transactions between the Company and this investee. The Company's investment strategy is to hold these securities for a long-term period. When sold, the carrying value of these assets will be charged to profit or loss.

Fixed income securities:

	31.12.2020 EUR'000		31.12.2019 EUR'000	
	Purchase cost	Fair value	Purchase cost	Fair value
Debt securities issued or guaranteed by central governments or municipalities	150 083	150 695	144 448	146 787
Debt securities and other securities with fixed income, which are listed in a regulated market	49 097	50 868	46 755	48 016
		201 563		**194 803**

Investment portfolio of fixed income securities by geographic split:

	31.12.2020 EUR'000	31.12.2019 EUR'000
Latvia, Lithuania, Estonia	134 702	132 961
Poland	14 378	14 410
Other European Union countries	39 877	35 631
Other	12 606	11 801
	201 563	**194 803**

(25) Loans

Loan maturity structure:

	31.12.2020 EUR'000	31.12.2019 EUR'000
With maturity up to 12 months	109	6
With maturity in more than 5 years	10 446	11 695
	10 555	**11 701**

Loan structure by geographical split:

	31.12.2020 EUR'000	31.12.2019 EUR'000
Latvia	5 899	6 006
Poland	1 350	1 350
Czech Republic	3 306	4 345
	10 555	**11 701**

(26) Receivables from direct insurance activities

	31.12.2020 EUR'000	31.12.2019 EUR'000
Due from policy holders	46 751	41 169
Due from intermediaries	294	899
Impairment allowance for bad debtors	(533)	(814)
	46 512	**41 254**

	Allowance for policy holders EUR'000	Allowance for intermediaries EUR'000	Total allowance for insurance debtors EUR'000
Allowance at 31.12.2018	**(490)**	**(158)**	**(648)**
Recovered debts	–	79	79
Impairment loss charge	(245)	–	(245)
Allowance at 31.12.2019	**(735)**	**(79)**	**(814)**
Recovered debts (see Note 8)	274	7	281
Impairment loss charge	–	–	–
Allowance at 31.12.2020	**(461)**	**(72)**	**(533)**

	31.12.2020 EUR'000	31.12.2019 EUR'000
Other intermediaries	294	899
Allowances for doubtful debts	(72)	(79)
Intermediaries	**222**	**820**
More than 3 months overdue	*351*	*647*
Less than 3 months overdue	*3 789*	*4 334*
Overdue receivables	4 140	4 981
Outstanding receivables not yet due	42 611	36 188
Allowances for doubtful debts	(461)	(735)
Policyholders	**46 290**	**40 434**
Total direct insurance debtors	**46 512**	**41 254**

(27) Other receivables

	31.12.2020 EUR'000	31.12.2019 EUR'000
Financial assets		
Receivables for claims handling services provided	55	167
Other debtors	600	572
Impairment allowance	(299)	(301)
Total financial assets	**356**	**438**
Non-financial assets		
Advance payments	62	68
Tax prepayments	72	–
Total non-financial assets	**134**	**68**
	490	**506**

	Gross EUR'000
Allowance at 31.12.2018	**(301)**
Allowance at 31.12.2019	**(301)**
Allowance at 31.12.2020	**(299)**

(28) Cash and cash equivalents

	31.12.2020 EUR'000	31.12.2019 EUR'000
Cash on hand	7	4
Current accounts with credit institutions	31 390	26 821
Cash and cash equivalents	**31 397**	**26 825**
Cash and cash equivalents as disclosed in the statement of cash flows	**31 397**	**26 825**

Credit institutions:

	31.12.2020 EUR'000	31.12.2019 EUR'000
Latvian credit institutions	23 085	14 821
Lithuanian credit institutions	6 983	5 097
Estonian credit institutions	1 322	6 871
Austrian credit institutions	-	5
Other credit institutions	-	27
	31 390	**26 821**

Current account analysis by ratings:

	31.12.2020 EUR'000	31.12.2019 EUR'000
AA	-	1
A	13	31
BBB	2 876	5 392
BB and lower	945	2 019
Not rated	27 556	19 378
	31 390	**26 821**

(29) Obligatory payments disclosed in statement of cash flows

Payments made to:

	31.12.2020 EUR'000	31.12.2019 EUR'000
Latvian Transport Insurance Bureau	469	626
Estonian and Lithuanian Transport Insurance Bureaus	1 195	1 296
FCMC commission	537	505
Estonian and Lithuanian insurance supervisory institutions	28	137
	2 229	**2 564**

(30) Capital and reserves

Share capital

The authorized and issued share capital of the Company at 31 December 2020 is EUR 41 609 400 (2019: EUR 41 609 400) comprised of 416 094 ordinary shares and is fully paid. Nominal value of one share is EUR 100.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets.

Dividends

	2020 EUR'000	2019 EUR'000
Dividends declared	7 985	5 950
Dividends paid	7 985	5 950

	2020 EUR	2019 EUR
Dividends declared per share	19.19	14.30
Dividends paid per share	19.19	14.30

Revaluation reserve

The revaluation reserve relates to revaluation on property and equipment used by the Company for its own activities and investment property, and revaluation of available-for-sale instruments, net of deferred tax. Land and buildings revaluation reserve was taken over on 1 July 2015 when the Company took over the business portfolio related to Baltic countries from BTA Insurance Company SE (starting from 1 November 2016 – Balcia Insurance SE), during 2020 Company wrote off the revaluation reserve due to fact that Group's policy is to account land and buildings at cost and calculate depreciation.

	31.12.2020 EUR'000	31.12.2019 EUR'000
Land and buildings revaluation reserves	–	383
Other investment revaluation reserves	8 157	6 413
	8 157	**6 796**

	EUR'000
Balance at 31.12.2018	**54**
Changes of revaluation reserves	6 742
Balance at 31.12.2019	**6 796**
Changes of revaluation reserves	1 744
Other reclassification	(383)
Balance at 31.12.2020	**8 157**

(31) Reinsurers' deposit

The reinsurance deposit is recognized in accordance with the reinsurance contracts for motor vehicle owner third party liability insurance (MTPL) and personal accident (PA) line of business. The basis for calculating the deposit is reinsurers' share of insurance contract liabilities:
• unearned premium reserves (UPR) at the end of the period;
• outstanding claim reserves (RBNS and IBNR) at the end of the period.

The interest on deposit is calculated quarterly based on the deposit balance at the beginning of the respective quarter multiplied by 1/4th of the annual interest rate of 3 month EURIBOR + 0.5% at the beginning of the quarter. Interest expense is recognized in Statement of Comprehensive Income under Interest expense caption.

The Reinsurers' deposit consists of following reinsurers' share of insurance contract liabilities as at 31 December 2020 and 2019:

	31.12.2020 EUR'000	31.12.2019 EUR'000
Unearned premium reserves	12 790	12 276
Outstanding claim reserve	28 914	25 021
	41 704	**37 297**

(32) Lease liabilities

	31.12.2020 EUR'000	31.12.2019 EUR'000
Less than one year	1 758	1 721
Between one and five years	3 193	4 085
More than five years	23	33
	4 974	**5 839**

Lease liability movement

	EUR'000
Balance at 31.12.2018	**-**
Recognition of lease liabilities on initial application of IFRS 16	6 313
Balance at 01.01.2019	**6 313**
Additions	938
Modification	374
Payments	(1 786)
Balance at 31.12.2019	**5 839**
Additions	372
Modification	637
Payments	(1 848)
Disposals	(26)
Balance at 31.12.2020	**4 974**

(33) Deferred tax assets/(liabilities)

If all retained earnings were paid out as dividends, there would be no changes in payable corporate income tax as only part of retained earnings would be deemed as taxable (profits earned starting from 2018) and due to significant amount of deductible amounts (deductible Lithuanian branch's profit amount from 2019 and 2020, deductible losses from year 2017).

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets and liabilities as of 31 December 2020 and 2019. These deferred tax assets have been recognised in these financial statements.

Deferred tax asset/(liabilities) attributable to:	**2020 EUR'000**	**2019 EUR'000**
Lithuania	222	244

Movement in temporary differences during the year ended 31 December 2020

'000 EUR	**Net balance 1 January 2020**	**Recognised in profit or loss**	**Net balance 31 December 2020**	**31 December 2020**	
				Deferred tax asset	**Deferred tax liability**
Provisions	244	(22)	222	222	-
Deferred tax assets/(liabilities) before set-off	**244**			**222**	**-**
Set off of tax				-	-
Net deferred tax assets/(liabilities)				**222**	**-**

Movement in temporary differences during the year ended 31 December 2019

'000 EUR	**Net balance 1 January 2019**	**Recognised in profit or loss**	**Net balance 31 December 2019**	**31 December 2019**	
				Deferred tax asset	**Deferred tax liability**
Provisions	207	37	244	244	-
Deferred tax assets/(liabilities) before set-off	**207**			**244**	**-**
Set off of tax				-	-
Net deferred tax assets/(liabilities)				**244**	**-**

(34) Taxes and social contributions

Tax type	**Balance at 31.12.2019 EUR'000**	**Calculated in reporting period EUR'000**	**Paid in reporting period EUR'000**	**Reclassified EUR'000**	**Balance at 31.12.2020 EUR'000**
Social contributions	428	6 739	(6 791)	-	376
Personal income tax	161	4 351	(4 315)	-	197
Value added tax	134	939	(1 082)	-	(9)
Real estate tax	5	4	(9)	-	-
Risk Duty	6	81	(82)	-	5
Other taxes	2	1	(3)	-	-
CIT in Latvia	(4)	14	(2)	-	8
CIT in Lithuania	(49)	1 539	(1 204)		286
	683	**13 668**	**(13 488)**		**863**

	31.12.2019 EUR'000	31.12.2020 EUR'000
Prepaid corporate income tax	(53)	-
Other tax prepayment, see Note 27	-	(72)
Other tax liabilities	736	935

	Tax payable 31.12.2019 EUR'000	Tax receivable 31.12.2019 EUR'000	Calculated in reporting period EUR'000	Paid in reporting period EUR'000	Tax payable 31.12.2020 EUR'000	Tax receivable 31.12.2020 EUR'000
Latvia	685	(4)	5 834	(5 954)	560	-
Lithuania	17	(100)	6 866	(6 569)	286	(72)
Estonia	85	-	986	(954)	89	-
	787	**(104)**	**13 686**	**(954)**	**935**	**(72)**

(35) Payables from reinsurance activities

	31.12.2020 EUR'000	31.12.2019 EUR'000
Reinsurance companies	4 027	5 257
Reinsurance brokers	1 288	-
	5 315	**5 257**

Reinsurance creditors by geographic split:

	31.12.2020 EUR'000	31.12.2019 EUR'000
European Union member countries	5 082	4 969
Europe other than EU	165	49
North America	61	-
Other	7	239
	5 315	**5 257**

(36) Other creditors

	31.12.2020 EUR'000	31.12.2019 EUR'000
Financial liabilities		
Financial pledge	17 209	8 349
Due to employees (remuneration)	210	688
Other creditors	4 977	1 246
Total financial liabilities	**22 396**	**10 283**
Non-financial liabilities		
Due to the Motor Insurers' Bureau of Latvia	96	77
Due to the Financial Capital and Market Commission, Latvia	94	159
Due to Motor Insurers' Bureau of Lithuania	203	236
Total non-financial liabilities	**393**	**472**
	22 789	**10 755**

(37) Provisions and accrued liabilities

Provisions

	31.12.2020 EUR'000	31.12.2019 EUR'000
Accrued staff bonuses	2 161	1 852
	2 161	**1 852**

	Gross EUR'000
Provisions at 31.12.2018	**1 802**
Paid	(1 373)
Increase of provisions	1 423
Provisions at 31.12.2019	**1 852**
Paid	(1 289)
Increase of provisions	1 598
Provisions at 31.12.2020	**2 161**

Accrued liabilities

	31.12.2020 EUR'000	31.12.2019 EUR'000
Accrualed liabilities for unused employee vacations	1 253	1 360
Accrued liabilities for intermediary commissions	1 011	3 942
Other accrued liabilities	301	827
	2 565	**6 129**

(38) Number of employees and information on branches

	At 31 December 2020	At 31 December 2019
Employees	1 076	1 079
Insurance agents	436	377
	1 512	**1 456**

Insurance agents are persons who pursue insurance mediation on behalf of and in the interests of only one insurance company, but are not employees of the Company.

Number of employees as at end of the period:

	At 31 December 2020	At 31 December 2019
Latvia	482	489
Branch in Lithuania	535	538
Branch in Estonia	59	52
	1 076	**1 079**

Number of client service centres:

	At 31 December 2020	At 31 December 2019
Customer service centres abroad	121	129
Customer service centres in Latvia	59	61

(39) Personnel expenses

	2020 EUR'000	2019 EUR'000
Remuneration	23 887	22 634
Social contribution expenses	3 198	3 082
	27 085	**25 716**

	2020 EUR'000	2019 EUR'000
Personnel expenses (included in administrative expenses in Note 13)	8 551	8 185
Personnel expenses (included in loss adjustment expenses in Note 9)	4 600	4 425
Personnel expenses (included in indirect client acquisition costs in Note 12)	13 838	12 942
Personnel expenses (included in investment management charges)	96	164
	27 085	**25 716**

(40) Information on the remuneration of the members of the Management Board and Supervisory Board

	2020 EUR'000	2019 EUR'000
Supervisory Board	56	50
Management Board	725	688
Social contribution expenses	171	160
	952	**898**

Remuneration to the Management Board and Supervisory Board members includes remuneration for their direct responsibilities.

(41) Related parties

Control relationships
On October 29, 2020, Vienna Insurance Group AG Wiener Versicherung Gruppe (VIG) became a 100% owner of Company's shares. Before becoming sole shareolder VIG held 90.83% of the share capital of the Company. Balcia Insurance SE was minority shareholder of the Company representing 9.17% of the share capital of the Company with no control relationships in the Company.

Transactions with related parties
Transactions with related parties are conducted on arm's length bases.

The Company has the following related party transactions in 2020 and 2019 and debtors/creditors' balances as at 31 December 2020 and 2019:

Transactions with related parties

<u>*Reinsurance*</u>	2020 EUR'000	2019 EUR'000
Vienna Insurance Group AG Wiener Versicherung Gruppe		
Ceded reinsurance premiums	(35 825)	(36 974)
Change in reinsurers' share in unearned premium reserves	(636)	(294)
Reinsurers' share in claims paid	20 591	20 175
Change in reinsurers' share in outstanding claims reserves	3 893	6 315
Reinsurance commissions and profit participations	11 361	9 749
Interest expense for reinsurance deposit	(14)	(26)
Total	***(630)***	***(1 055)***
VIG Re zajišt'ovna, a.s.		
Ceded reinsurance premiums	(2 120)	(1 777)
Change in reinsurers' share in unearned premium reserves	270	(96)
Reinsurers' share in claims paid	1 021	1 414
Change in reinsurers' share in outstanding claims reserves	88	(345)
Reinsurance commissions and profit participations	241	159
Change in unearned reinsurance commission	(80)	31
Total	***(580)***	***(614)***
DONAU Versicherung AG Vienna Insurance Group		
Ceded reinsurance premiums	(2)	(2)
Total	***(2)***	***(2)***

<u>*Other transactions*</u>	2020 EUR'000	2019 EUR'000
Vienna Insurance Group AG Wiener Versicherung Gruppe		
Interest expense for subordinated loans	(378)	(378)
Other income	-	68
Other expenses	(402)	(100)
Total	***(780)***	***(410)***

Continued table	2020 EUR'000	2019 EUR'000
VIENNA INSURANCE GROUP POLSKA SP.Z.O.O		
Other expenses	–	15
Total	***-***	***15***
VIG FUND, a.s.		
Interest income from loan	4	4
Dividend income from investment in shares	44	17
Total	***48***	***21***
Atrium Tower Sp. z o.o.		
Interest income from loan	34	34
Total	***34***	***34***
KKB Real Estate SIA		
Interest income from loan	155	6
Total	***155***	***6***
Compensa Life insurance SE Lietuvos filialas		
Contributions to Health Insurance	(105)	(97)
Total	***(105)***	***(97)***
Compensa Vienna Insurance Group UADB (Lithuania)		
Claim handling costs	(4)	21
Total	***(4)***	***21***
Seesam Insurance AS Lietuvos filialas		
Claim handling costs	–	12
Total	***-***	***12***
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group		
Claim handling costs	(54)	(228)
Total	***(54)***	***(228)***
VIG Management Service SRL		
Claim handling costs	(1)	(8)
Total	***(1)***	***(8)***
Evija Matveja		
Income from insurance premiums	1	1
Total	***1***	***1***
Oskars Hartmanis		
Income from insurance premiums	1	1
Total	***1***	***1***
Tadeuš Podvorski		
Income from insurance premiums	1	1
Total	***1***	***1***

Balances with related parties

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

	31.12.2020 EUR'000	31.12.2019 EUR'000
Assets		
Vienna Insurance Group AG Wiener Versicherung Gruppe		
Reinsurers' share of insurance contract liabilities	*41 704*	*37 297*
Receivables from reinsurance activities	*153*	*4*
Total Vienna Insurance Group AG Wiener Versicherung Gruppe	**41 857**	**37 301**
VIG RE zajišt'ovna a.s.		
Reinsurers' share of insurance contract liabilities	*817*	*810*
Receivables from reinsurance activities	*662*	*71*
Total VIG RE zajišt'ovna a.s	**1 479**	**881**
VIG FUND, a.s.	2 454	2 462
Atrium Tower Sp. z o.o.	1 350	1 384

Continued table

	31.12.2020 EUR'000	31.12.2019 EUR'000
KKB Real Estate SIA	5 899	6 006
Urban Space SIA, see Note 23	506	506
Global Asssistance SIA	100	-
Alauksta 13/15 SIA	3	-
Artilērijas 35 SIA	3	-
Ģertrūdes 121 SIA	3	-
	53 501	**48 540**
Liabilities		
Vienna Insurance Group AG Wiener Versicherung Gruppe		
Reinsurers' deposit	*41 704*	*37 297*
Subordinated loan	*7 000*	*7 000*
Payables from reinsurance activities	*164*	*234*
Other liabilities	*114*	*352*
Total Vienna Insurance Group AG Wiener Versicherung Gruppe	**48 982**	**44 883**
VIG RE zajišt'ovna a.s.		
Payables from reinsurance activities	*475*	*204*
Unearned reinsurance commission income	*-*	*96*
Total VIG RE zajišt'ovna a.s	**475**	**300**
Compensa Vienna Insurance Group, UADB	-	6
Seesam Insurance AS Lietuvos filialas	-	3
	49 457	**45 192**

Assets due from VIG FUND, a.s., Atrium Tower Sp. z.o.o. and KKB Real Estate SIA includes loans issued to these related parties in amount of EUR 141 thousand (2019: EUR 146 thousand), EUR 1 350 thousand (2019: EUR 1 350 thousand) and EUR 5 899 thousand (2019: EUR 6 000 thousand), see Note 25, and accrued interest EUR 0 (2019: EUR 0), EUR 0 (2019: EUR 0) and EUR 0 (2019: EUR 6 thousand), respectively, which is included in the Statement of Financial Position under Loans caption. The payment terms of loans issued to VIG FUND, a.s. and Atrium Tower Sp. z.o.o.is 31 December 2030 and annual interest rate is 2.5%; while the payment terms of loan issued to V KKB Real Estate SIA.is 31 March 2030 and annual interest rate is 2.55%.

In addition, assets due from VIG FUND, a.s. include investment in the share capital of VIG FUND, a.s. in amount of EUR 2 312 thousand (2019: EUR 2 312 thousand), which is included in the Statement of Financial Position under Available-for-sale instruments caption, see Note 24.

Payables due to Vienna Insurance Group AG Wiener Versicherung Gruppe include:
• Subordinated loan in amount of EUR 1 500 thousand (2019: EUR 1 500 thousand) that has been acquired as a result of reorganisation of InterRisk Vienna Insurance Group AAS. The payment term of this loan is 28 December 2025 and annual interest rate is 5%. Accrued interest expense as at 31 December 2020 amounted to EUR 0 (2019: EUR 0);
• Subordinated loan in amount of EUR 5 500 thousand which was received on 27 December 2018 with annual interest rate of 5.5%. The loan shall be repaid on tenth anniversary of the receipt of the loan. Accrued interest expense as at 31 December 2020 amounted to EUR 3 732 (2019: EUR 3 315).

(42) Remaining maturities of insurance liabilities

	2020 EUR'000			2019 EUR'000		
	Gross liabilities	Reinsu-rance	Net liabilities	Gross liabilities	Reinsu-rance	Net liabilities
Unearned premium and unexpired risk reserves	106 811	(21 987)	84 824	104 638	(19 840)	84 798
Outstanding claim reserves	140 703	(51 426)	89 277	138 846	(50 735)	88 111
Total	**247 514**	**(73 413)**	**174 101**	**243 484**	**(70 575)**	**172 909**

(43) Leases

(a) Leases as lessee (IFRS 16)

Around 200 customer service centres are located in leased premises, as well as the premises for the Company's headquarters and head offices of branches are leased. The contracts for these leases typically run for a period of 2 to 3 years after which a new contract might be renegotiated or the existing one prolonged, or the lease ends all together; over one third of the lease contracts do not have a set term, for such contracts the Company has elected to set a period of 2 years with review done at the end of each calendar year.

In addition to premises, the Company also leases IT equipment, vehicle and other miscellaneous items.

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

	Land and buildings for own use (Note 21(a)) EUR'000	Property and equipment (Note 20) EUR'000	Total EUR'000
Balance at 31.12.2018	**-**	**-**	**-**
Balance at 01.01.2019	-	-	-
Recognition of lease liabilities on initial application of IFRS 16	6 029	284	6 313
Adjusted balance at 01.01.2019	**6 029**	**284**	**6 313**
Additions	1 220	12	1 232
Depreciation charge for the year	(1 661)	(88)	(1 749)
Balance at 31.12.2019	**5 588**	**208**	**5 796**
Additions	652	72	724
Depreciation charge for the year	(1 534)	(93)	(1 627)
Balance at 31.12.2020	**4 706**	**187**	**4 893**

Amounts recognised in profit or loss

	2020 EUR'000
2020 – Leases under IFRS 16	
Interest on lease liabilities	59
Expenses relating to short-term leases	1
	60

	2019 EUR'000
2019 – Leases under IFRS 16	
Interest on lease liabilities	89
Expenses relating to short-term leases	7
	96

Amounts recognised in statement of cash flows

	2020 EUR'000
Total cash outflow for leases	(1 849)

	2019 EUR'000
Total cash outflow for leases	(1 697)

(b) Leases as lessor (IFRS 16)

The Company leases out its investment properties (see Note 21(b)). All leases are classified as operating leases from a lessor perspective, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Company during 2020 was EUR 110 thousand (2019: EUR 71 thousand).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

2020 – Operating leases under IFRS 16	31.12.2020 EUR'000
Within one year	116
One to two years	44
Two to three years	31
Three to four years	20
Four to five years	20
More than five years	7
	238

2019 – Operating leases under IFRS 16	31.12.2019 EUR'000
Within one year	100
One to two years	98
Two to three years	39
Three to four years	26
Four to five years	26
More than five years	32
	321

(44) Contingent liabilities and commitments

General claims

In the normal course of the business the Company receives claims from policyholders. Management has reviewed such claims and believes that no material liabilities will arise from these cases other than already provided for.

(45) Fair value of financial instruments

(a) Fair values

Set below is a comparison, by class, of the carrying amount and fair values of the Company's financial instruments, other than those wih carrying amounts that are reasonable approximations of fair values:

	2020		2019	
Financial assets	Carrying amount EUR'000	Fair value EUR'000	Carrying amount EUR'000	Fair value EUR'000
Listed equity instruments	501	506	-	-
Non-listed equity instruments	2 226	2 312	2 226	2 312
Quoted debt instruments	197 179	201 563	192 367	194 803
Fund certificates	26 325	26 204	17 076	18 142
	226 231	**230 585**	**211 669**	**215 257**

(b) Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

31 December 2020	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets				
Financial instruments at fair value through profit or loss	-	1 386	-	**1 386**
Available-for-sale instruments	136 573	76 910	13 945	**227 428**
Held-to-maturity instruments	1 771	-	-	**1 771**
	138 344	**78 296**	**13 945**	**230 585**

31 December 2019	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets				
Financial instruments at fair value through profit or loss	-	1 779	-	**1 779**
Available-for-sale instruments	131 056	70 996	9 652	**211 704**
Held-to-maturity instruments	1 774	-	-	**1 774**
	132 830	**72 775**	**9 652**	**215 257**

(i) Transfers between Levels 1, 2 and 3.

In the reporting period, financial instruments were not transferred into or out of Level 1,2 or 3.

(ii) Level 3 recurring values

Reconciliation of Level 3 fair values.

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Equity securities EUR'000	Fund certificates EUR'000
Balance at 1 January 2019	**2 312**	**5 810**
Gain included in OCI		
- Net changes in fair value (unrealised)	-	485
Purchases	-	1 862
Disposals	-	(817)
Balance at 31 December 2019	**2 312**	**7 340**
Balance at 1 January 2020	2 312	7 340
Gain/(loss) included in OCI		
- Net changes in fair value (unrealised)	-	(683)
Purchases	-	5 093
Disposals	-	(117)
Balance at 31 December 2020	**2 312**	**11 633**

(iii) Sensitivity analysis

For the fair values of equity securities and fund certificates, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effect

2020	OCI, net of tax	
	Increase EUR'000	Decrease EUR'000
Equity securities		
Changes in RE cash flows by 5%resulting in change of NAV by 5%	116	(116)
Fund certificates		
Changes in RE cash flows by 5%resulting in change of NAV by 5%	582	(582)

2019	OCI, net of tax	
	Increase EUR'000	Decrease EUR'000
Equity securities		
Changes in RE cash flows by 5%resulting in change of NAV by 5%	116	(116)
Fund certificates		
Changes in RE cash flows by 5%resulting in change of NAV by 5%	367	(367)

Total gains or losses for the period of the financial instruments measured at fair value are presented in the statement of comprehensive income as follows:

Financial instruments at fair value	31.12.2020 EUR'000	31.12.2019 EUR'000
Total gains and losses included in profit or loss:		
Net unrealised gain/(loss) on financial instruments at fair value through profit or loss	(3)	(12)
Net realised gain/(loss) on available for sale financial assets	79	2 455
Interest income	2 374	2 082
Total gains and losses included in other comprehensive income:		
Available-for-sale financial assets – net change in fair value	1 744	6 742

(c) Financial instruments not measured at fair value

Financial assets and financial liabilities other than those reflected at their fair value and those classified as held to maturity (see Note 24), are deposits, loans issued, receivables, cash and cash equivalents, payables, lease liabilities, lease liabilities and subordinated loan.

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

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

The loans issued carry interest in line with market circumstances and terms and conditions of the respective loan (see Note 41). As there are no material transactions costs related to these loans, its fair value is deemed not to materially differ from its carrying amount.

The lease liabilities carry interest in line with market circumstances and terms and conditions of the respective lease. As there are no material transactions costs related to this loan, its fair value is deemed not to materially differ from its carrying amount.

The subordinated loans carry interest in line with market circumstances and terms and conditions of the respective loan, including the increased risk due to subordination (see Note 41). As there are no material transactions costs related to this loan, its fair value is deemed not to materially differ from its carrying amount.

(46) Subsequent events

As a part of real estate investment strategy, in January 2021 Company made an investment of 1 674 thousand EUR in subsidiaries' (Ģertrūdes 121 SIA, Artilērijas 35 SIA and Alauksta 13/15 SIA) equity and issued loans to same subsidiaries in total amount of 2 000 thousand EUR.

As of the last day of the reporting period until the date of signing these separate financial statements (hereinafter – financial statements) there have been no other events requiring adjustment of or disclosure in the financial statements or notes thereto, except of mentioned above.

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Independent Auditors' Report

To the shareholder of BTA Baltic Insurance Company AAS

Report on the Audit of the Separate Financial Statements

Our Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of BTA Baltic Insurance Company AAS ("the Company") set out on pages 15 to 80 of the accompanying Annual Report, which comprise:

- the separate statement of comprehensive income for the year then ended,
- the separate statement of financial position as at 31 December 2020,
- the separate statement of cash flows for the year then ended,
- the separate statement of changes in shareholder's equity for the year then ended, and
- the notes to the separate financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of BTA Baltic Insurance Company AAS as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Separate Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the separate financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our report.

Measurement of claims reserves

The Company's gross outstanding claims reserves as at 31 December 2020 amounted to EUR 140 703 thousand (31 December 2019: EUR 138 846 thousand).

Reference to the separate financial statements: Note 10 "Outstanding claim reserve" on page 56, Note 42 "Remaining maturities of insurance liabilities" on page 76 and Note 3 "Significant accounting policies" point 3.2 (e) "Outstanding claim reserves" on page 27, point 3.2 (i) "Outstanding claim reserves" on page 28, point 3.17 "Significant accounting estimates and judgement in applying accounting policies" on pages 37 to 38, and point 4.2 "Insurance risks" on pages 39 to 44.

Key audit matter

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

Management Board uses a range of complex and subjective actuarial methods to determine the best-estimate amounts of those reserves as at the reporting date, whether in respect of reported claims (i.e. RBNS), or those incurred but not reported (i.e. IBNR). The complexity of the models applied may give rise to errors as a result of inaccurate and incomplete data inputs or the design or application of the models. Thus, the completeness and accuracy of the data underlying the actuarial projections was our area of audit focus.

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

Our response

Our audit procedures, performed, where applicable, with the assistance of our actuarial and information technology (IT) specialists, included, among others:

- Testing the design, implementation of controls and operating effectiveness of key controls related to the process of establishing and remeasuring outstanding claims reserves, including the relevant management review controls, accounting and actuarial controls, such as recording premium and claims data, reconciliations of key data underlying the actuarial calculations (including reports on claims paid and incurred, premiums written and earned) as well as testing of general controls in the IT environment regarding data extraction and validation.
- Assessing for reasonableness the actuarial methodologies and assumptions applied by the Company, including in particular the loss ratios, claim frequency and average size of claims, expected outcomes in court settlement, allowance for future claims inflation, and in relation to annuities the discount rates, expected payment dates and payment period, by reference to the methodologies and assumptions applied by the Company in prior period and the prevailing industry practice, also considering the applicable legal and regulatory requirements and the

payments, and the expected payment period.

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

requirements of the relevant financial reporting standards.

- For all insurance contract portfolios, performing a retrospective analysis of the accuracy and completeness of the Company's gross outstanding claims reserves recognized at the end of prior year, comparing this analysis to the Company's current actuals and seeking Management Board's explanations for any significant differences.
- For all significant insurance contract portfolios, evaluating the adequacy of Company's gross outstanding claims reserves at the end of the reporting period for a sample of claim cases and seeking Management Board's explanations for any significant differences.
- Assessing the Company's outstanding claims reserves-related disclosures against the requirements of the relevant financial reporting standards.

Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

- Information about the Company, as set out on page 3 of the separate Annual Report,
- Management Report, as set out on pages 4 to 12 of the separate Annual Report,
- About Vienna Insurance Group, as set out on page 13 of the separate Annual Report,
- Statement of management responsibility, as set out on page 14 of the separate Annual Report.

Our opinion on the separate financial statements do not cover the other information included in the separate Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, 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.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report are prepared in accordance with the requirements of the Financial and Capital Market Commission of the Republic of Latvia regulations No. 114 – Regulations on the preparation of annual reports and consolidated annual reports of insurance and reinsurance undertakings and branches of foreign insurers.

Based solely on the work required to be undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the separate financial statements are prepared is consistent with the separate financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Financial and Capital Market Commission of the Republic of Latvia regulations No. 114 – Regulations on the preparation of annual reports and consolidated annual reports of insurance and reinsurance undertakings and branches of foreign insurers.

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

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

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

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

Auditors' Responsibility for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 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 Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by the shareholder meeting on 27 April 2020 to audit the separate financial statements of BTA Baltic Insurance Company AAS for the year ended 31 December 2020. Our total uninterrupted period of engagement is 6 years, covering the periods ending 31 December 2015 to 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- as referred to in the paragraph 37.6 of the 'Law on Audit Services' of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to of European Union Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

For the period to which our statutory audit relates, we have not provided any services to the Company in addition to the audit, which have not been disclosed in the Management Report or in the financial statements of the Company.

KPMG Baltics AS
Licence No. 55

Rainers Vilāns
Partner pp. KPMG Baltics AS
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
18 March 2021

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP