ESTONIA
LATVIA
LITHUANIA

Baltic unity

BTA Baltic Insurance Company AAS

Annual report

2023

For the year ended
31 december 2023

bta
VIENNA INSURANCE GROUP

Contents

Page

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	**Oskars Hartmanis** – Chairman of the Management Board (from 18.01.2024.), Deputy Chairman of the Management Board (until 17.01.2024.) **Wolfgang Kurt Wilhelm Stockmeyer** – Chairman of the Management Board (until 31.12.2023.) **Evija Matveja** – Member of the Management Board **Tadeuš Podvorski** – Member of the Management Board **Gediminas Radavičius** – Member of the Management Board (from 18.01.2024.)
Supervisory Board members and their positions	**Harald Riener** – Chairman of the Supervisory Board **Gabor Lehel** – Deputy Chairman of the Supervisory Board **Franz Fuchs** – Deputy Chairman of the Supervisory Board **Jan Bogutyn** – Member of the Supervisory Board **Wolfgang Kurt Wilhelm Stockmeyer** - Member of the Supervisory Board (from 18.01.2024.)
Reporting period	01.01.2023 – 31.12.2023
Auditors	KPMG Baltics SIA Roberta Hirsa street 1, Riga, Latvia, LV-1045 Licence No 55

Management report

BTA Baltic Insurance Company AAS (BTA or the Company) created as an independent insurance company back in 1993, BTA has grown up and become an international market player with more than 1000 insurance experts and maintains a leading role as one of the most important providers of insurance services in the Baltic States. 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 has an A+ rating with stable outlook from the well-known rating agency Standard & Poor's. 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.

Changes in BTA Management Board

At the end of 2023 BTA underwent a significant change in the Company's Management Board. Wolfgang Stockmeyer resigned from the position of Chairman of the BTA Management Board and handed over the position to Oskars Hartmanis, the former Deputy Chairman of the Board. W. Stockmeyer will continue his work at BTA as a Member of the Supervisory Board. Additionally, a new Member of the Board – Gediminas Radavičius – joined the Board of BTA, as well as the existing members of the Board – Evija Matveja and Tadeuš Podvorski – will continue their work, as all Members of the Board mandates were extended until the end of 2026. The Supervisory Board has been appointed in a new composition for a new term.

The Company will continue to focus on the strategic drivers:
- Customer centricity
- People
- Efficiency and Speed
- Innovations and Digitalization
- Sustainability.

Customer centricity in BTA and innovations

In 2023, the Company continued reviewing internal processes and worked on several directions of strategic importance, some of the most important are:
- Customer journey;
- Customer segmentation;
- Unified office concept in Baltics;
- Sustainability strategy;
- Hybrid work guidelines.

All these projects are helping and will help to increase its efficiency, create innovations, and provide all employees in the Baltics with an opportunity to work in a modern operating mode, therefore, improving the wellbeing of employees even more. On the other hand, from the perspective of customers, special efforts are being made to improve the customer experience and customer segmentation, which will help to provide even more accurate offers that meet customer expectations.

In the first quarter of 2023 a new modern BTA Lithuania office was opened; it was designed following the unified BTA open office concept. Lithuanian colleagues now have an opportunity to work in the premises that empower them to spend their business days feeling efficient and satisfied. The layout of the office also provides a seamless cooperation between units.

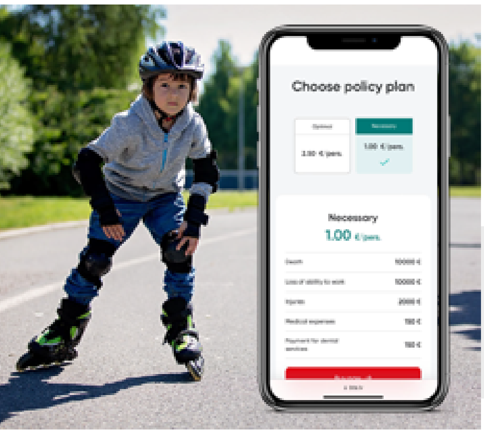
Although 2023 continued to be a rather challenging year, the Company aimed to continue improving customer experience, by developing and launching a new project – "Customer promise" with a slogan "We care". Customer promise represents BTA key message to its customers that reflect the basic principles of the company and customer relationships in simple terms. As a result, this helps to demonstrate our understanding of the customer's needs.

BTA WE CARE
about your adventures

The fact that BTA cares for both their clients and employees was recognized also outside the company. In the study conducted by the international company "Dive Group" for the best customer service in insurance, BTA received the honorable second place. Moreover, only 0.22% separated BTA from the first place. Customer service quality was measured using the mystery shopper method.

Furthermore, in the "TOP Employer" survey, BTA received 6th place in the financial sector. BTA will continue to promote the welfare of employees and the image of the employer.

New innovations and products



BTA continued to establish our care for providing our customers with the exact type of insurance that they need, and in the first quarter of 2023 the Company introduced a new insurance product in Lithuania – Legal assistance insurance for cargo carriers. This type of insurance was developed to provide customers, engaged in cargo carriage, with support and assistance. Furthermore, the product is intended to eliminate any international obstacles to providing legal assistance and increase the probability of lost income recovery.

Likewise, to show care for our clients, in the third quarter BTA Latvia implemented One day Personal Accident insurance. This is a unique opportunity for every Latvian citizen to insure themselves and their family for only one day when doing some activities, for example, spending the day at an amusement park or a ski resort.

For motor third party liability insurance (MTPL) clients, BTA now offers to purchase a new risk – MTPL Direct claim handling. This means that in the result of an MTPL case, the client does not need to contact the other party's insurer, but by contacting BTA, compensation will be paid to the client, and BTA will help settle the formalities with the other party's insurer.

New customer portals

We recognize that in today's digital age it is important to simplify various processes which is why BTA developed a more convenient way to manage the company's Health Insurance policy for our Health Insurance legal clients.

Starting from the second quarter of 2023, BTA customers have the opportunity to make policy changes quickly and easily on the new and modern BTA Legal Persons Portal.

We also implemented a Corporate Customer Portal, where the corporate customers of BTA Health Insurance can conveniently and simply administer their company's policy without the involvement of BTA. BTA is the first company in the Baltic insurance market that offers its customers this opportunity.

Real estate development

Continuing to implement the investment strategy in the field of real estate in the Baltics, in 2023 the Company concluded an important development project it started in 2021 with the construction company YIT for the development of four rental apartment building projects in the Baltic States:

- In Latvia: LiveOn Stirnu un LiveOn Terbatas;
- In Lithuania: LiveOn Linkmenu;
- In Estonia: LiveOn Paevallile.

The success of the project has been recognized by the Baltic real estate development industry. The Company has received a "Project of the Year" award at the "BREL Awards 2023 for its Tērbatas 72 premise in Riga.

In order to make the rental apartments more accessible for potential tenants, BTA developed a new insurance product and launched a pilot project the end of 2023 – BTA Rental agreement insurance. This product effectively replaces the rental deposit for the tenant, decreasing their upfront expenses, and offers other benefits. For example, if due to a personal accident the tenant loses their earning capacity, or they are diagnosed with an acute illness, that leads to loss of earning capacity, BTA will pay out the rent and 35% of utility expenses.

At the moment the product is only available to tenants of BTA LiveOn projects in Latvia, but the Company is planning to offer it to other potential tenants.

War in Ukraine

Since 2022, when the war broke out in Ukraine, the Company has been closely following the situation in Ukraine and the information in local and international mass media, as well as deep in our hearts we are together with all the residents of Ukraine. In 2023 the Family fund was used to help rebuild many of the destroyed home of the Ukrainian citizens. In addition, in June 2023, VIG, together with Lloyd's in London and AON, agreed to work together to support the reconstruction of Ukraine.

The direct impact of the conflict on the Company's turnover and financial results in 2023 has been very insubstantial – primarily from disruption of business related to the movement of goods and services between the European Union and Russia or Belarus and effect of this disruption on the business of some of the Company's clients. Neither at any date during the reporting period nor at the date of signing these financial statements the Company was exposed to any investment risks related to Ukraine, Russia, or Belarus.

As the events have been progressing, the Management Board continuously monitors the development of the situation and assesses the potential impact of both the hostilities and the sanctions imposed on Russia and Belarus on the insurance business and investment activities of BTA.

Business development in the Baltics

High levels of consumer and producer price inflation remained an important factor of the Company's business development during the reporting year, particularly during the first half of year 2023. While the growth of consumer prices in the Baltic states slowed down substantially during year 2023, triggered mainly by lower inflation of food and energy, core inflation stayed above or around 10% levels during the first half of the year and decreased to 5% levels only in the end of the year.

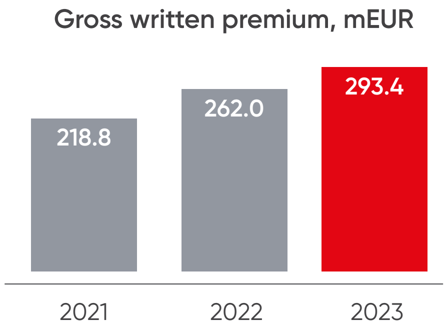
The increase in the cost of labour in the Baltic region, which was well above 10% in year 2023, was a particular reason for concern, since it directly translated into increase in costs of car repair works and medical services. Such increase in the current cost of insurance services and, furthermore, concerns about the higher future costs of insurance services significantly affected business decisions taken by the Company during the reporting year.

The Company expects that the increased price inflation for goods and services would remain among the long-term trends in claims development. In order to mitigate the impact of those factors and to be able to offer its customers prices that adequately reflect the assumed insurance risks, the Company continued its work on analysis and improvement of pricing for insurance products.

During year 2023 the Baltic economy was in recession, which was expressed in weak consumer demand and a low point in the business cycle of many industries. Purchasing power of consumers and corporations remained fragile, which negatively impacted demand for insurance products.

During the reporting year the Company has attempted to maintain the level of prices for its insurance products that would offset the increased claim costs observed during the reporting year and to cover the projected increase of claims level in the following years. Higher levels of prices for the Company's insurance products compared to the prior year was the major factor of development of the Company's premium volumes during year 2023.

The Company's gross written premiums (after mandatory fees), if recognised according to IFRS 4, amounted to EUR 293.4 million in the reporting year, an increase of 12% compared to 2022. Higher average price was the key factor for premium development in Motor insurance lines, which saw growth in premium volumes in the reporting year: CASCO insurance premiums grew by 8% to EUR 66.6 million, while motor third party liability insurance (MTPL) volumes increased by 15% in 2023 compared to the previous year and reached EUR 86.8 million (after mandatory fees). Property insurance lines also demonstrated a high growth rate of 12% in 2023 and reached the premium volume of EUR 49.5 million.



Health insurance and other Personal risk insurance lines (Accident and Assistance insurance) grew by 10% over year 2022, reaching EUR 58.9 million of premiums combined. Development of Health insurance business in all three Baltic countries was the primary driver for the business growth in 2023 in these lines of business.

Premium development in Latvia in the reporting year was significantly affected by the pricing and risk underwriting actions that the Company took in the key lines of business, particularly in Motor insurance lines and Health insurance. Gross written premiums in Health insurance – which remained the largest business line in 2023 – grew by 15% to EUR 26.3 million. The increase of premium volumes in CASCO insurance (+6% over 2022), which reached EUR 19.9 million, and in MTPL insurance (+8%), which reached EUR 14.1 million (after mandatory fees), was due to higher prices in 2023 compared to 2022. Property insurance lines, which remained the second largest business line for the Company in Latvia with EUR 21.1 million in gross written premiums (-7% compared to 2022), were affected by risk underwriting decisions and did not contribute positively to the overall business growth in the reporting year.

In Lithuania, MTPL insurance, the biggest line of business, also saw a strong increase of gross written premiums by 16% in 2023 compared to 2022 and reached EUR 64.9 million (after mandatory fees). In the second largest line of business in Lithuania – CASCO insurance – the volume of gross written premiums was EUR 38.3 million in 2023, corresponding to a growth of 11% compared to the previous year, also coming from the higher price level. The Company also significantly increased its premium volumes in Property insurance lines, the third biggest line of business, by 37% to EUR 21.3 million. Personal risk insurance – Health, Accident and Assistance insurance – demonstrated an impressive growth rate of 34% and reached the total combined premium volume of EUR 25.1 million in 2023.

In Estonia, business development in both Motor insurance lines was affected by pricing adjustments executed by the Company in the reporting year and strong market competition. Gross written premium volumes in MTPL grew by 21% in 2023 and reached EUR 7.8 million (after mandatory fees). On the other hand, the business volume in CASCO increased by only 1% compared to the previous year to EUR 8.5 million. In 2023 the Company continued to put focus on increasing premium volumes in Property insurance in Estonia. As a consequence, premiums in Property insurance grew by 22% and reached EUR 7.1 million. The Personal risk insurance – Health, Accident and Assistance insurance – decreased in volumes by -59% in 2023 compared to 2022, down to EUR 3.0 million. Health insurance was responsible for most of this premium decrease, by reaching EUR 0.7 million in premium volumes in 2023 (-87% compared to 2022).

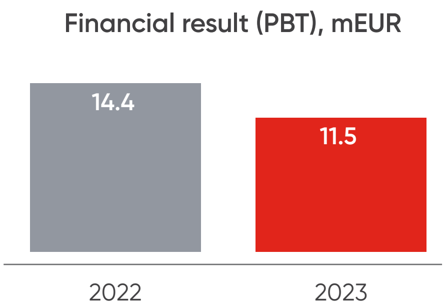
Overall, the Company performed below the level of the Baltic insurance market development in 2023, while managing to retain its market position in main insurance lines. The Company firmly maintained its position as the second biggest property and casualty insurance company in Latvia and Lithuania with market shares of 16% in both markets. In the highly segmented Estonian insurance market the Company ranked on the eight position with a market share of 5%.

During the reporting year the Company has worked on reaching excellence in the insurance techniques and building a strong foundation for profitable and sustainable business development in the years to come. The Company remained as a leading insurance company on the Baltic insurance market and proved again that it is a key market player in the main market segments – Motor insurance lines in Lithuania and Latvia, Health insurance and other Personal risk insurance in Latvia, Financial risk insurance in Latvia and Lithuania, General third-party liability insurance in Lithuania.

Financial Information

During the reporting year the Company faced high inflation of material and labor costs, economic recession and weak consumer demand in the Baltics, extreme weather events and strong demand for more sustainable ways of doing business.

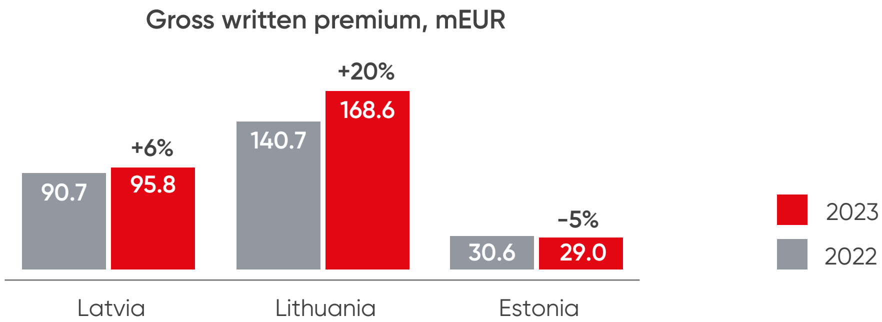
Despite these challenges the Company was successful in reaching its financial goals. The total profit before tax reached EUR 11.5 million, while net profit in 2023 amounted to EUR 10.4 million, a decrease by 21% compared with the restated net profit of EUR 13.3 million EUR according to IFRS 17 (and, if compared the net profit of EUR 9.3 million reported in 2022 according to IFRS 4, a moderate increase by 11%).



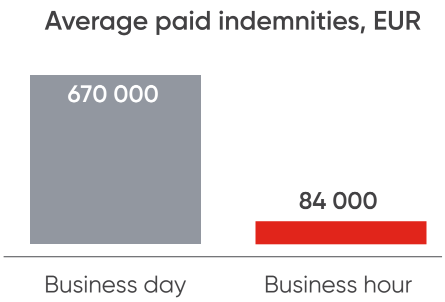
In 2023 the Company had to counter the increase in both claims costs and operational costs stemming from the continuing inflation. The Company managed to maintain the appropriate price levels of its insurance products to ensure that the prices adequately cover the current and future costs.

The Company's gross written insurance premiums (after mandatory fees), if recognised according to IFRS 4, amounted to EUR 293.4 million in the Baltic States, following a growth by 12% compared to the results of 2022.

Business growth was strongest in Lithuania, where the Company managed to increase its premium volumes (gross written premium, if recognised according to IFRS 4) in most key lines of business and achieve the total premium volume of EUR 168.6 million there, a strong growth of 20% compared to 2022. In Latvia the adverse market conditions did not fully support the pricing and risk underwriting actions, that the Company made in 2023, and its premiums grew by only 6% compared to the previous year and achieving the total volume of EUR 95.8 million. Premium development in Estonia was also affected by strong pricing adjustments, particularly in Health insurance and Motor insurance lines, in order to improve their profitability. This resulted in the decrease of the Company's business volumes to EUR 29.0 million in Estonia (-5% compared to 2022 volume).



The overall amount of incurred claims and benefits in the reporting year reached EUR 167.6 million, an increase of 2% compared to the previous year, which was possible due to the Company's efforts to curb the impact of claim cost inflation. The major impact came from Property insurance lines, where the volume of insurance claims paid increased by 13% following a series of climate related claims – caused by storms and hails – as well as several large claims. The growth of insurance claims paid in Motor lines in the reporting period compared to the previous year was less severe: by 4% in CASCO insurance, and 0% in MTPL insurance, which is mostly explained by fewer insurance claim cases.



Overall, the Company paid out about EUR 670 thousand on average during every business day in 2023, which was approximately EUR 84 thousand every business hour.

Significant changes in accounting standards in 2023

On 1 January 2023 the Company adopted new financial reporting standards, which are effective for preparation of financial statements for periods beginning after 1 January 2023.

IFRS 17 Insurance Contracts replaces IFRS 4 and 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 are accounted for using current values, instead of historical cost.

IFRS 9 Financial Instruments replaces IAS 39 and introduces a forward-looking 'expected credit loss' model in place of the 'incurred loss' model in IAS 39. The classification of financial assets under IFRS 9 is generally based on the business model, in which a financial asset is managed and its contractual cash flow characteristics.

Application of these standard brings significant changes to the accounting for insurance and reinsurance contracts and financial instruments. The adoption of IFRS 9 and IFRS 17 resulted in significant changes compared to the previously applied accounting policies and has a material impact on the Company's financial statements in the period of initial application.

Investment strategy and development of the investment portfolio

In the reporting year, the Company continued to execute a conservative approach towards the investment policy based on careful selection of assets with low investment risk, which ensures stable and foreseeable financial results from the investment activity and high degree of liquidity of the Company's financial investments.

During 2023 the Company continued the strategy of primarily investing into sovereign bonds that it enacted in 2022, with 94% of total investments made during 2023 being sovereign bonds. Due to observed volatility on the fixed income market, the Company made investments of various durations during 2023. In the second half of the year the Company switched from investing into short-term government bonds to locking-in yields with instruments of longer duration to ensure higher investment results in the years to come. At the end of 2023 the Company swapped a part of its short-term sovereign bond portfolio for longer durations in order to both raise the average yield of the portfolio for a long term and to increase the duration of the portfolio for better maturity matching of its assets and liabilities.

The total size of investment assets under management of the Company – investments in bonds, equities, loans, fund certificates, real estate, and cash – increased to EUR 340.4 million by the end of 2023, a 16% increase resulting from the healthy operational cash flow, as well as partly regaining the market value of the portfolio, which decreased in the previous year.

Investments into debt securities of sovereign governments and government agencies of the European Union member states constituted 57% of all investment asset value as at 31 December 2023 (up from 51% as at 31 December 2022).

The share of investments into government, corporate, and mortgage debt securities with high investment rating (between A and AAA according to international rating agency Standard & Poor's classification) was 86% of total fixed income portfolio and, respectively, 64% of the total investment volume at 31 December 2023, an increase from 58% as at 31 December 2022.

During the reporting year the Company continued the development of real estate backed assets that it began in the previous years. In the reporting year the Company finished the development of its major rental residential project, which it began in 2021, opening three new residential buildings in Latvia and Estonia for rental activities, which together with the residential premises commissioned in Lithuania in 2022 added 500 new rental apartments to the Baltic market. With the completion of the project, the Company's investments into real estate backed assets through direct and indirect holdings, participation in real estate investment funds and trusts, and real estate backed loans amounted to 21% of the total investment volume as of 31 December 2023.

Proposal on distribution of profits

Taking into account the Company's development strategy and according to the Company's capital management plans, the Management Board recommends to pay out a dividend of EUR 10.05 per share, that is a total amount of EUR 5 186 744.70 equal to rounded up 50% of the net profit for the financial year 2023. The remaining part of the net profit in the amount of EUR 5 188 451.23 is proposed to be accumulated for increase of the Company's equity.

Subsequent events

As of the last day of the reporting period until the date of signing these separate financial statements there have been no events requiring adjustment of or disclosure in the financial statements or notes thereto.

The Company does not see any going concern risks.

Insurance Market Profile

The strong competition in the Baltic non-life insurance market continued in 2023, although the premium volumes grew substantially in all lines of business. Overall, in 2023 the Baltic market grew by 20% according to the available market statistics and Company's estimates. Such growth was primarily the reaction to the high inflation levels recorded in the Baltics during 2022 and first half of 2023.

MTPL and CASCO continued to be the largest lines of insurance business in the Baltic non-life insurance market in terms of premiums with over 50% of the total premium volume in the market. Both lines contributed strongly to the market development in 2023 with the growth of estimated 18% combined.

According to the Company's estimates, gross written premiums in Property insurance increased by 22% compared to the previous year. The Company expects that Property insurance products will continue to increase in importance in the coming years as the purchasing power of the population and a better understanding of the importance of insurance increase.

Health insurance was among the most actively growing insurance services in the market, increasing in volumes by estimated 26%. This growth was fueled by both increased demand by the employers willing to offer their employees adequate health insurance coverage and efforts by the insurers to counter the rising costs of medical services. In 2023 Health insurance developed in the Lithuanian by +33% and Estonian markets +38%.

Among other lines of business, also Liability insurance showed significant growth rates: + 17% compared to the premium volume in 2022. In Travel insurance the annual premium volume already exceeded pre-pandemic or 2019 sales volumes by 30%.

Solvency capital management and compliance with Solvency requirements

During the reporting year the growth of interest rate levels on the international financial and capital markets was moderate compared to 2022 and had no significant negative impact on the market valuation of the Company's financial assets.

In 2023 the Company concluded an agreement for provision of ancillary own funds with its shareholder in the amount of EUR 2.0 million. The ancillary own funds provided to the Company are a form of guarantee by the Company's shareholder and are classified as Tier 2 Solvency capital. The ancillary own funds were approved as eligible own funds in May 2023 by the Bank of Latvia, the Company's supervisory authority. No other capital measures were taken during 2023.

The Company's solvency capital requirements increased during the reporting year mainly due to considerable premium growth during 2023 and expectations for continuing premium growth in 2024. The Company also made efforts to optimize its solvency capital requirements by improving maturity matching and currency matching for its assets and liabilities, resulting in lower required capital for the market risk.

The improvements in profitability of the Company's insurance business in 2023 (illustrated by the increase in the insurance service result in the reporting year by 4%) and the increase in value of the Company's assets were the main contributors for increasing the Company's eligible own funds and thus its Solvency ratio.

According to the Company's risk strategy and capital management plans the Solvency ratio should range around 125%. As at December 2023 the Company's Solvency ratio was 125.9% (unaudited), a significant improvement from 120% (unaudited) as at 31 December 2022.

Risk management

The essence of the insurance business is the deliberate taking of diverse risks and managing them in order to make a profit. One of the primary responsibilities of the Company's risk management is to ensure that the Company is always capable to meet the commitments made in its insurance policies.

The Company's risk management system is tailored to the scale and complexity of its operations and includes effective risk identification, measurement, and assessment of risks, as well as monitoring and control to ensure the Company's sustainability and the achievement of its strategic goals. Risk control measures are used to avoid, reduce, diversify, transfer, and accept risks. In developing the risk management framework, the Company complies with the requirements set out in the policies and guidelines of the VIG Group.
The Company's risk management system encompasses:
- insurance underwriting risk management;
- market risk management,
- counterparty default risk management,
- operational risk management, including compliance risk management, information security and business continuity risk management.
- as well as risks that are not covered under the solvency capital requirement, i.e. liquidity risk, strategic risk, reputation risk as well as sustainability (ESG) risk management.

Each of the aforementioned areas have clearly defined risk management principles and responsible company units and persons.

The Company performs own risk and solvency assessment once per calendar year. The assessment results are used in strategic and operational planning, budget planning, as well as when any significant changes in the Company's operation are contemplated. The Company monitors its risk profile on a regular basis.

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.

Sustainability

For BTA sustainability isn't just a fashion trend. We care about environment, social and governance areas, that is why BTA invests resources and develops new projects in these areas. For instance, the Company took time in 2023 to take care of the BTA Sustainability forest which was created in 2022 and contains 15,000 trees. Along this activity, in order to reduce the amount of plastic waste, BTA is also gradually phasing out the use of plastic health insurance cards and offers customers electronic health insurance cards. The Company also provides customers with the opportunity to receive insurance policies digitally and most BTA customers choose an electronic version rather than a printed version. BTA Sustainability Forest will help to mitigate negative climate change, as trees are one of the most important sources of CO_2 sequestration.

Proceeding with taking care of sustainability and reduction of negative climate changes, BTA in 2023 repeatedly received certificates for implementation and maintenance of ISO 9001:2015 and ISO 14001:2015 international standards. These certificates confirm BTA investment in sustainability and our commitment to continue working according to the principles of skilled management. The ISO 9001 quality management certificate confirms that BTA has implemented all the principles of quality management defined in the standard, including customer orientation, process approach and continuous improvement. The ISO 14001 environmental management certificate allows monitoring the impact of BTA on the environment, as well as evaluates and promotes the efficiency of the environmental system.

In the beginning of 2023 BTA Sustainability strategy for 2023 – 2025 was developed, wherein targets have been pursued and assignments have been assessed that are required to make BTA even more sustainable in the areas, such as health and welfare, gender equality, climate action and economic development in the upcoming three years. Moreover, BTA is ambitious to reduce the total emission footprints in its operations by 55% until 2030 pursuant to EU climate action goals.

Employees of VIG and its Group companies (including BTA) who want to become involved with a good cause or social organization are generally allowed to spend one working day of their time on such activities, also known as “Social Active Day”. During the first half of 2023, more than 500 BTA employees throughout the Baltic used this opportunity. Employees participated in clean-ups, visited senior homes, helped animal shelters, and performed several other important activities for the benefit of society. These activities continued in the second half of the year and all together nearly 800 of all BTA employees participated in “Social Active Day”.

Already for several seasons, children in many cities in Baltics take the opportunity to improve their cycling skills in BTA Velomaster cycling tracks. According to statistics, cyclists get into accidents more and more often due to insufficient cycling skills. We care for the safety of the young cyclists, therefore the initiative of BTA Corporate Social Innovation strategy “BTA Velomaster” helped the young cyclists to improve their cycling skills for the third year in a row. So far, more than 20 BTA Velomaster tracks have been opened in Latvia, and in 2023 we continued to develop this project also in Lithuania (2 tracks) and Estonia (1 track).

All together there are 29 installations across the Baltics. In 2023 BTA also continued to develop BTA Velomaster Academy. It offers educational video series for anyone who wants to learn safe cycling skills to feel comfortable in city traffic. The video series provides valuable advice and explains the right techniques for overcoming obstacles. The video series introduces various road signs and asphalt markings. BTA Velomaster Academy is a great resource for everyone to become a confident cyclist! More information about Velomaster and Velomaster Academy can be found here: https://www.btavelozinis.lv/akademija?lang=en

Further development

For the upcoming period BTA has a set of strategic ambition that would enable further growth and market position strengthening. One of the key ambitions is to enhance customer centricity and experience by putting customers at the core of everything BTA does. This shall allow to maintain industry trendsetter position and grow faster than the market while maintaining profitability. Focusing on innovations and digitalization as well as improving speed and efficiency is another set of strategic ambitions BTA has set for the future. This involves improving not only internal but also external processes. Being a socially responsible company also requires thinking about the environment we operate in. Thus, BTA has put sustainability as another pillar for the upcoming periods. Throughout the years BTA has left significant footprint in improving the environment and being sustainable company and will pursue doing so. Last but not least, BTA believes that its people are the most valuable asset and puts existing and potential employees' wellbeing, satisfaction, and education in the list of strategic ambitions for the future.

Oskars Hartmanis
Chairman of the
Management Board

Evija Matveja
Member of
Management Board

Tadeuš Podvorski
Member of
Management Board

Gediminas Radavičius
Member of
Management Board

10 April 2024

VIENNA INSURANCE GROUP

VIENNA INSURANCE GROUP

COMPANY PROFILE

> **We want to further expand our leading market position in Central and Eastern Europe, relying on the proven cooperation and collaboration within the Group. At the same time, we are pursuing the goal of remaining a reliable and resilient partner for our stakeholders.**

Vienna Insurance Group (VIG), headquartered in Vienna, is the leading insurance group throughout Central and Eastern Europe (CEE). More than 50 insurance companies and pension funds in 30 countries form a Group with a long-standing tradition, strong brands and close customer relations. The around 29,000 employees in the VIG take care of the day-to-day needs of around 28 million customers.

FROM FIRST MOVER TO MARKET LEADER IN CEE

VIG was one of the first European insurance groups to begin expanding into the markets of the CEE region after the fall of the Iron Curtain in 1989. Step by step, the Group established itself in new markets and has become the number one in the region. Vienna Insurance Group places an emphasis on Central and Eastern Europe as its home market and pursues a long-term strategy in the markets where it is represented. More than half of the total business volume and profit is generated in this region.

EXPERTISE WITH LOCAL RESPONSIBILITY

Vienna Insurance Group is synonymous with stability and expertise in providing its customers with financial protection against risks. Great importance is attached to a local multi-brand policy with regionally established brands and local entrepreneurship. Ultimately, the Group's success and closeness to its customers is down to the individual strengths of each brand and local know-how.

VIG pursue a long-term business strategy in her markets that is focused on sustainable profitability and continuous earnings growth.

STRONG FINANCES & CREDIT RATING

Vienna Insurance Group has been awarded an A+ rating with a stable outlook from the internationally recognised rating agency Standard & Poor’s. VIG is listed in Vienna, Prague, and Budapest. Wiener Städtische Versicherungsverein – a stable core shareholder with a long-term focus – owns around 72% of VIG's shares. The remaining shares are in free float.

ALBANIA

SIGMA
VIENNA INSURANCE GROUP
INTERSIG
VIENNA INSURANCE GROUP

AUSTRIA

VIG
VIENNA INSURANCE GROUP
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
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
VIENNA INSURANCE GROUP

DENMARK

VIG
VIENNA INSURANCE GROUP

ESTONIA

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

FRANCE

VIG Re
VIENNA INSURANCE GROUP

GEORGIA

GPI
VIENNA INSURANCE GROUP
IRAO
VIENNA INSURANCE GROUP

GERMANY

InterRisk
VIENNA INSURANCE GROUP
VIG Re
VIENNA INSURANCE GROUP

HUNGARY

UNION
VIENNA INSURANCE GROUP
ALFA
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
МАКЕДОНИЈА ОСИГУРУВАЊЕ
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
Vienna PTE
VIENNA INSURANCE GROUP

ROMANIA

OMNIASIG
VIENNA INSURANCE GROUP
Asirom
VIENNA INSURANCE GROUP
BCR ASIGURARI DE VIATA
VIENNA INSURANCE GROUP
Carpathia PENSII
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

TÜRKIYE

RAY SİGORTA
VIENNA INSURANCE GROUP
Viennalife
VIENNA INSURANCE GROUP

UKRAINE

КНЯЖА
VIENNA INSURANCE GROUP
life КНЯЖА
VIENNA INSURANCE GROUP
USG
VIENNA INSURANCE GROUP

Status: January 2024

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

VIG
VIENNA INSURANCE GROUP
Protecting what matters.

Statement of management responsibility

In 2023 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 2023 prepared in accordance with IFRS Accounting standards 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 2023, as well as its financial position as at 31 December 2023.

The Company's Management confirms that the Company's financial statements for the year ended 31 December 2023 have been prepared in accordance with the effective requirements of legislation and Latvijas Banka, and IFRS Accounting standards as adopted by the European Union.

The Company's financial statements for the year ended 31 December 2023 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 2023.

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.

Oskars Hartmanis Chairman of the Management Board	**Evija Matveja** Member of Management Board	**Tadeuš Podvorski** Member of Management Board	**Gediminas Radavičius** Member of Management Board

10 April 2024

Separate financial statements

Separate Statement of Comprehensive Income

	Note	2023 EUR'000	2022 (restated) EUR'000
Insurance service revenue	6, 20	**279 852**	**245 339**
Insurance service expenses	10, 20	**(255 194)**	**(215 792)**
Incurred claims and benefits, and other insurance expenses	7	(167 602)	(163 830)
Amortization of insurance acquisition cash flows		(41 527)	(34 561)
Changes in liabilities for past periods		57 021	77 286
Changes in liabilities for current period		(73 607)	(66 757)
Onerous contract changes		248	1 983
Incurred directly attributable operating expenses		(29 727)	(29 913)
Expenses from reinsurance contracts, net		**(6 450)**	**(12 056)**
Total insurance service result		**18 208**	**17 491**
Insurance finance result			
Insurance finance result from direct business		(4 434)	3 552
Insurance finance result from reinsurance contracts		1 649	(1 184)
Total insurance finance result	8	**(2 785)**	**2 368**
Investment result			
Interest revenue calculated using the effective interest method	9 (a)	3 657	2 058
Other investment revenue	9 (b)	923	898
Gain/(loss) of financial assets not measured at FVtPL, net		(2 065)	7
Gain/(loss) of financial assets measured at FVtPL, net		(447)	(3 455)
Net impairment loss on financial instrument		(26)	(23)
Gain/(loss) on foreign currency fluctuation		331	(217)
Gain/(loss) on investment property	9	(145)	208
Total investment result	9	**2 228**	**(524)**
Asset management income/expenses		**(97)**	**(61)**
Other operating income		**1 117**	**1 301**
Other operating expenses			
Incurred directly non-attributable operating expenses		(5 228)	(5 188)
Other operating expenses		(533)	(141)
Total other operating expenses	10	**(5 761)**	**(5 329)**
Other financial costs	11	**(1 389)**	**(880)**
Profit before tax		**11 521**	**14 366**
Income tax expense	12	(1 146)	(1 108)
Net profit for the period		**10 375**	**13 258**

Continued table

	Note	2023 EUR'000	2022 EUR'000
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Debt investments at FVtOCI – net change in fair value	25,38	9 933	(23 884)
Other comprehensive income for the period		9 933	(23 884)
Total comprehensive profit for the period		**20 308**	**(10 626)**

Separate financial statements

Separate Statement of Financial Position

Assets	Note	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Property and equipment	13	**2 481**	**2 182**
Land and buildings			
Land and buildings for own use	14(a)	5 152	3 471
Investment property	14(b)	670	946
Total land and buildings		**5 822**	**4 417**
Intangible assets	15	**7 965**	**6 652**
Inventory		**146**	**146**
Investment in subsidiaries and associated companies	16	**20 492**	**20 492**
Financial investments measured at fair value through profit or loss			
Non-fixed income securities		40 753	42 912
Debt instruments		793	891
Total financial investments measured at fair value through profit and loss	17	**41 546**	**43 803**
Financial investments measured at fair value through other comprehensive income			
Debt instruments	18	236 399	195 883
Total financial investments measured at fair value through other comprehensive income		**236 399**	**195 883**
Financial assets at amortized costs			
Loans	19	15 189	14 467
Other receivables	21	421	1 195
Total financial assets at amortized costs		**15 610**	**15 662**
Next period income and expenses		**870**	**876**
Tax assets		**693**	**682**
Insurance contracts assets	20	**417**	**622**
Reinsurance contracts assets	28	**27 260**	**24 965**
Cash and cash equivalents	22,23	**19 083**	**12 894**
Total assets		**378 784**	**329 276**

Equity and liabilities	Note	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Equity			
Share capital	25	51 609	51 609
Revaluation reserves	25	(10 526)	(20 459)
Other reserves		(1 605)	(1 605)
Retained earnings		24 731	16 117
Profit for the period		10 375	13 258
Total equity		**74 584**	**58 920**
Liabilities			
Insurance contract liabilities	20	**239 252**	**213 966**
Reinsurance contract liabilities	28	**5 773**	**2 552**
Financial liabilities at amortized costs			
Subordinated loans		22 523	22 481
Creditors	29	26 226	22 637
Leases	27	4 782	3 062
Total financial liabilities at amortized costs		**53 531**	**48 180**
Accrued liabilities	30	**2 755**	**2 477**
Tax liabilities		**721**	**741**
Next period income	31	**2 168**	**2 440**
Total liabilities		**304 200**	**270 356**
Total equity and liabilities		**378 784**	**329 276**

Separate Statement of Cash Flows

	Note	2023 EUR'000	2022 (restated) EUR'000
Cash flows from operating activities			
Premiums received in direct insurance	20	269 827	244 454
Claims paid in direct insurance	20	(167 361)	(163 169)
Payments received from reinsurers		12 158	9 077
Payments made to reinsurers		(15 767)	(10 006)
Income tax paid in Latvia and Lithuania		(1 157)	(1 506)
Obligatory payments	24	(3 009)	(2 270)
Other payments made		(64 832)	(67 383)
Other payments received		11 032	14 583
Total cash flows from operating activities		**40 891**	**23 780**
Cash flows from/(used in) investing activities			
Acquisition of investments		(108 838)	(58 709)
Disposal of investments		77 231	15 565
Investment income, received interest		3 891	2 923
Investment income received, other		131	135
Received dividends		856	849
Total cash flows from/(used in) investing activities		**(26 729)**	**(39 237)**
Cash flows from/(used in) financing activities			
Payment of capital increase		-	10 000
Subordinated loan received		-	15 000
Paid interest		(1 222)	(378)
Paid dividends	25	(4 644)	(4 144)
Payment of lease liabilities	26	(2 107)	(1 958)
Total cash flows from/(used in) financing activities		**(7 973)**	**18 520**
Cash and cash equivalents net increase/(decrease)		**6 189**	**3 063**
Cash and cash equivalents at the beginning of the period		**12 894**	**9 831**
Cash and cash equivalents at the end of the period	22	**19 083**	**12 894**

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
31.12.2021	41 609	(1 605)	3 745	22 018	65 767
IFRS 17/9 effect of initial application*					
Transition effect IFRS17	-	-		(2 445)	(2 445)
Transition effect IFRS 9			(320)	688	368
01.01.2022 (restated)	41 609	(1 605)	3 425	20 261	63 690
Profit for the period	-	-	-	13 258	13 258
Other comprehensive income	-	-	(23 884)	-	(23 884)
Transactions with shareholder recorded directly in equity	-	-	-	-	-
Increase in share capital	10 000	-	-	-	10 000
Dividends paid	-	-	-	(4 144)	(4 144)
31.12.2022 (restated)	51 609	(1 605)	(20 459)	29 375	58 920
Total comprehensive income					
Profit for the period	-	-	-	10 375	10 375
Other comprehensive income	-	-	9 933	-	9 933
Transactions with shareholder recorded directly in equity	-	-	-	-	-
Increase in share capital	-	-	-	-	-
Dividends paid	-	-	-	(4 644)	(4 644)
31.12.2023	51 609	(1 605)	(10 526)	35 106	74 584

* restated according to IFRS 17 and IFRS 9 refer to Note 3.15 for more detailed explanation.

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 the branch has been moved to a new office and is registered Laisvės pr. 10, LT-04215, Vilnius since 19 December 2022 (until 19 December 2022 - Viršuliškių skg. 34, LT-05132 Vilnius).

(c) Subsidiaries

The Company has not consolidated the financial information of the subsidiaries SIA Urban Space and SIA LiveOn, as they 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, SIA Ģertrūdes 121, SIA Artilērijas 35 and SIA Alauksta 13/15, since consolidation is performed 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:

	31.12.2023	
	Number of shares	**Shareholding**
Vienna Insurance Group AG Wiener Versicherung Gruppe	516 094	100%
	516 094	**100%**

	31.12.2022	
	Number of shares	**Shareholding**
Vienna Insurance Group AG Wiener Versicherung Gruppe	516 094	100%
	516 094	**100%**

(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) Accounting standards as adopted by the European Union, and regulations of the Latvijas Banka (LB) (until 31.12.2022 - the Financial and Capital Market Commission of the Republic of Latvia (FCMC) in force as at the reporting date. As of 1 January 2023, FCMC has been integrated into Latvijas Banka. In accordance with the decision adopted by the Saeima of the Republic of Latvia, Latvijas Banka takes over all functions related to the supervision and the promotion of the development of the financial and capital market as well as the functions of the resolution authority).

The financial statements were authorised for issue by the Management Board on 10 April 2024. 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 2023 to 31 December 2023. The comparative period is from 1 January 2022 to 31 December 2022.

(d) Basis of measurement

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

Item	Measurement basis
Financial assets at fair value through profit or loss (FVtPL)	Fair value
Financial assets at fair value through other comprehensive income (FVtOCI)	Fair value

(e) Changes in accounting policies

Except for changes in accounting due to implementation of IFRS 17 and IFRS 9, reviewed in Note 3.15, the Company has no other transactions that are affected by the newly effective standards or its accounting policies are already consistent with the new requirements.

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 2023, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below.

(i) Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
(ii) Non-current Liabilities with Covenants (Amendments to IAS 1).
(iii) Lease liability in a Sale and Leaseback (Amendments to IFRS 16).

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

(i) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).
(ii) Lack of Exchangeability (Amendments to IAS 21).

(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:

	31.12.2023	**31.12.2022**
USD	1.105	1.0666
PLN	4.3395	4.6808
GBP	0.86905	0.88693
DKK	7.4529	7.4365
NOK	11.2405	10.5138
SEK	11.096	11.1218

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 insurance contracts concluded by the Company are classified as non-life insurance contracts and the Company does not conclude any investment contracts and service contracts (IFRS 9 and IFRS 15 components).

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).

The company splits contracts (both primary and reinsurance) in three groups in line with IFRS 17 standard: onerous, low probability to become onerous, other contracts. As of 31 December 2023, all contracts are in group "other".

The key principles in IFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognise and measure;
- recognises and measures groups of insurance contracts at:
    1. Based on Premium allocation approach (PAA) method if PAA eligible otherwise GMM approach (company does not use GMM as of 2023):
    2. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset);
    3. an amount representing the unearned profit in the group of contracts (the contractual service margin).

IFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

(b) Liability remaining coverage (LRC)

Premium allocation approach (PAA) is a simplified approach based on unearned premium reserves less unamortised expenses and less net receivables (receivables less payables). And it is used for LRC calculations in the Company for all contracts. PAA is calculated based on indirect accounting cash flow approach, premiums received derived indirectly (by using gross written premium, receivables). General measurement approach (full cash flow method under IFRS 17) is not applied as all group of contracts are PAA eligible. PAA eligibility test is performed in both ways: a quantitative PAA eligibility test (if duration of contracts is longer than 3 years).) and qualitative test (if duration of contracts is 3 years and less).

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.

Loss component

Loss component is set aside for loss making group of contracts for each cohort 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 group of insurance or reinsurance contracts. The Company uses cost of capital approach for risk adjustment calculation for loss component in line with IFRS 17 standard. Percentages for each group of insurance contracts are calculated during solvency capital requirement (SCR) calculation once per year. In addition, there is non-financial performance adjustment for reinsurance share for loss component based on cost of capital approach (non-performance ratio is 0.3%).

(c) Assets remaining coverage (ARC)

Premium allocation approach (PAA) is simplified approach based on reinsurance unearned premium reserves less acquisition expenses, less net receivables (receivables less payables) and premium reinsurance deposit. And it is used for ARC calculations in the Company for all reinsurance contracts. PAA is calculated based on indirect accounting cash flow approach, premiums written (or in line with initial recognition definition) derived indirectly (by using reinsurance written premium, receivables). General measurement approach (full cash flow method under IFRS 17) is not applied as all reinsurance contracts are PAA eligible.

(d) Liabilities claims incurred for primary business (LIC)

LIC is calculated as sum of claim reserves for primary contracts (both RBNS and IBNR) and risk adjustment less discounting effect and receivables related to LIC.

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. The Company uses cost of capital approach for risk adjustment calculation in line with IFRS 17 standard. Percentages for each group of insurance contracts are calculated during SCR calculation once per year.

(e) Assets claims incurred for primary business (AIC)

Claim amounts recoverable under reinsurance contracts are assessed on each reporting period end date. The value of those assets decreases 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. The Company uses cost of capital approach for risk adjustment calculation in line with IFRS 17 standard. Percentages for each group of insurance contracts are calculated during SCR calculation once per year. In addition, there is non-financial performance adjustment for reinsurance share for loss component based on cost of capital approach (non-performance ratio is 0.3%).

LIC 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 discounted with yield curve created by VIG group based on risk-free rates and liquidity premium in Baltic countries (Latvia, Lithuania, Estonia). This approach is called bottom up approach under IFRS 17 accounting standard.

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 and IBNER)

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 licences (agreement classification (by Line of Business and by each country separately) is used for IBNR calculation):

- accident insurance;
- health insurance;
- motor transport (except railway transport) insurance (CASCO);
- property insurance against other risks;
- general third party liability insurance;
- credit insurance;
- surety insurance;
- assistance 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 as actuarial portfolios:

- health insurance 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) Risk adjustment (both primary and reinsurance contracts)

The Company uses cost of capital approach for risk adjustment calculation in line with IFRS 17 standard. Percentages for each group of insurance contracts are calculated during SCR calculation once per year. In general, the cost of capital is the required return an investor seeks when making a specific investment. In the context of risk measurement, the cost of capital (further "CoC") represents the opportunity cost of the capital allocated to a block of business. The CoC rates are an integral part of the Risk Adjustment calculation.

(g) Discounting

The company is using bottom-up approach (risk free rate plus liquidity premium for region) under IFRS17. All discounting changes go through income statement. All risk-free discount rates within the scope of IFRS 17 are illiquidity adjusted on Baltic countries level for all segments (life, non-life); i.e.: there is one adjustment per country for all branches within this country and all currencies they are using for discounting their cashflows.

(h) Assets incurred claims (AIC)

AIC is calculated as sum of claim reserves for each reinsurance contract separately and risk adjustment less discounting effect, less receivables related to AIC and less claims reinsurance deposit. Grouping of contracts and calculation goes in line with reinsurance contracts in the Company.

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.

(i) 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.

Liability for incurred claims (LIC) sensitivity

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. In the case of delay, the increase in the interest rate and its lag with the inflation rate leads to a greater impact on the gross outstanding claim reserves (sensitivity scenario in 2022). Below are the gross results of sensitivity analysis as at 31 December 2023 and 2022 for inflation:

EUR'000	**Projected annual inflation increased by 3 p.p.***	**Projected annual inflation decreased by 3 p.p.***
Increase/ (decrease) in LIC (including annuities) in 2023	7 629	(6 535)
Increase/ (decrease) in LIC (including annuities) in 2022	6 939	(4 896)

* By default, the Company takes into account a possible inflation increases of 5% when setting the initial reserves (RBNS component: the target to achieve a positive run-off of the RBNS with a sufficiency minimum of 5%). This expectation is therefore also included in the development triangles for IBNR as implicit inflation. 3 p.p. shows an exceptional shock.

3.3 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 Accounting standards 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 17, 18 and 38.

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.

3.4 Impairment of 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.

3.5 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.

3.6 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.

3.7 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.

3.8 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.

The Company 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.

The Company as a lessor

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 a 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 for payments originally due on or before 30 June 2022. Company applies permission 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.

3.9 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).

(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 2023 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 recognize 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) 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.

3.10 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.

3.11 Dividends

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

3.12 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.

3.13 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.

3.14 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.

3.15 Significant accounting estimates, judgement in applying accounting policies and impact of initial application of IFRS 9 and IFRS 17

BTA initially applied the standards IFRS 9 'Financial instruments' and IFRS 17 'Insurance contracts', including any consequential amendments to other IFRS standards effective as from 1 January 2023 in these financial statements.

The adoption of IFRS 9 and IFRS 17 resulted in significant changes compared to the previously applied accounting policies. BTA recognized the impact of the adoption of IFRS 9 and IFRS 17 in equity at the transition date. The transition date towards IFRS 9 and IFRS 17 is 1 January 2022, because IFRS 17 requires an entity to restate information in respect of the reporting period 2022 in its financial statements over the reporting period ending on 31 December 2023.

In view of this requirement, is decided to also restate comparative information for 2022 on financial instruments, applying the requirements in IFRS 9 on 'classification and measurement' and on 'impairment' to all its financial assets, using reasonable and supportable information available on 1 January 2022.

The table below includes the main impacts of the adoption of IFRS 9 and IFRS 17 on 1 January 2022.

Assets

IFRS4/IAS39 as previously reported	IFRS 17/IFRS 9 restated	Balance as at 1 January 2022 as previously reported EUR'000	Adjustments due to adoption of IFRS 9 EUR'000	Adjustments due to adoption of IFRS 17 EUR'000	Restated balance as at 1 January 2022 EUR'000
Property and equipment	Property and equipment	2 563	-	-	2 563
Land and buildings	Land and buildings	5 742	-	-	5 742
Intangible assets	Intangible assets	4 198	-	-	4 198
Investment in subsidiaries and an associate	Investment in subsidiaries and an associate	17 341	(26)	-	17 315
Financial investments	Financial investments	231 553	430	-	231 983
Inventory	Inventory	61	-	-	61
Loans	Loans	14 761	(36)	-	14 725
Receivables from direct insurance activities	Insurance contract assets	50 205	-	(50 150)	55
Receivables from reinsurance activities	Reinsurance contract assets	3 929	-	28 876	32 805
Other receivables	Other receivables	494	-	-	494
Deferred client acquisition costs		11 629	-	(11 629)	-
Other accrued income and deferred expenses	Other accrued income and deferred expenses	1 792	-	(835)	957
Deferred tax asset	Deferred tax asset	250	-	-	250
Reinsurers' share of insurance contract liabilities	-	79 904	-	(79 904)	-
Cash and cash equivalents	Cash and cash equivalents	9 831	-	-	9 831
Total assets	**Total assets**	**434 253**	**368**	**(113 642)**	**320 979**

Liabilities

IFRS4/IAS39 as previously reported	IFRS 17/IFRS 9 restated	Balance as at 1 January 2022 as previously reported EUR'000	Adjustments due to adoption of IFRS9 ** EUR'000	Adjustments due to adoption of IFRS17 * EUR'000	Restated balance as at 1 January 2022 EUR'000
Equity	**Equity**				
Share capital	Share capital	41 609	-	-	41 609
Revaluation reserves	Result in other comprehensive income	3 745	(320)	-	3 425
Other reserves	Other reserves	(1 605)	-	-	(1 605)
Retained earnings	Retained earnings	13 732	688	(2 445)	11 975
Profit for the period	Profit for the period	8 286	-	-	8 286
Total equity	**Total equity**	**65 767**	**368**	**(2 445)**	**63 690**
Liabilities	**Liabilities**				
Insurance contract liabilities	Insurance contract liabilities	267 072	-	(45 722)	221 350
Reinsurers' deposit	Reinsurance contract liabilities	43 229	-	(42 589)	640
Subordinated loan	Subordinated liabilities	7 000	-	-	7 000
Lease liabilities	Lease liabilities	4 084	-	-	4 084
Total direct insurance creditors	-	9 098		(9 098)	-
Payables from reinsurance activities	-	5 396	-	(5 396)	-
Other creditors	Other creditors	24 038	-	(4 940)	19 098
Provisions	Provisions	2 109	-	-	2 109
Taxes and social insurance contributions	Taxes and social insurance contributions	845	-	-	845
Accrued liabilities	Accrued liabilities	2 163	-	-	2 163
Unearned reinsurance commission income	-	3 452	-	(3 452)	-
Total liabilities	**Total liabilities**	**368 486**	**-**	**(111197)**	**257 289**
Total equity and liabilities	**Total equity and liabilities**	**434 253**	**368**	**(113 642)**	**320 979**

* The biggest transition impact from adjustments due to adoption of IFRS 17 was from Onerous contracts Loss component EUR 2 231 thousand and Risk adjustment and Interest rate risk adjustment EUR 214 thousand.
** Adjustments due to adoption of IFRS 9 was separate between Result in other comprehensive income EUR (320) thousand and Retained earnings EUR 688 thousand, total effect from adoption of IFRS 9 was EUR 368 thousand.

(a) Changes to the classification, measurement and presentation of insurance contracts

Under IFRS 4, BTA reported the following line items in its income statement:
- Premium income;
- Insurance claims and benefits; and
- Changes in liabilities arising from insurance contracts

IFRS 17 establishes new principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts.

The adoption of IFRS 17 did not change the principal classification of insurance contracts. This standard establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts.

The liability for remaining coverage (LRC) of all group of contracts measured applying the Premium Allocation Approach is based on the premiums received minus any insurance acquisition cash flows and plus or minus any amount arising from the derecognition of any asset recognized for insurance acquisition cash flows and any other asset or liability recognised for cash flows prior to the recognition of the group of insurance contracts, including fulfilment cash flows for onerous contracts.

The LRC measurement involves an explicit evaluation of Risk Adjustment for non-financial risk when a group of insurance contracts is onerous in order to calculate a loss component.

Measurement of the Liability for Incurred Claims (LIC) is determined on a discounted probability-weighted expected value basis and includes a Risk Adjustment for non-financial risk. The liability therefore includes the obligation to pay other incurred insurance expenses.

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

In the statement of financial position, the carrying amounts - are presented separately:
- Insurance contracts assets;
- Insurance contracts liabilities;
- Reinsurance contracts assets;
- Reinsurance contracts liabilities.

In the income statement, insurance revenue, insurance service expense, insurance finance income or expenses and income or expenses from reinsurance contracts held are presented separately.

(b) Full Retrospective Approach

To apply the Full Retrospective Approach (FRA) the IFRS 17 standard should be applied retrospectively to each group of insurance contracts, reinsurance contracts as if the standard had always been in force. I.e. it should:
- Identify: determine insurance contracts, reinsurance contracts – annual cohorts, onerousness, portfolios and other subdivisions the entities make in Groups of Insurance Contracts;
- Recognise: apply the recognition rules in accordance with IFRS 17.25 to each insurance contracts, reinsurance contracts;
- Measure: including determining the appropriate measurement model (GMM, VFA or PAA) and then applying these to determine the balance of liabilities (and OCI) at the transition date;

as if the standard had always applied.

Business	LRC / LIC	IFRS 17 measurement approach	IFRS 17 transition approach
Non-life & similar-to-Non-Life	Liability for remaining coverage	Premium Allocation Approach	Full retrospective approach
	Liability for incurred claims	Premium Allocation Approach	Full retrospective approach

At the transition date, the Company measured and recognized each group of insurance contracts, reinsurance contracts retrospectively, as if the requirements of IFRS 17 applied to those groups of contracts since their initial recognition (i.e. the 'full retrospective approach').

(4) IFRS 9 Financial instruments

IFRS 9 is a comprehensive new accounting standard for financial instruments, covering the (de)recognition, classification and measurement of financial instruments, new requirements on impairments of financial assets and guidance on hedge accounting.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the

Company met the relevant criteria and applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company applied IFRS 9 for the first time on 1 January 2023. At the transition date, the Company reclassified all financial assets to their new classification category under IFRS 9, using reasonably available information at that date. The Company applied the classification categories under IFRS 9 retrospectively, as if the financial assets had always been measured as such since their initial recognition.

The differences resulting from the application of IFRS 9 compared to IAS 39 have been recorded in retained earnings and revaluation reserves.

The shorthand phrases used for the text and the tables in connection with IFRS 9 are set out below:

Short description	Long description
Measured at AC	Measured at Amortised Costs
Measured at FVtOCI	Measured at Fair Value through Other Comprehensive Income
Measured at FVtPL	Measured at Fair Value through Profit and Loss
Designated measured at FVtOCI	Designated measured at Fair Value through Other Comprehensive Income
Designated measured at FVtPL	Designated measured at Fair Value through Profit and Loss
ECL	Expected Credit Losses
FV	Fair Value
SPPI	Solely Payments of Principal and Interest
Mandatorily measured at FVtOCI	Mandatorily measured at Fair Value through Other Comprehensive Income
Mandatorily measured at FVtPL	Mandatorily measured at Fair Value through Profit and Loss

4.1 Classification and measurement of financial assets

(a) Classification

To determine the classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the entity's business model for managing the assets and the respective instrument's contractual cash flow characteristics. In contrast to that, the classification of financial liabilities does not follow this approach and does not differ significantly from that under IAS 39.

When IFRS 9 is applied, the previous classification for "Financial instruments available for sale" is no longer allowed. In this category, fair value changes were recognised directly in equity in other comprehensive income (unrealised gains and losses). In the case of disposals, unrealised gains and losses are reclassified to profit or loss. IFRS 9 makes a distinction between equity and debt instruments in the fair value measurement. Equity instruments held for trading are classified through measurement at FVtPL. For equity instruments that are not held for trading, the irrevocable FVtOCI option (designated measured at FVtOCI) can be used upon initial application. In the case of debt instruments such as bonds or loans, similar provisions such as those under IAS 39 "Financial instruments available for sale" apply.

The Company uses a central subledger (tool) for the measurement of financial instruments. The classification of financial assets based on the SPPI criteria has been almost entirely automated. Most investments relevant to IFRS 9 are currently managed in this tool. This makes it possible to consistently apply IFRS 9, including the calculation of ECL. The implementation of IFRS 9 is governed in the VIG Group Guidelines, which are used for uniform implementation of IFRS 9. Under IFRS 9, financial assets that have been identified as "SPPI fail" (SPPI criterion not met) must be classified as measured at FVtPL. Illiquid portfolios for which the hold strategy is used are normally classified as measured at AC. This applies to loans in particular. Financial assets that both satisfy the SPPI criterion (SPPI pass) and are subject to the "hold to collect and sell" business model are categorised as measured at FVtOCI. Financial assets that are not compliant with SPPI (SPPI fail) or do not meet any of the above-mentioned business models are recognised as measured at FVtPL.

With regard to the remaining financial assets (e.g. debt instruments), a tendency towards categorising these as measured at FVtOCI is becoming apparent under IFRS 9.

IFRS 9 includes three principal measurement categories for financial assets – measured at amortised cost (AC), fair value through other comprehensive income (FVtOCI) and fair value through profit or loss (FVtPL) – and eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

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

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

(i) Financial assets at fair value through other comprehensive income (FVtOCI)

Financial assets that are debt instruments are measured at FVtOCI if it meets both of the following conditions and is not designated as measured at FVtPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- it contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Company's overall investment objective is to maximize its total return (i.e. interest or dividends and increase in fair value) given a low to medium level of risk and within the given restrictions for the whole portfolio.

The following financial assets of the Company can be classified as financial assets at FVtOCI:
- debt securities, meet solely payments of principal and interest test (SPPI).

The fair value at initial recognition is not differ from the transaction price.

For financial assets measured at FVtOCI, transaction costs directly attributable are included in the amortised cost at initial recognition. Internal (overhead) costs are not attributed to the amortised costs as these are not directly attributable to the single transaction.

(ii) Financial assets measured at amortized costs

Financial assets is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVtPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The following financial assets of the Company can be classified as financial assets at amortised costs:
- term deposits at credit institutions;
- loans;
- other receivables.

For financial assets measured at amortised cost, transaction costs directly attributable are included in the amortised cost at initial recognition. Internal (overhead) costs are not attributed to the amortised costs as these are not directly attributable to the single transaction.

The other receivables are presented in amounts expected to be received. Provisions for other debtors are made, in accordance with IFRS 9, based on the Application of the Credit Loss Approach. The basic principles of provisioning created according to the following criteria:
- the payment not yet due or due – make provisions amounting to 1% of debt amount;
- the payment delay is between 1 and 30 days – make provisions amounting to 5% of debt amount;
- the payment delay is between 31 and 90 days - make provisions amounting to 50% of debt amount;
- the payment delay exceeds 90 days - make provisions amounting to 100% of debt amount.

The extend and amount of the required provisions is to be established on a quarterly basis: on 31 March, 30 June, 30 September, 31 December.

(iii) Financial assets at fair value through profit or loss (FVtPL)

All financial assets not classified as measured at amortised cost or FVtOCI as described above are measured at FVtPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVtOCI as measured at FVtPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following financial assets of the Company can be classified as financial assets at FVtPL:
- debt securities, fails SPPI test;
- equities;
- fund certificates.

In the Company the fair value at initial recognition is not differ from the transaction price.

The Company financial assets (Investment portfolio) under IFRS 9 are classified and measured as following:

Instrument type	IAS 39		Method of valuation	SPPI test	IFRS 9		Method of valuation	Classification criteria
Bonds	HTM/AFS	Held to maturity/ Available for sale	Amortized cost/ Fair value	Pass	FVtOCI	Fair value through Other Comprehensive Income	The gains/ losses resulting from assets measured at fair value due to changes in fair value-measured amounts. These changes are recognized initially in other comprehensive income (OCI).	1. FVtOCI is the closest classification to AFS under IAS 39. 2. FVtOCI classification properly reflect the nature of the matching liabilities. 3. FVtOCI classification follows classification of the majority of government and corporate bond portfolio. 4. Meet SPPI test (solely payments of principal and interest).
Bonds	HTM/AFS	Held to maturity/ Available for sale	Amortized cost/ Fair value	Fail	FVtPL	Fair Value through Profit and Loss	The changes in fair value (for those items measured at fair value) are recognized in the profit and loss account of an entity.	1. Fails SPPI test - should be classified as FVtPL
Equities	AFS	Available for sale	Fair value		FVtPL	Fair Value through Profit and Loss		1. FVtPL is the default classification for this asset class. 2. FVtPL classification properly reflect the nature of the matching liabilities.
Fund certificates	AFS	Available for sale	Fair value		FVtPL	Fair Value through Profit and Loss		1. FVtPL classification follows classification of other non-fixed income asset classes.
Deposits	AC	Amortized cost	Amortized cost		AC	Amortized cost	Amortized cost	1. AC is the closest classification to AC under IAS 39. 2. AC classification properly reflect the nature of the matching liabilities.
Loans	AC	Amortized cost	Amortized cost		AC	Amortized cost	Amortized cost	

At the transition date, the Company reclassified all financial assets to their new classification category under IFRS 9, using reasonably available information at that date. The Company applied the classification categories under IFRS 9 retrospectively, as if the financial assets had always been measured as such since their initial recognition.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2022:

Assets **IAS39 as previously reported**	**IFRS 9 restated**	**Original carrying amount under IAS 39 EUR'000**	**Adjustments due to adoption of IFRS9 EUR'000**	**New classification under IFRS 9 EUR' 000**
Cash and cash equivalents	**Cash and cash equivalents**	**9 831**	**-**	**9 831**
Financial investments	**Financial investments**	**231 553**	**430**	**231 983**
Financial instruments at fair value through profit or loss (FV)	**Fair value through Other Comprehensive Income (FVtOCI)**	**1 375**	**-**	**1 375**
Available-for-sale instruments (AFS)	-	**228 411**	**148**	**228 559**
-	***Fair value through Other Comprehensive Income (FVtOCI)***	***180 532***	**-**	***180 532***
Debt instruments (AFS)	*FVtOCI - meet SPPI*	*180 532*	-	*180 532*
-	***Fair value through profit and loss (FVtPL)***	***47 879***	***148***	***48 027***
Debt instruments (AFS)	*FVtPL - fails SPPI*	*1 026*	-	*1 026*
Fund sertificates (AFS)	*FVtPL*	*41 648*	-	*41 648*
Equities (AFS)	*FVtPL*	*534*	-	*534*
Equities (Cost method)	*FVtPL*	*4 671*	*148*	*4 819*
Held-to-maturity financial instruments (AC)	**FVtOCI – meet SPPI**	**1 767**	**282**	**2 049**
Loans (AC)	**Loans (AC)**	**14 761**	**(36)**	**14 725**
Investment in subsidiaries and an associate (Cost method)	**Investment in subsidiaries and an associate (Costs method)**	**17 341**	**(26)**	**17 315**
Total financial assets under IAS 39 / IFRS 9		**273 486**	**368**	**273 854**

Adjustments due to adoption of IFRS 9 was separate between Result in other comprehensive income EUR (320) thousand and Retained earnings EUR 688 thousand, total net effect from adoption of IFRS 9 was EUR 368 thousand.

4.2 Recognition and derecognition

The Company only recognises financial assets and financial liabilities in the balance sheet when the Company becomes a party to the provisions of a contract. Purchase or sale of a financial asset in the ordinary manner is recognised and derecognised using the settlement date accounting. Financial liabilities or part of the liabilities are only excluded from the balance sheet once it has been covered, i.e., the duty stated in the contract has been completed, cancelled or expired.

For financial assets measured at amortised cost and at FVtOCI, transaction costs directly attributable are included in the amortised cost at initial recognition. Internal (overhead) costs are not attributed to the amortised costs as these are not directly attributable to the single transaction. Financial assets carried at FVtPL are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred, and the Company has transferred substantially all risks and rewards of ownership. Financial assets at FVtOCI and at FVtPL are subsequently carried at fair value. Financial assets measured at amortized cost are carried at amortised cost using the effective interest method.

For debt instruments measured at FVtOCI, 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.

Dividends are recognised in the income statement as part of interest and dividend income. Dividends are recognised in the income statement when the Company's right to receive payments is established.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are recognised in the profit or loss in the period in which they arise.

4.3 Impairment

The adoption of IFRS 9 has fundamentally changed the accounting for impairment losses for debt instruments measured at FVtOCI or at AC by replacing IAS 39's incurred loss with a forward-looking expected loss approach.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. This required considerable judgement about how changes in economic factors affect expected credit loss (ECL), which is determined on a probability-weighted basis. The Company on a regular basis assesses the expected credit loss of financial assets not carried at fair value.

The impairment model for credit risk is based on expected losses. This model applies to loans and debt instruments measured at amortised cost or at fair value through other comprehensive income, to loan commitments and financial guarantee contracts that are not recognised at fair value, as well as to lease receivables, trade receivables and contract assets.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECL or lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument; 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The debt instruments measured at FVtOCI are primarily made up of investment-grade bonds, so have a low credit risk. Under IFRS 9, such instruments can be measured on a 12-month ECL basis.

If credit risk has not increased significantly since initial recognition, a 12 month ECL (Stage 1) is recognized (unless the financial asset is purchased or originated credit-impaired). If credit risk has increased significantly since initial recognition, a lifetime ECL (Stage 2) is recognised which may be significantly higher than a 12 month ECL. The assessment of what is considered to be a significant increase in credit risk therefore may have a significant impact on the loss allowance recognised.

The Company conducts the assessment of loss given defaults (LGD) (for unsecured exposures) and probability of defaults (PD) on collective basis and apply these parameters together with the cash flows of the single assets for the calculation of expected cash flows (and ECLs respectively) on individual basis. For stage 3 assets with outstanding amount above EUR 100.000, cash flows (LGDs) should be estimated individually. For covered assets in stage 1 or 2, the LGDs for estimated cash flows (LGDs) should be assessed individually based on the respective collateral (and LTV) as well. In cases, where no reliable information about the value of collateral is available or the value of collateral is heavily volatile, the LGD parameters for unsecured exposures may be used instead.

The Company's definition of default covers at least two dimensions, namely one rating-based dimension as well as one days past due (90 days past due) based criterion. However, in certain cases, financial assets can be considered to be in default when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The adoption of the ECL requirements and the associated new system resulted in an increase in the credit loss allowances related to debt instruments. With the initial application of IFRS 9, these effects were recognised under shareholders' equity in retained earnings.

The simplified approach is used for trade receivables and receivables from leases in accordance with IFRS 9.5.5.15. As a result, country-specific loss rates have been calculated based on historical probabilities of default and future parameters for determining the corresponding risk provisions. Furthermore, receivables whose contractually agreed payments are 90 days past due are classified as being in default.

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.

<u>Key judgment areas:</u>

The Company concludes guarantee insurance contracts which may include taking a financial pledge from its customer. The financial pledge is contractually linked to the guarantee insurance contract. The management has established a judgment that the cash flows linked to accepting the financial pledges do not form part of insurance contract liabilities, but instead are accounted for as deposits. These financial pledges are disclosed in note 29.

Key sources of estimation uncertainty:
- Liabilities claims incurred for primary business (LIC) – refer to Note 3.2 and 5.2 for more detailed information;
- Fair value measurement – refer to Note 4 for more detailed information.

(5) Risk management

5.1 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 Company's management board has overall responsibility for the establishment and oversight of the risk management framework.

The risk management policy is established to identify and analyse the risks faced by the Company, set appropriate risk limits and controls, and monitor adherence to risk limits. Risk management policy is reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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 that 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 company is also exposed to financial risks, which are an integral part of investment activity, as well as - operational risk – potential losses that may occur during 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, as well as in the budgeting process. If significant changes are planned in the Company's activities or unexpected material changes are observed in financial data, ad-hoc own risk and solvency evaluation will be performed.

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.

5.2 Insurance underwriting risks

Insurance underwriting risk is the most significant risk faced by the Company in day-to-day activities. The main components of the insurance underwriting 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.

Tariff Committees have essential role in this area, especially considering working in high inflation environment. These committees consolidate the competence of product development, underwriting, pricing etc., and use highly developed analytic tools to ensure appropriate pricing and fulfilment of business goals.

(a) Underwriting strategy

Underwriting risk mean 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 strategies are set out in annual business plans prepared by product managers.

These strategies are 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. 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.

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 deductible 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. To mitigate the risks reinsurance protection is used.

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.

Property insurance

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 because 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 providing insurance of 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. 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 using 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 monthly by reviewing reports, which show the key aggregations to which the Company is exposed. The Company uses several modelling tools to monitor risk accumulation 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, 34% of all business (by insurance service revenue) was conducted in Latvia, 56% in Lithuania and 10% 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, flood, hail 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. 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 considering 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) Onerousity test or 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. Onerousity is performed by cohorts. 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 and Combined ratio approach (as alternative loss component approach) as at 31 December 2023 does not identify deficiency that would require setting of loss component for any cohort and group of insurance contracts. As at 31 December 2022 there was loss component in Estonia in health insurance with total amount EUR 248 thousand.

Claims development

Information on the claims development (undiscounted and without risk adjustment) 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.

Undiscounted LIC without risk adjustment, EUR'000

	Year of insured occurrence, EUR'000									
	2015 year and before	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
	Gross claim provision at the end of the reporting period									
At the end of accident year	55 700	27 996	41 344	56 159	55 283	58 748	72 885	70 978	81 806	-
-one year later	31 326	14 390	17 692	20 160	15 649	13 364	16 987	23 227	-	-
-two years later	45 617	9 881	12 049	13 284	7 551	8 650	10 202	-	-	-
-three years later	45 835	8 652	10 145	8 040	5 020	5 980	-	-	-	-
-four years later	42 703	5 523	6 053	5 466	3 351	-	-	-	-	-
-five years later	37 354	5 224	3 591	3 560	-	-	-	-	-	-
-six years later	36 499	3 936	3 217	-	-	-	-	-	-	-
-seven year later	29 557	3 139	-	-	-	-	-	-	-	-
-eight year later	29 704	-	-	-	-	-	-	-	-	-
	Gross claims paid in subsequent years, EUR'000									
-one year later	20 903	16 765	28 415	37 089	28 610	22 538	31 684	36 518	-	-
-two years later	5 494	5 017	2 687	4 526	2 573	2 167	3 271	-	-	-
-three years later	4 720	1 802	1 508	2 860	1 068	965	-	-	-	-
-four years later	4 277	1 010	1 052	844	760	-	-	-	-	-
-five years later	2 847	517	313	463	-	-	-	-	-	-
-six years later	3 149	736	113	-	-	-	-	-	-	-
-seven year later	1 841	353	-	-	-	-	-	-	-	-
-eight year later	1 275	-	-	-	-	-	-	-	-	-
Gross claims paid	**44 506**	**26 200**	**34 088**	**45 782**	**33 011**	**25 670**	**34 955**	**36 518**	**-**	**280 730**
Current year (deficiency)/ redundancy	**(1 423)**	**445**	**261**	**1 443**	**909**	**1 706**	**3 514**	**11 233**	**-**	**19 511**

(f) Assumptions used for estimation of MTPL insurance claim reserves

IBNR reserve estimation for MTPL insurance claims with chain coefficients is calculated separately for material claims and bodily injury claims. Reporting triangle is used for material damage and bodily injury development 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. VIG group and EIOPA (The European Insurance and Occupational Pensions Authority) given discount rates are used for discounting cash flows for liability and asset incurred claims (both RBNS, IBNR primary and reinsurance business). In addition, RBNS reserve for cases involving government social insurance agencies and private persons are calculated using specific indexation coefficients set by each country separately. Sensitivity analysis of reserve discounting and it's impact can be seen in next section under market risk, interest rate risk.

5.3 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 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.

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 18 915 thousand (31 December 2022: EUR 17 400 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 2023 and 2022 and a simplified scenario of a 10% change in PLN, GBP, USD to EUR exchange rate is as follows:

	2023	2022
EUR'000	**Net income**	**Net income**
10% depreciation of PLN against EUR	(174)	(45)
10% appreciation of PLN against EUR	174	45
10% depreciation of GBP against EUR	228	300
10% appreciation of GBP against EUR	(228)	(300)
10% depreciation of USD against EUR	(38)	(136)
10% appreciation of USD against EUR	38	136

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 2023	**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	211 214	–	18 849	5 591	1 369	169	**237 192**
Non-fixed income securities	40 753	–	–	–	–	–	**40 753**
Loans	15 189	–	–	–	–	–	**15 189**
Insurance contracts assets	417	–	–	–	–	–	**417**
Reinsurance contracts assets	27 260	–	–	–	–	–	**27 260**
Other receivables	421	–	–	–	–	–	**421**
Cash and cash equivalents	18 027	824	66	29	115	22	**19 083**
Total financial assets	**313 282**	**824**	**18 915**	**5 620**	**1 484**	**191**	**340 315**
Insurance contract liabilities, net and financial liabilities							
Insurance contracts liabilities	231 100	449	–	3 883	3 766	54	**239 252**
Reinsurance contracts liabilities	5 773	–	–	–	–	–	**5 773**
Financial liabilities	53 531	–	–	–	–	–	**53 531**
Total insurance contract liabilities, net and financial liabilities	**290 404**	**449**	**-**	**3 883**	**3 766**	**54**	**298 556**
Open currency position	**22 877**	**375**	**18 915**	**1 737**	**(2 282)**	**137**	**41 759**

31 December 2022	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	171 297	1 833	17 392	4 815	1 276	160	**196 773**
Non-fixed income securities	42 912	-	-	-	-	-	**42 912**
Loans	14 467	-	-	-	-	-	**14 467**
Insurance contracts assets	621	-	-	-	-	-	**621**
Reinsurance contracts assets	24 965	-	-	-	-	-	**24 965**
Other receivables	1 195	-	-	-	-	-	**1 195**
Cash and cash equivalents	12 285	413	8	113	62	13	**12 894**
Total financial assets	**267 742**	**2 246**	**17 400**	**4 928**	**1 338**	**173**	**293 827**
Insurance contract liabilities, net and financialliabilities							
Insurance contracts liabilities	204 144	885	-	4 475	4 341	121	**213 966**
Reinsurance contracts liabilities	2 552	-	-	-	-	-	**2 552**
Financial liabilities	48 180	-	-	-	-	-	**48 180**
Total insurance contract liabilities, net and financial liabilities	**254 876**	**885**	**-**	**4 475**	**4 341**	**121**	**264 698**
Open currency position	**12 866**	**1 361**	**17 400**	**453**	**(3 003)**	**52**	**29 129**

(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 assets as measured at fair value through other comprehensive income. Changes in securities prices for the instruments is reported through other comprehensive income for the period. A simplified scenario of 5% change in securities prices would result in the following effect on the other comprehensive income as at 31 December 2023 and 2022:

	2023 EUR'000	2022 EUR'000
5% increase in non-fixed income securities prices	11 734	9 778
5% decrease in non-fixed income securities prices	(11 734)	(9 778)

An analysis of the sensitivity of the Company's profit or loss to changes in investments' prices based on positions existing as at 31 December 2023 and 2022 and a simplified scenario of a 5% change in all fair value through profit and loss instruments prices is as follows:

	2023 EUR'000	2022 EUR'000
5% increase in securities prices	2 066	2 179
5% decrease in securities prices	(2 066)	(2 179)

(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 VIG ARM 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.

	31.12.2023		31.12.2022	
EUR'000	Profit or loss	OCI	Profit or loss	OCI
100 bp parallel increase	1 405	(8 800)	1 407	(7 168)
100 bp parallel decrease	(1 728)	8 800	(1 407)	7 168

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. Changes in interest rate risk reserves are recognized in profit or loss (no OCI options). Reinsurance deposit is defined as short term and there is no discounting for nominal value.

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 2023	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						
Debt securities and other fixed income securities	40 089	167 610	29 493	-	**237 192**	-
Non-fixed income securities	-	-	-	40 753	**40 753**	**40 753**
Loans	-	1 000	14 189	-	**15 189**	**15 189**
Insurance contracts assets	-	-	-	417	**417**	**-**
Reinsurance contracts assets	-	-	-	27 260	**27 260**	**-**
Other receivables	-	-	-	421	**421**	**-**
Cash and cash equivalents	-	-	-	19 083	**19 083**	**2 100**
Total financial assets	**40 089**	**168 610**	**43 682**	**87 934**	**340 315**	**58 042**

31 December 2022	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						
Debt securities and other fixed income securities	48 435	119 758	28 580	-	**196 773**	-
Non-fixed income securities	-	-	-	42 912	**42 912**	**42 912**
Loans	-	-	14 467	-	**14 467**	**14 467**
Insurance contracts assets	-	-	-	621	**621**	**-**
Reinsurance contracts assets	-	-	-	24 965	**24 965**	**-**
Other receivables	-	-	-	1 195	**1 195**	**-**
Cash and cash equivalents	-	-	-	12 894	**12 894**	**300**
Total financial assets	**48 435**	**119 758**	**43 047**	**82 587**	**293 827**	**57 679**

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 show 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. The table below does not show carrying amount separately as carrying amount is equal to gross and undiscounted amounts, apart from lease liabilities which effect is immaterial.

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 2023	**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					
Debt securities and other fixed income securities	40 089	167 610	29 493	-	**237 192**
Non-fixed income securities	-	-	-	40 753	**40 753**
Loans	-	1 000	14 189	-	**15 189**
Insurance contracts assets	417	-	-	-	**417**
Reinsurance contracts assets	27 260	-	-	-	**27 260**
Other receivables	421	-	-	-	**421**
Cash and cash equivalents	19 083	-	-	-	**19 083**
Total financial assets taking into account maturity	**87 270**	**168 610**	**43 682**	**40 753**	**340 315**
Insurance contract liabilities, net and financial liabilities					
Insurance contracts liabilities	187 031	15 829	36 392	-	**239 252**
Reinsurance contracts liabilities	5 773	-	-	-	**5 773**
Financial liabilities	27 207	2 802	23 522	-	**53 531**
Total Insurance contract liabilities, net and financial liabilities	**220 011**	**18 631**	**59 914**	**-**	**298 556**
Maturity gap	**(132 741)**	**149 979**	**(16 232)**	**40 753**	**41 759**

31 December 2022	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					
Debt securities and other fixed income securities	48 435	119 758	28 580	-	**196 773**
Non-fixed income securities	-	-	-	42 912	**42 912**
Loans	-	-	14 467	-	**14 467**
Insurance contracts assets	621	-	-	-	**621**
Reinsurance contracts assets	24 965	-	-	-	**24 965**
Other receivables	1 195	-	-	-	**1 195**
Cash and cash equivalents	12 894	-	-	-	**12 894**
Total financial assets taking into account maturity	**88 110**	**119 758**	**43 047**	**42 912**	**293 827**
Insurance contract liabilities, net and financial liabilities					
Insurance contracts liabilities	183 239	14 964	15 763	-	**213 966**
Reinsurance contracts liabilities	2 552	-	-	-	**2 552**
Financial liabilities	22 488	3 597	22 095	-	**48 180**
Total insurance contract liabilities, net and financial liabilities	**208 279**	**18 561**	**37 858**	**-**	**264 698**
Maturity gap	**(120 169)**	**101 197**	**5 189**	**42 912**	**29 129**

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.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2023	Carrying amount EUR'000	Total EUR'000	Up to 12 months EUR'000	From 1 to 5 years EUR'000	Over 5 years EUR'000
Financial liabilities					
Creditors	26 226	26 226	25 374	852	-
Leases	4 782	4 782	1 310	1 950	1 522
Subordinated loan	22 523	31 187	1 263	11 826	18 098
Total financial liabilities	**53 531**	**62 195**	**27 947**	**14 628**	**19 620**

31 December 2022	Carrying amount EUR'000	Total EUR'000	Up to 12 months EUR'000	From 1 to 5 years EUR'000	Over 5 years EUR'000
Financial liabilities					
Creditors	22 637	22 637	20 364	2 273	**-**
Leases	3 062	3 062	1 643	1 324	95
Subordinated loan	22 481	32 450	1 263	6 401	24 786
Total financial liabilities	**48 180**	**58 149**	**23 270**	**9 998**	**24 881**

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	**2023 EUR'000**		**2022 EUR'000**	
	Gross	**Net**	**Gross**	**Net**
Government bonds	193 017	192 947	149 469	149 439
Corporate bonds	25 158	25 097	29 752	29 667
Mortgage bonds	19 018	19 018	17 552	17 552
Loans	15 253	15 189	14 520	14 467
Other debtors	737	421	1 567	1 196
Cash	19 083	19 083	12 894	12 894
	272 266	**271 755**	**225 754**	**225 215**

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:

2023	**Rating**	**Government bonds EUR'000**	**Listed debt securities EUR'000**	**Mortgage bonds EUR'000**	**Total EUR'000**
Agency: S&P, Fitch, Moody's					
	AAA	18 109	-	19 018	**37 127**
	AA	14 769	539	-	**15 308**
	A	156 726	7 010	-	**163 736**
	BBB	3 412	13 047	-	**16 459**
	BB and lower	-	2 655	-	**2 655**
	No rating	-	1 907	-	**1 907**
		193 016	**25 158**	**19 018**	**237 192**

2022	**Rating**	**Government bonds EUR'000**	**Listed debt securities EUR'000**	**Mortgage bonds EUR'000**	**Total EUR'000**
Agency: S&P, Fitch, Moody's					
	AAA	16 868	-	17 552	**34 420**
	AA	20 925	1 113	-	**22 038**
	A	106 222	8 268	-	**114 490**
	BBB	5 454	13 537	-	**18 991**
	BB and lower	-	4 447	-	**4 447**
	No rating	-	2 387	-	**2 387**
		149 469	**29 752**	**17 552**	**196 773**

Reinsurance

The Company reinsures a part of the risk portfolio 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 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 by following VIG Security List of reinsurers and reviews its reinsurance arrangements periodically.

Risks are ceded to the (re)insurance companies with a sound reputation considering 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. Most of the reinsurance companies are rated with rating AA and A, this is ap to 99% from reinsurance agreements. 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.

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 2023 EUR'000	**31 December 2022 EUR'000**
Accident insurance	200	100
Health insurance	Retained on net	Retained on net
CASCO	Retained on net	Retained on net
Railway rolling stock insurance	250	100
Aircraft insurance	250	100
Marine vessel insurance	250	805
Freight insurance	250	100
Property insurance	750	500
MTPL	600	600
Aircraft owner third party liability insurance	250	100
Ship owner third party liability insurance	250	805
General third party liability insurance	400	400
Credit insurance	800	800
Surety insurance	750	750
Miscellaneous financial losses insurance	750	500
Legal expense insurance	15 (only LT)	Retained on net
Assistance insurance	Retained on net	Retained on net

5.4 Operational risk management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes - inadequate or failed processes, people, systems, or external events. Operational risks arise from all of the Company's operations.

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;
- support sustainable processes;
- 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 processes 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 correct the issue and 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.

Annual operational risk assessment confirmed that the level of operational risk is adequate to the size and scale of complexity to the business and no material risks were identified being without effective control measures.

5.5 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.

During the reporting year interest rates on the international financial and capital markets had minor increase and had no further significant negative impact on the market valuation of the Company's financial assets.

Company in order to maintain financial stability has signed ancillary own fund agreement with VIG, a total amount not exceeding EUR 2.0 million in 2022. Ancillary own funds are Tier 2 own-funds which can be called up to absorb losses. The ancillary own funds were approved as eligible own funds in 2023, May by Bank of Latvia, the local supervisory authority. There were no other capital measures during 2023.

The ongoing underwriting profitable and sustainable growth, capital measure as ancillary own funds of the Company directly impacted the value of its Solvency own funds and significantly increased its Solvency ratio.

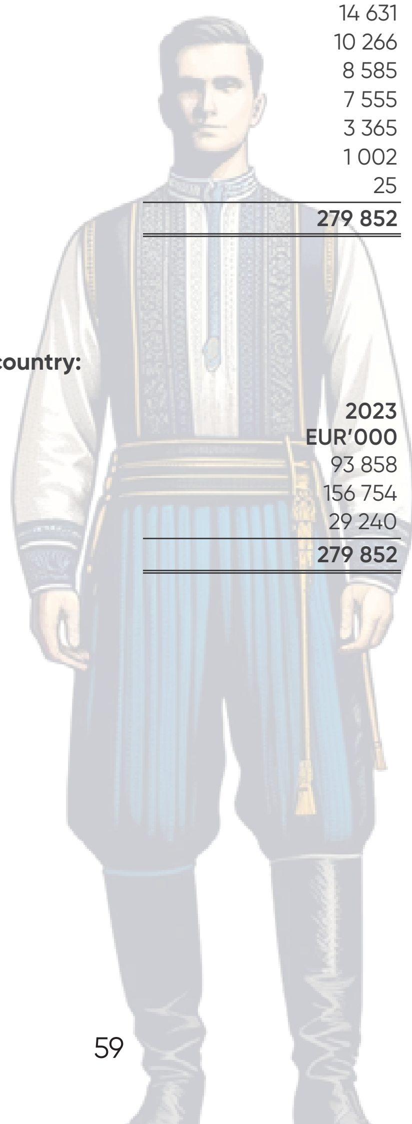
(6) Insurance service revenue

	2023 EUR'000	2022 (restated) EUR'000
Non-life contracts measured under the PAA	279 852	245 339
	279 852	**245 339**

	2023 EUR'000	2022 (restated) EUR'000
Contracts measured under the PAA		
Motor vehicle liability insurance	85 326	72 928
Other motor insurance	64 121	56 745
Fire and other damage to property insurance	45 474	39 388
Medical expense	39 502	35 633
General liability	14 631	11 733
Credit and suretyship insurance	10 266	9 843
Assistance	8 585	8 710
Income protection	7 555	6 411
Marine, aviation and transport insurance	3 365	3 148
Miscellaneous financial loss	1 002	782
Legal expenses	25	18
Total contracts measured under the PAA	**279 852**	**245 339**

Breakdown of insurance service revenue by country:

	2023 EUR'000	2022 EUR'000
Latvia	93 858	85 765
Lithuania	156 754	130 027
Estonia	29 240	29 547
	279 852	**245 339**



(7) Incurred claims and benefits and other insurance expenses

	2023 EUR'000	2022 (restated) EUR'000
Medical expense	30 161	32 045
Income protection	3 938	3 548
Motor vehicle liability insurance	51 022	50 924
Other motor insurance	43 376	41 733
Marine, aviation and transport insurance	2 464	1 382
Fire and other damage to property insurance	29 741	26 397
Assistance	3 353	3 670
General liability	2 793	2 728
Miscellaneous financial loss	380	234
Credit and suretyship insurance	374	1 170
Total	**167 602**	**163 831**

(8) Insurance finance result

	2023 EUR'000	2022 (restated) EUR'000
Net finance expenses from insurance contracts		
Interest accreted	(1 895)	(452)
Effect of changes in interest rates and other financial assumptions	(2 171)	3 746
Net foreign exchange loss	(368)	258
Total net finance expenses from insurance contracts	**(4 434)**	**3 552**
Net finance income from reinsurance contracts		
Interest accreted	1 087	199
Other	562	(1 383)
Total net finance income from reinsurance contracts	**1 649**	**(1 184)**
Represented by:		
Amounts recognised in profit or loss	**(2 785)**	**2 367**

(9) Investment result

	2023 EUR'000	2022 (restated) EUR'000
Investment return		
Interest revenue calculated using the effective interest method (a)	3 657	2 058
Other investment revenue (b)	923	898
Gain/(loss) of financial assets not measured at FVtPL, net	(2 065)	7
Gain/(loss) of financial assets measured at FVtPL, net	(447)	(3 455)
Net impairment loss on fin. instrument	(26)	(23)
Gain/(loss) on foreign currency fluctuation	331	(217)
Gain/(loss) on investment property	(145)	208
Total investment return	**2 228**	**(524)**

(a) Interest revenue calculated using the effective interest method

	2023 EUR'000	2022 (restated) EUR'000
Debt investments measured at FVtOCI		
Government bonds	2 161	850
Other debt securities	981	848
	3 142	**1 698**
Financial assets measured at amortised cost		
Cash and cash equivalents	146	-
Deposits with financial institutions	2	-
Loans	367	360
	515	**360**
Total interest revenue calculated using the effective interest method	**3 657**	**2 058**

(b) Other investment revenue

	2023 EUR'000	2022 (restated) EUR'000
Net gains on financial instruments measured at FVTPL		
Other debt securities	43	44
Investments in investment funds	632	664
Shares and other equity securities	40	23
Shares in fully consolidated companies	208	167
	923	**898**

(10) Expenses

	2023 EUR'000	2022 (restated) EUR'000
Claims and benefits and changes in liabilities	173 184	142 398
Employee benefits	24 527	24 493
Amortization of acquisition expenses	41 527	34 561
Depreciation	4 898	4 116
Direct claim handling expenses	3 888	3 785
IT expenses	3 612	3 192
Obligatory payments and deductions	2 891	2 485
Advertising and public relation expenses	1 300	1 031
External claim handling expenses	926	1 101
Utility expenses (electricity, heating, water)	797	847
Business related costs	740	677
Telecommunication costs	639	520
Car maintenance costs	618	570
Rent payments	377	350
Other operating expenses	325	2 154
Asset management costs	316	64
Cleaning expenses	308	272
Consulting services	208	402
Audit costs	122	86
Onerous contract changes	(248)	(1 983)
	260 955	**221 121**

Continued table

	2023 EUR'000	2022 (restated) EUR'000
Represented by:		
Insurance service expenses	255 194	215 792
Other operating expenses	5 761	5 329
	260 955	**221 121**
A. Employee benefit expenses		
Wages and salaries	20 507	20 990
Social security contributions	2 327	1 997
Other personal expenses	1 693	1 506
	24 527	**24 493**

(11) Other financial costs

	2023 EUR'000	2022 (restated) EUR'000
Interest expenses on financial liabilities measured at amortised cost		
Interest expense on subordinated loans	1 263	855
	1 263	**855**
Interest expense on lease liabilities	126	25
	1 389	**880**

(12) Income tax expense

	2023 EUR'000	2022 (restated) EUR'000
Current corporate income tax	(1 174)	(1 060)
Deferred tax	28	(48)
	(1 146)	**(1 108)**

Effective tax rate reconciliation

	2023 EUR'000			
	Latvia	Lithuania	Estonia	Total
Profit before tax	**6 588**	**6 959**	**(1 957)**	**11 590**
Theoretical tax using the 15% or 20% rate*	1 318	1 044	-	**2 362**
Non-deductible expenses	-	148	-	**148**
Profit taxation on distribution impact	(1 318)	-	-	**(1 318)**
Donations	-	(46)	-	**(46)**
Tax expenses	**-**	**1 146**	**-**	**1 146**

	2022 (restated) EUR'000			
	Latvia	Lithuania	Estonia	Total
Profit before tax	**2 663**	**7 452**	**418**	**10 533**
Theoretical tax using the 15% or 20% rate*	533	1 118	84	**1 735**
Non-deductible expenses	-	134	-	**134**
Profit taxation on distribution	(533)	-	(84)	**(617)**
Donations	-	(22)	-	**(22)**
IFRS 17 transition effect		(122)		**(122)**
Tax expenses	**-**	**1 108**	**-**	**1 108**

* Theoretical tax rate in 2023 and 2022 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.

Should all distributable retained earnings as of period end in the amount of EUR 24 731 thousand be distributed, EUR 9 244 thousand could be distributed without additional income tax consequences, while the distribution of all distributable retained earnings would result in corporate income tax implications of EUR 3 872 thousand. The distribution of Share premium and Reserve capital and other reserves to shareholders would not result in additional income tax consequences.

(13) Property and equipment

	Vehicles EUR'000	Art in BTA EUR'000	Other property and equipment EUR'000	Right-of-use assets EUR'000	Total EUR'000
Cost					
31.12.2021	**2 082**	**164**	**3 444**	**380**	**6 070**
Purchased	83	-	440	154	677
Disposals	(38)	-	(111)	(29)	(178)
31.12.2022	**2 127**	**164**	**3 773**	**505**	**6 569**
Purchased	785	35	575	21	1 416
Disposals	(217)	-	(729)	(53)	(999)
31.12.2023	**2 695**	**199**	**3 619**	**473**	**6 986**
Accumulated depreciation					
31.12.2021	**(886)**	**-**	**(2 405)**	**(216)**	**(3 507)**
Depreciation for the period	(391)	-	(574)	(82)	(1 047)
Depreciation on disposed assets	30	-	109	28	167
31.12.2022	**(1 247)**	**-**	**(2 870)**	**(270)**	**(4 387)**
Depreciation for the period	(447)	-	(574)	(83)	(1 104)
Depreciation on disposed assets	205	-	728	53	986
31.12.2023	**(1 489)**	**-**	**(2 716)**	**(300)**	**(4 505)**
Balance at 31.12.2022	**880**	**164**	**903**	**235**	**2 182**
Balance at 31.12.2023	**1 206**	**199**	**903**	**173**	**2 481**

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

(14) Land and buildings and Investment property

(a) Land and buildings for own use

	Land and buildings EUR'000	Right-of-use assets EUR'000	Total EUR'000
Cost			
31.12.2021	**1 887**	**8 341**	**10 228**
Additions	-	778	778
Disposals	-	(1 578)	(1 578)
31.12.2022	**1 887**	**7 541**	**9 428**
Additions	-	3 676	3 676
Disposals	-	(309)	(309)
31.12.2023	**1 887**	**10 908**	**12 795**
Accumulated depreciation			
31.12.2021	**(1 106)**	**(4 501)**	**(5 607)**
Depreciation for the period	(73)	(1 856)	(1 929)
Depreciation on disposed assets	-	1 579	1 579
31.12.2022	**(1 179)**	**(4 778)**	**(5 957)**
Depreciation for the period	(73)	(1 922)	(1 995)
Depreciation on disposed assets	-	309	309
31.12.2023	**(1 252)**	**(6 391)**	**(7 643)**
Balance at 31.12.2022	**708**	**2 763**	**3 471**
Balance at 31.12.2023	**635**	**4 517**	**5 152**

Depreciation for the period is presented in the profit or loss under Depreciation caption. The increase in right-of-use assets since 31 December 2022 is mainly due to new lease of new main office in Lithuania with lease term of the agreement of the 10 (ten) years lease from the lease commencement date.

(b) Investment property

	Investment property EUR'000
Balance at 31.12.2021	**1 121**
Disposals	(219)
Depreciation for the period	(96)
Depreciation on disposed assets	141
Balance at 31.12.2022	**947**
Disposals	(505)
Depreciation for the period	(85)
Depreciation on disposed assets	313
Balance at 31.12.2023	**670**

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

Rental income is recognized in the profit or loss under Other income amounting to EUR 132 thousand (2022: EUR 135 thousand).

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 2023 and 2022 in brackets:

Type	Fair value, EUR'000 (year 2022)	Valuation technique	Significant unobservable inputs (year 2022)	Inter-relation between significant unobservable inputs and fair value measurement
Building and land located in Tukums	160 (160)	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 (57)	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)
Buildings and land located in Riga	139 (139)	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 (one property was sold during 2023)	120 (210)	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 (part of the property was sold during 2023)	848 (1 096)	Discounted cash flows technique*	Rental income range EUR 5-8 per m^2 Discount rate 8.5% (Rental income range EUR 4.5-7 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)

	2023 EUR'000	2022 EUR'000
Total fair value	1 324	1 662

* 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. Increase in fair value is due to change in proportion between self-used and third-party leased properties. None of properties were revaluated by external valuators. Based on managements' fair value assessment, there were no significant changes in fair value in those properties.

(15) Intangible assets

	Software EUR'000	Total EUR'000
Cost		
31.12.2021	**7 872**	**7 872**
Purchased	3 594	3 594
Disposals	(8)	(8)
31.12.2022	**11 458**	**11 458**
Purchased	3 111	3 111
Disposals	(255)	(255)
31.12.2023	**14 314**	**14 314**
Accumulated amortisation		
31.12.2021	**(3 674)**	**(3 674)**
Amortisation for the period	(1 140)	(1 140)
Amortisation on disposed assets	8	8
31.12.2022	**(4 806)**	**(4 806)**
Amortisation for the period	(1 795)	(1 795)
Amortisation on disposed assets	252	252
31.12.2023	**(6 349)**	**(6 349)**
Balance at 31.12.2022	**6 652**	**6 652**
Balance at 31.12.2023	**7 965**	**7 965**

Amortisation for the period is presented in the profit or loss under Depreciation and amortisation caption. Software purchases for the reporting period are increased due to capitalisation of costs for IT systems.

(16) 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. 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. In 2021 Company increased its share capital to EUR 1 059 thousand for Ģertrūdes 121 SIA, EUR 320 thousand for Artilērijas 35 SIA and EUR 304 thousand for Alauksta 13/15 SIA.

In 2021 new subsidiary was established LiveOn SIA. Company in 2021 in total invested EUR 15 052 thousand in share capital of LiveOn SIA. In 2022 Company additionally invested EUR 3 150 thousand in LiveOn SIA share capital. Purpose is to increase Company's real estate investment portfolio.

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 2023, as well as at 31 December 2022, the subsidiaries and associate companies are accounted using the cost method. Based on impairment analysis performed by management as at 31.12.2023, no impairment has been identified.

Name of the Company	Participation	Investment amount 31.12.2023 EUR'000	Investment amount 31.12.2022 EUR'000	Net asset value 31.12.2023 (unaudited) EUR'000	Net asset value 31.12.2022 EUR'000
Urban Space SIA	100%	506	506	597	733
Ģertrūdes 121 SIA	33.33%	1 059	1 059	3 589	3 485
Artilērijas 35 SIA	33.33%	320	320	1 110	1 103
Alauksta 13/15 SIA	33.33%	304	304	1 154	1 086
Global Assistance SIA	33.33%	100	100	250	265
LiveOn SIA	70%	18 203	18 203	28 994	27 959
		20 492	**20 492**	**35 694**	**34 631**

(17) Financial investments at fair value through profit or loss

	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Non-fixed income securities		
Investments in investment funds	34 912	37 349
Shares and other equity securities	5 841	5 562
	40 753	**42 911**

	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Investment portfolio of non-fixed income securities by geography:		
Latvia, Lithuania, Estonia	6 986	8 638
European Union countries	27 436	28 312
Other	6 331	5 961
	40 753	**42 911**

	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Fixed income securities		
Debt securities with fixed income, which are included in a regulated market	793	891
	793	**891**

	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Investment portfolio of fixed income securities by geography:		
European Union countries	793	891
	793	**891**

(18) Financial investments at fair value through other comprehensive income

	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Fixed income securities		
Debt securities with fixed income, which are included in a regulated market	236 399	195 883
	236 399	**195 883**

	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Investment portfolio of fixed income securities by geography:		
Latvia, Lithuania, Estonia	150 261	101 198
Poland	14 478	13 279
Denmark	18 849	17 392
European Union countries	44 642	52 306
Other	8 169	11 708
	236 399	**195 883**

As at 31 December 2023 and 2022, all financial investments at fair value through other comprehensive income are assessed as Stage 1 in line with IFRS 9 requirements, except for one financial investment, that is assessed as Stage 2 in line with IFRS 9 requirements. Impairment allowance for expected credit loss as at 31 December 2023 amounts to EUR 116 thousand (31 December 2022: EUR 130 thousand).

(19) Loans

Structure of loan portfolio:

	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Amount of loans, gross	15 241	14 520
Accrued interest payments	11	-
Portfolio level impairment allowances	(63)	(53)
	15 189	**14 467**

All issued loans are to related parties. For more detailed information please refer to Note 35. As at 31 December 2023 and 2022, all loans are assessed as Stage 1 in line with IFRS 9 requirement. No events of delays of payments have been identified during the reporting year.

Loan maturity structure:

	31.12.2023 EUR'000	31.12.2022 EUR'000
With maturity 1 - 5 years	1 000	-
With maturity in more than 5 years	14 241	14 520
	15 241	**14 520**

Loan structure by geographical split:

	31.12.2023 EUR'000	31.12.2022 EUR'000
Latvia	9 406	8 579
Poland	5 639	5 746
Czech Republic	128	132
Estonia	40	40
Lithuania	28	23
	15 241	**14 520**

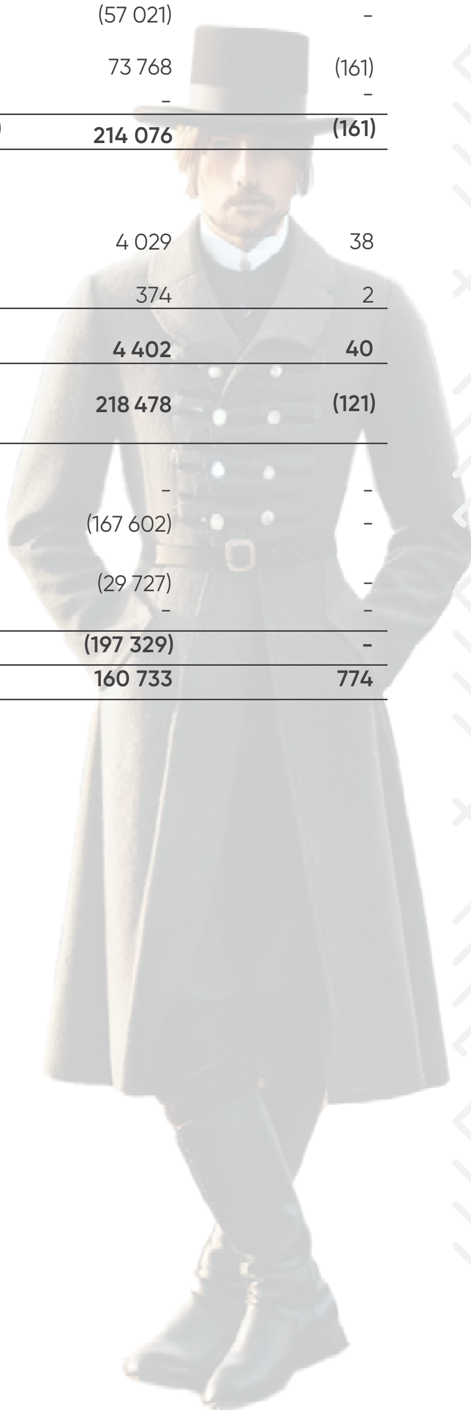
All issued loans are to related parties. For more detailed information please refer to Note 35.

(20) Insurance contract assets and liabilities

Insurance contract assets	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Receivables premiums	417	622
	417	**622**
Insurance contract liabilities		
Liabilities for remaining coverage	77 745	73 240
Liabilities for incurred claims	160 733	139 582
Risk adjustment for non-financial risk	774	896
Loss component	-	248
	239 252	**213 966**
Insurance contract assets/liabilities	**238 835**	**213 344**

Movements in insurance contract balances

	Total amount 31.12.2023 EUR'000	Liabilities for remaining coverage 31.12.2023 EUR'000	Loss component 31.12.2023 EUR'000	Estimates of present value of future cash flows 31.12.2023 EUR'000	Risk adjustment for non-financial risk 31.12.2023 EUR'000
Opening liabilities	**213 344**	**72 617**	**248**	**139 584**	**895**
Insurance revenue	**(279 852)**	**(279 852)**	**-**	**-**	**-**
Insurance service expenses					
Incurred claims	197 329	-	-	197 329	-
Amortisation of acquisition cash flows	41 527	41 527	-	-	-
Changes in liabilities for past periods	(57 021)	-	-	(57 021)	-
Changes in liabilities for current period	73 607	-	-	73 768	(161)
Loss component	(248)	-	(248)	-	-
Insurance service expenses	**255 194**	**41 527**	**(248)**	**214 076**	**(161)**
Insurance finances result from direct					
Net finances expenses from insurance contract	4 066	-	-	4 029	38
Effect of movement in exchange rates	368	(8)	-	374	2
Insurance finances result from direct	**4 434**	**(8)**	**-**	**4 402**	**40**
Total changes in the statement of profit or loss and OCI	**(20 224)**	**(238 333)**	**-**	**218 478**	**(121)**
Cash flows					
Premium received	269 827	269 827	-	-	-
Claims paid	(167 361)	241	-	(167 602)	-
Incurred directly attributable operating expenses	(29 727)	-	-	(29 727)	-
Insurance acquisition cash flows	(27 024)	(27 024)	-	-	-
Total cash flows	**45 715**	**243 044**	**-**	**(197 329)**	**-**
Closing liabilities	**238 835**	**77 328**	**-**	**160 733**	**774**



	Total amount 31.12.2022 EUR'000	Liabilities for remaining coverage 31.12.2022 EUR'000	Loss component 31.12.2022 EUR'000	Estimates of present value of future cash flows 31.12.2022 EUR'000	Risk adjustment for non-financial risk 31.12.2022 EUR'000
Opening liabilities	**222 662**	**65 838**	**2 231**	**153 419**	**1 174**
Insurance revenue	**(245 339)**	**(245 339)**	**-**	**-**	**-**
Insurance service expenses					
Incurred claims	193 743	-	-	193 743	-
Amortisation of acquisition cash flows	34 561	34 561	-	-	-
Changes in liabilities for past periods	(77 286)	-	-	(77 286)	-
Changes in liabilities for current period	66 757	-	-	67 002	(245)
Loss component	(1 983)	-	(1 983)	-	-
Insurance service expenses	**215 792**	**34 561**	**(1 983)**	**183 459**	**(245)**
Insurance finances result from direct					
Net finances expenses from insurance contract	(3 294)	-	-	(3 261)	(33)
Effect of movement in exchange rates	(258)	33	-	(291)	-
Insurance finances result from direct	**(3 552)**	**33**	**-**	**(3 552)**	**(33)**
Total changes in the statement of profit or loss and OCI	**(33 099)**	**(210 745)**	**(1 983)**	**179 907**	**(278)**
Cash flows					
Premium received	244 454	244 454	-	-	-
Claims paid	(163 169)	662	-	(163 831)	-
Incurred directly attributable operating expenses	(29 913)	-	-	(29 913)	-
Insurance acquisition cash flows	(27 591)	(27 591)	-	-	-
Total cash flows	**23 781**	**217 525**	**-**	**(193 744)**	**-**
Closing liabilities	**213 344**	**72 618**	**248**	**139 582**	**896**

(21) Other receivables

	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Financial assets		
Receivables for claims handling services provided	196	283
Other debtors	427	1 021
Impairment allowance	(316)	(371)
Total financial assets	**307**	**933**
Non-financial assets		
Advance payments	114	263
Total non-financial assets	**114**	**263**
	421	**1 196**

(22) Cash and cash equivalents

	31.12.2023 EUR'000	31.12.2022 EUR'000
Cash on hand	5	16
Current accounts with credit institutions	16 978	12 578
Short term deposits	2 100	300
Cash and cash equivalents	**19 083**	**12 894**
Cash and cash equivalents as disclosed in the statement of cash flows	**19 083**	**12 894**

Credit institutions:

	31.12.2023 EUR'000	31.12.2022 EUR'000
Latvian credit institutions	8 746	7 596
Lithuanian credit institutions	8 141	3 338
Estonian credit institutions	2 191	1 944
	19 078	**12 878**

Credit institutions analysis by ratings:

	31.12.2023 EUR'000	31.12.2022 EUR'000
A	8 849	3 020
BBB	10 208	7 903
BB and lower	–	1 878
Not rated	21	77
	19 078	**12 878**

Group ratings are used to reflect credit ratings of credit institutions in the table above if the credit institution does not have a credit rating, but the wider group does.

(23) Deposits with banks

Investment maturity structure:

	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
With original maturity not longer than 3 months (refer to Note 22 - Cash and cash equivalents)	2 100	300
	2 100	**300**

Investment structure by geographic split:

	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Latvia	2 000	300
Estonia	100	-
	2 100	**300**

(24) Obligatory payments disclosed in statement of cash flows

Payments made to:

	31.12.2023 EUR'000	31.12.2022 EUR'000
Latvian Transport Insurance Bureau	889	586
Estonian and Lithuanian Transport Insurance Bureaus	1 427	1 214
Latvijas Banka commission	484	466
Estonian and Lithuanian insurance supervisory institutions	209	4
	3 009	**2 270**

(25) Capital and reserves

Share capital

The authorized and issued share capital of the Company at 31 December 2023 is EUR 51 609 400 (2022: EUR 51 609 400) comprised of 516 094 (2022: 516 094) 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

	2023 EUR'000	2022 EUR'000
Dividends declared	4 644	4 144
Dividends paid	4 644	4 144

	2023 EUR	2022 EUR
Dividends declared per share	9.00	8.03
Dividends paid per share	9.00	8.03

Other reserves

On 19 September 2017, a decision was taken regarding reorganisation of AAS BTA Baltic Insurance Company. The reorganisation is performed as a merger by way of takeover, where AAS BTA Baltic Insurance Company is the acquiring company and InterRisk Vienna Insurance Group AAS, registration number: 40003387032, registered address: Ūdens iela 12 – 115, Riga, LV-1007, is the acquired company. The reorganization was enacted effective on 27 December 2017. Amount arises from reorganization.

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 debt instruments measured at FVtOCI, net of deferred tax.

	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Investment revaluation reserves	(10 526)	(20 459)
	(10 526)	**(20 459)**

	EUR'000
Balance at 31.12.2021	**3 745**
Transition effect IFRS9	(320)
Restated balance as at 31.12.2021	**3 425**
Debt investments at FVtOCI – net change in fair value	(23 883)
Debt investments at FVtOCI – reclassified to profit or loss	(7)
Debt investments at FVtOCI – ECL net changes	6
Balance at 31.12.2022 (restated)	**(20 459)**
Debt investments at FVtOCI – net change in fair value	7 853
Debt investments at FVtOCI – reclassified to profit or loss	2 065
Debt investments at FVtOCI – ECL net changes	15
Balance at 31.12.2023	**(10 526)**

(26) Lease liabilities

	31.12.2023 EUR'000	31.12.2022 EUR'000
Less than one year	1 673	1 755
Between one and five years	1 703	1 264
More than five years	1 406	43
	4 782	**3 062**

Lease liability movement

	EUR'000
Balance at 31.12.2021	**4 084**
Additions	160
Modification	751
Interest expenses	25
Payments	(1 958)
Balance at 31.12.2022	**3 062**
Additions	2 580
Modification	1 121
Interest expenses	126
Payments	(2 107)
Balance at 31.12.2023	**4 782**

(27) Deferred tax assets

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 at 31 December 2023 and 2022. These deferred tax assets have been recognised in these financial statements.

Deferred tax asset/(liabilities) attributable to:	**31.12.2023 EUR'000**	**31.12.2022 EUR'000**
Lithuania	230	202

Movement in temporary differences during the year 2023

				31 December 2023	
000'EUR	**Net balance 1 January 2023**	**Recognised in profit or loss**	**Net balance 31 December 2023**	**Deferred tax asset**	**Deferred tax liability**
Provisions	202	28	230	230	-
Deferred tax assets before set-off	**202**			**230**	**-**
Set off of tax				-	-
Net deferred tax assets				**230**	**-**

Movement in temporary differences during the year 2022

				31 December 2022	
000'EUR	**Net balance 1 January 2022**	**Recognised in profit or loss**	**Net balance 31 December 2022**	**Deferred tax asset**	**Deferred tax liability**
Provisions	250	(48)	202	202	-
Deferred tax assets before set-off	**250**			**202**	**-**
Set off of tax				-	-
Net deferred tax assets				**202**	**-**

(28) Reinsurance contracts assets and liabilities

Reinsurance contracts assets

	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Assets for remaining coverage	2 561	2 795
Assets for incurred claims	24 699	22 170
	27 260	**24 965**

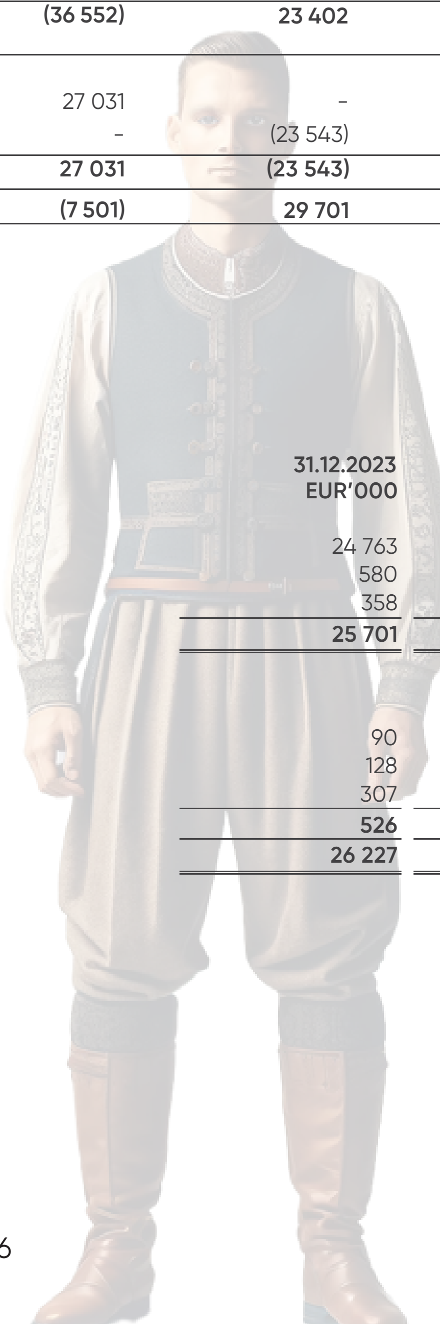
Reinsurance contract liabilities

	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Reinsurance contract liabilities	(5 773)	(2 552)
	(5 773)	**(2 552)**
Total reinsurance assets and liabilities	**21 487**	**22 413**

Movements in reinsurance contracts

	Total amount 31.12.2023 EUR'000	Assets for remaining coverage 31.12.2023 EUR'000	Estimates of present value of future cash flows 31.12.2023 EUR'000	Risk adjustment for non-financial risk 31.12.2023 EUR'000
Opening assets	**22 413**	**(7 501)**	**29 701**	**213**
Allocation of reinsurance premium paid	**(43 010)**	**(43 010)**	**-**	**-**
Amounts recoverable from reinsurers				
Recoveries of incurred claims	29 361	-	29 361	-
Adjustment to assets of incurred claims	7 199	-	7 237	(38)
Amounts recoverable from reinsurers	**36 560**	**-**	**36 598**	**(38)**
Finances result from reinsurance contracts				
Net finances income from reinsurance contract	1 649	-	1 640	9
Effect of movement in exchange rates	-	-	-	-
Finances result from reinsurance contract	**1 649**	**-**	**1 640**	**9**
Total changes in the statement of profit or loss and OCI	**(4 801)**	**(43 010)**	**38 238**	**(29)**
Cash flows				
Premium paid	42 460	42 460	-	-
Amount received	(38 585)	-	(38 585)	-
Total cash flows	**3 875**	**42 460**	**(38 585)**	**-**
Closing liabilities	**21 487**	**(8 051)**	**29 354**	**184**

	Total amount 31.12.2022 EUR'000	Assets for remaining coverage 31.12.2022 EUR'000	Estimates of present value of future cash flows 31.12.2022 EUR'000	Risk adjustment for non-financial risk 31.12.2022 EUR'000
Opening assets	**32 165**	**2 019**	**29 842**	**304**
Allocation of reinsurance premium paid	**(36 551)**	**(36 551)**	**-**	**-**
Amounts recoverable from reinsurers				
Recoveries of incurred claims	25 924	-	25 924	-
Adjustment to assets of incurred claims	(1 429)	-	(1 346)	(83)
Amounts recoverable from reinsurers	**24 495**	**-**	**24 578**	**(83)**
Finances result from reinsurance contracts				
Net finances income from reinsurance contract	(1 184)	-	(1 176)	(8)
Effect of movement in exchange rates	-	-	-	-
Finances result from reinsurance contract	**(1 184)**	**-**	**(1 176)**	**(8)**
Total changes in the statement of profit or loss and OCI	**(13 240)**	**(36 552)**	**23 402**	**(91)**
Cash flows				
Premium paid	27 031	27 031	-	-
Amount received	(23 543)	-	(23 543)	-
Total cash flows	**3 488**	**27 031**	**(23 543)**	**-**
Closing liabilities	**22 413**	**(7 501)**	**29 701**	**213**



(29) Other creditors

	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Financial liabilities		
Financial pledge	24 763	21 293
Due to employees (remuneration)	580	305
Other creditors	358	516
Total financial liabilities	**25 701**	**22 114**
Non-financial liabilities		
Due to the Motor Insurers' Bureau of Latvia	90	91
Due to Latvijas Banka, Latvia	128	125
Due to Motor Insurers' Bureau of Lithuania	307	306
Total non-financial liabilities	**526**	**522**
	26 227	**22 636**

(30) Accrued liabilities

Provisions

	31.12.2023 EUR'000	31.12.2022 EUR'000
Accrued staff bonuses	2 755	2 477
	2 755	**2 477**

	Gross EUR'000
Provisions at 31.12.2021	**2 109**
Paid	(1 629)
Increase of provisions	1 997
Provisions at 31.12.2022	**2 477**
Paid	(4 122)
Increase of provisions	4 400
Provisions at 31.12.2023	**2 755**

(31) Next period income

	31.12.2023 EUR'000	31.12.2022 EUR'000
Accrued liabilities for unused employee vacations	1 528	1 560
Other accrued liabilities	640	880
	2 168	**2 440**

(32) Number of employees and information on branches

	At 31 December 2023	At 31 December 2022
Employees	1 050	1 091
Insurance agents	125	152
	1 175	**1 243**

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 2023	At 31 December 2022
Latvia	454	474
Branch in Lithuania	523	528
Branch in Estonia	73	89
	1 050	**1 091**

Number of client service centres:

	At 31 December 2023	At 31 December 2022
Customer service centres abroad	99	111
Customer service centres in Latvia	52	56

(33) Personnel expenses

	2023 EUR'000	2022 EUR'000
Remuneration	31 181	29 025
Social contribution expenses	4 114	3 800
	35 295	**32 825**

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

	2023 EUR'000	2022 EUR'000
Supervisory Board	48	67
Management Board	786	748
Social contribution expenses	172	165
	1 006	**980**

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

(35) Related parties

Control relationships

On October 29, 2020, Vienna Insurance Group AG Wiener Versicherung Gruppe (VIG) became a 100% owner of Company's shares.

Transactions with related parties

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

The Company has the following related party transactions in 2023 and 2022 and debtors/creditors' balances as at 31 December 2023 and 2022:

Transactions with related parties

<u>Reinsurance</u>

	2023 EUR'000	2022 EUR'000
Vienna Insurance Group AG Wiener Versicherung Gruppe		
Net expenses from reinsurance contracts	(4 854)	(1 246)
Insurance finance result from reinsurance contracts	1 237	(873)
Total	***(3 617)***	***(2 119)***
VIG Re zajišt'ovna, a.s.		
Net expenses from reinsurance contracts	(2 211)	(1 528)
Insurance finance result from reinsurance contracts	38	(7)
Total	***(2 173)***	***(1 535)***
DONAU Versicherung AG Vienna Insurance Group		
Net expenses from reinsurance contracts	-	(3)
Insurance finance result from reinsurance contracts	-	-
Total	***-***	***(68)***

Continued table

<u>*Other transactions*</u>

	2023 EUR'000	2022 EUR'000
Vienna Insurance Group AG Wiener Versicherung Gruppe		
Interest expense for subordinated loans	(1 263)	(855)
Management portfolio fee for subordinated loans	(54)	-
Other expenses	(711)	(673)
Total	***(2 028)***	***(1 528)***
VIG FUND, a.s.		
Interest income from loan	3	3
Dividend income from investment in shares	115	94
Total	***118***	***97***
Atrium Tower Sp. Z o.o.		
Interest income from loan	34	34
Total	***34***	***34***
Alauksta 13/15 SIA		
Interest income from loan	8	8
Other income	11	10
Total	***19***	***18***
Artilērijas 35 SIA		
Interest income from loan	8	9
Dividend income from investment in shares	18	-
Other income	5	1
Total	***31***	***10***
Ģertrūdes 121 SIA		
Interest income from loan	28	29
Dividend income from investment in shares	40	53
Other income	21	19
Total	***89***	***101***
KKB Real Estate SIA		
Interest income from loan	168	172
Total	***168***	***172***
NNC Real Estate Sp. Z O.O.		
Interest income from loan	104	105
Total	***104***	***105***
Bulstrad Public Ltd. Comp.		
Claim handling costs	(1)	(2)
Total	***(1)***	***(2)***
Compensa Life insurance SE Estonia filialas		
Other income	-	4
Total	***-***	***4***
Compensa Vienna Insurance Group ADB (Lithuania)		
Claim handling costs	(8)	(9)
Other income	-	6
Total	***(8)***	***(3)***
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group		
Claim handling costs	(331)	(128)
Total	***(331)***	***(128)***

Continued table

Global Assistance Baltic SIA		
Claim handling costs	(43)	(101)
Other expenses	(224)	(834)
Other income	13	108
Total	***(254)***	***(827)***
Kooperativa pojišt'ovna, a.s. (SK)		
Claim handling costs	(6)	(9)
Total	***(6)***	***(9)***
Kooperativa pojišt'ovna, a.s. (CZ)		
Claim handling costs	(37)	(38)
Total	***(37)***	***(38)***
Union Biztosító Zrt.		
Claim handling costs	*(12)*	*(3)*
Total	***(12)***	***(3)***
Urban Space SIA		
Dividend income from investment in shares	*35*	*5*
Other income	*2*	*2*
Total	***37***	***7***
Compania de Asigurari "DonarisVienna Insurance Group" S.A., Chisinau		
Claim handling costs	(3)	(-)
Total	***(3)***	***(-)***
DONAU Versicherung AG Vienna Insurance Group		
Claim handling expenses	(97)	(65)
Total	***(97)***	***(65)***
LiveOn SIA		
Interest income from loan	11	-
Other income	2	1
Total	***13***	***1***
LiveOn Linkmenu UAB		
Interest income from loan	1	-
Total	***1***	-
LiveOn Päevalille OÜ		
Interest income from loan	1	-
Total	***1***	-
LiveOn Stirnu SIA		
Other income	12	-
Total	***12***	-
LiveOn Terbatas SIA		
Interest income from loan	1	-
Other income	19	-
Total	***20***	-
Members of the Board		
Income from insurance premiums	4	4
Paid claims	(17)	(2)
Total	***(13)***	***2***

Balances with related parties

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

	31.12.2023 EUR'000	31.12.2022 (restated) EUR'000
Assets		
Vienna Insurance Group AG Wiener Versicherung Gruppe		
Reinsurance contracts assets	*1 284*	*1 261*
Total Vienna Insurance Group AG Wiener Versicherung Gruppe	**1 284**	**1 261**
VIG RE zajišt'ovna a.s.		
Reinsurance contracts assets	*2 255*	*88*
Total VIG RE zajišt'ovna a.s	**2 255**	**88**
VIG FUND, a.s.	5 017	5 021
Atrium Tower Sp. Z o.o.	1 350	1 350
KKB Real Estate SIA	6 420	6 589
Urban Space SIA, see Note 16	636	481
Global Assistance SIA	100	100
Alauksta 13/15 SIA	647	654
Artilērijas 35 SIA	681	691
Ģertrūdes 121 SIA	2 262	2 290
Hymel Sp.z.o.o.	4 289	4 396
LiveOn SIA	20 939	19 900
LiveOn Paevalille OÜ	30	23
LiveOn Stirnu SIA	19	13
LiveOn Terbatas SIA	60	23
LiveOn Linkmenu UAB	40	40
	42 490	**41 571**
Liabilities		
Vienna Insurance Group AG Wiener Versicherung Gruppe		
Reinsurance contracts liabilities	*61 719*	*48 798*
Subordinated loan	*22 000*	*22 000*
Total Vienna Insurance Group AG Wiener Versicherung Gruppes	**83 719**	**70 798**
VIG RE zajišt'ovna a.s.		
Reinsurance contracts liabilities	*471*	*429*
Total VIG RE zajišt'ovna a.s	**471**	**429**
Global Assistance SIA	119	182
	84 309	**71 409**

Assets due from VIG FUND, a.s., Atrium Tower Sp. Z.o.o., KKB Real Estate SIA, Alauksta 13/15 SIA, Artilērijas 35 SIA, Ģertrūdes 121 SIA, Hymel Sp.z.o.o., LiveOn SIA, LiveOn Paevalille OÜ, LiveOn Stirnu SIA, LiveOn Terbatas SIA, LiveOn Linkmenu UAB includes loans issued to these related parties. 31.12.2023. and 31.12.2022. figures are below.

	Loan amount 2023 EUR'000	Loan amount 2022 EUR'000	Accrued interest 2023 EUR'000	Accrued interest 2022 EUR'000	Due date	Interest rate
VIG FUND, a.s.	128	132	-	-	31.12.2030	2.50%
Atrium Tower Sp. Z o.o.	1 350	1 350	-	-	31.12.2030	2.50%
KKB Real Estate SIA	5 472	5 618	-	-	31.03.2030	2.55%
	948	971	-	-	31.09.2031	2.4%
Alauksta 13/15 SIA	342	351	-	-	31.12.2031	2.25%
Artilērijas 35 SIA	361	371	-	-	31.12.2031	2.25%
Ģertrūdes 121 SIA	1 201	1 232	-	-	31.12.2031	2.25%
Hymel Sp.z.o.o.	4 289	4 396	-	-	31.12.2031	2.35%
LiveOn SIA	1 000	-	11	-	01.12.2026	6.35%
LiveOn Paevalille OÜ	30	23	-	-	27.08.2031	2.50%
LiveOn Stirnu SIA	19	13	-	-	27.08.2031	2.50%
LiveOn Terbatas SIA	60	23	-	-	27.08.2031	2.50%
LiveOn Linkmenu UAB	40	40	-	-	27.08.2031	2.50%
Total	**15 240**	**14 520**	**11**	**-**		

In addition, assets due from VIG FUND, a.s. include investment in the share capital of VIG FUND, a.s. in amount of EUR 4 889 thousand (2022 (restated): EUR 4 889 thousand), which is included in the Statement of Financial Position under Fair value through profit or loss instruments caption, see Note 17.

Payables due to Vienna Insurance Group AG Wiener Versicherung Gruppe include:

- Subordinated loan in amount of EUR 1 500 thousand (2022: 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 2023 amounted to EUR 0 (2022: 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 2023 amounted to EUR 3 315 (2022: EUR 3 315).
- Subordinated loan in amount of EUR 15 000 thousand which was received on 17 June 2022 with annual interest rate of 5.82%. The loan shall be repaid on tenth anniversary of the receipt of the loan. Accrued interest expense as at 31 December 2023 amounted to EUR 518 950 (2022: EUR 477 725).

(36) Leases

(a) The Company as a 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 14(a)) EUR'000	Property and equipment (Note 13) EUR'000	Total EUR'000
Balance at 31.12.2021	**3 840**	**164**	**4 004**
Disposals	(800)	125	(675)
Depreciation charge for the year	(277)	(82)	(359)
Depreciation for disposed assets	–	28	28
Balance at 31.12.2022	**2 763**	**235**	**2 998**
Disposals	3 367	(32)	3 335
Depreciation charge for the year	(1 612)	(84)	(1 696)
Depreciation for disposed assets	–	53	53
Balance at 31.12.2023	**4 518**	**172**	**4 690**

Amounts recognised in profit or loss

	2023 EUR'000
2023 – Leases under IFRS 16	
Interest on lease liabilities	126
	126

	2022 EUR'000
2022 – Leases under IFRS 16	
Interest on lease liabilities	25
	25

Amounts recognised in statement of cash flows

	2023 EUR'000
Total cash outflow for leases	(2 107)

	2022 EUR'000
Total cash outflow for leases	(1 958)

(b) The Company as a lessor (IFRS 16)

The Company leases out its investment properties (see Note 14(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 is recognized in the profit or loss under Other income amounting to EUR 132 thousand (2022: EUR 135 thousand).

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

2023 – Operating leases under IFRS 16	**31.12.2023 EUR'000**
Within one year	20
One to two years	20
Two to three years	7
	47

2022 – Operating leases under IFRS 16	**31.12.2022 EUR'000**
Within one year	31
One to two years	20
Two to three years	20
Three to four years	7
	78

(37) 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.

(38) 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 with carrying amounts that are reasonable approximations of fair values:

	2023		**2022**	
Financial assets	**Carrying amount EUR'000**	**Fair value EUR'000**	**Carrying amount (restated) EUR'000**	**Fair value (restated) EUR'000**
Listed equity instruments	952	952	673	673
Non-listed equity instruments	4 889	4 889	4 889	4 889
Quoted debt instruments	237 192	237 192	196 773	196 773
Fund certificates	34 912	34 912	37 349	37 349
	277 945	**277 945**	**239 684**	**239 684**

(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 2023	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets				
Financial investments measured at fair value through profit and or loss	149 046	86 279	1 074	**236 399**
Financial investments measured at fair value through other comprehensive income	7 711	2 455	31 380	**41 546**
	156 757	**88 734**	**32 454**	**277 945**

31 December 2022 (restated)	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets				
Financial investments measured at fair value through profit or loss	144 485	50 323	1 074	**195 882**
Financial investments measured at fair value through other comprehensive income	11 885	3 371	28 546	**43 802**
	156 370	**53 694**	**29 620**	**239 684**

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

There were no transfers between Levels during 2023 and 2022.

(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.

	Bonds EUR'000	Equity securities EUR'000	Fund certificates EUR'000	Total EUR'000
Balance at 1 January 2022	**1 074**	**4 819**	**21 817**	**27 710**
Gain/ (loss), FVtPL	–	70	1 122	**1 192**
Received interest	(24)	–	–	**(24)**
Accrued interest	24	–	–	**24**
Purchases	–	–	758	**758**
Disposals	–	–	(40)	**(40)**
Balance at 31 December 2022	**1 074**	**4 889**	**23 657**	**29 620**
Balance at 1 January 2023	1 074	4 889	23 657	**29 620**
Gain/ (loss), FVtPL	–	–	71	**71**
Received interest	(24)	–	–	**(24)**
Accrued interest	24	–	–	**24**
Purchases	–	–	3 411	**3 411**
Disposals	–	–	(647)	**(647)**
Balance at 31 December 2023	1 074	4 889	26 492	32 455

(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:

2023	OCI, net of tax		Profit or loss, net of tax	
	Increase EUR'000	Decrease EUR'000	Increase EUR'000	Decrease EUR'000
Equity securities				
Changes in real estate cash flows by 5% resulting in change of NAV by 5%	-	-	244	(244)
Fund certificates				
Changes in real estate cash flows by 5% resulting in change of NAV by 5%	-	-	1 325	(1 325)
Bonds				
Changes in bonds' yield by 1%	19	(19)	-	-

2022	OCI, net of tax		Profit or loss, net of tax	
	Increase EUR'000	Decrease EUR'000	Increase EUR'000	Decrease EUR'000
Equity securities				
Changes in real estate cash flows by 5% resulting in change of NAV by 5%	-	-	244	(244)
Fund certificates				
Changes in real estate cash flows by 5% resulting in change of NAV by 5%	-	-	1 183	(1 183)
Bonds				
Changes in bonds' yield by 1%	28	(28)	-	-

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	2023 EUR'000	2022 EUR'000
Total gains and losses included in profit or loss:		
ECL on financial assets measured at FVtOCI	(14)	(6)
Net realised gain/(loss) on financial assets measured at FVtOCI	(2 065)	7
Interest income	3 143	1 698
Total gains and losses included in other comprehensive income:		
Financial investments measured at fair value through other comprehensive income – net change in fair value	9 933	(23 884)

(c) Financial instruments not measured at fair value

Financial assets and financial liabilities other than those reflected at their fair value 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 35). 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.

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 35).

Comparison between carrying cost and fair value for issued loans:

31 December 2023	Level 1 000'EUR	Level 2 000'EUR	Level 3 000'EUR	Total fair values 000'EUR	Total carrying amount 000'EUR
Financial assets					
Loans	-	-	13 728	13 728	15 253
31 December 2022					
Financial assets					
Loans	-	-	11 672	11 672	14 520

(39) Subsequent events

As of the last day of the reporting period until the date of signing these separate financial statements there have been no events requiring adjustment of or disclosure in the financial statements or notes thereto.

The Company does not see any going concern risks.

Oskars Hartmanis
Chairman of the Management Board

Evija Matveja
Member of Management Board

Tadeuš Podvorski
Member of Management Board

Gediminas Radavičius
Member of Management Board

10 April 2024

Independent Auditors' Report

VIENNA INSURANCE GROUP

KPMG Baltics SIA
Roberta Hirsa iela 1
Riga, LV-1045
Latvia

T: + 371 67038000
kpmg.com/lv
kpmg@kpmg.lv

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 16 to 87 of the accompanying Annual Report, which comprise:

- the separate statement of financial position as at 31 December 2023,
- the separate statement of comprehensive income for the year then ended,
- the separate statement of changes in shareholder's equity for the year then ended,
- the separate statement of cash flows for the year then ended, and
- the notes to the separate financial statements, which include a summary of material accounting policies and other explanatory notes.

In our opinion, the accompanying separate financial statements give a true and fair view of the separate financial position of BTA Baltic Insurance Company AAS as at 31 December 2023, and of its separate financial performance and its separate cash flows for the year then ended in accordance with IFRS Accounting Standards 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 Code of Ethics for Professional Accountants (including International Independence Standards) developed by the International Ethics Standards Board for Accountants (IESBA Code) and the 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 insurance contract liabilities for incurred claims

The Company's insurance contract liabilities for incurred claims as at 31 December 2023 amounted to EUR 161 507 thousand (consisting of Estimates of the present value of the future cash flows amounting to EUR 160 733 thousand and Risk adjustment for non-financial risk amounting to EUR 774 thousand) (31 December 2022: EUR 140 478 thousand, consisting of Estimates of the present value of the future cash flows amounting to EUR 139 582 thousand and Risk adjustment for non-financial risk amounting to EUR 896 thousand).

Reference to the separate financial statements: Note 3.2 (d) "Insurance contracts", Note 3.15 "Significant accounting estimates, judgement in applying accounting policies and impact of initial application of IFRS 9 and IFRS 17", Note 5.2 "Insurance underwriting risks", Note 20 "Insurance contract assets and liabilities".

Key audit matter

Insurance contract liabilities for incurred claims ("liabilities for incurred claims ("LIC") for the Company, as a non-life insurance provider, constitute the most judgemental element of insurance contract liabilities presented within liabilities in the statement of financial position.

Management Board uses a range of complex and subjective actuarial methods to determine the best-estimate amounts of LIC as at the reporting date, in respect of both estimates of the present value of the future cash flows and risk adjustment for non-financial risk.

The estimation of the amounts of present value of the future cash flows generally involves a significant degree of Management Board's judgment, mainly in respect of the assumptions about future events and developments of fulfilment cash flows and their present value. Fulfilment cash flows are determined based on estimated cash flows for incurred and reported claims and for incurred but not reported claims. Relatively insignificant changes in those assumptions may have a material effect on the estimated amounts of LIC. The assumptions most subject to estimation uncertainty are those in respect of loss rates, claim frequency, average claim amounts, claim handling expenses, discount rates, changes in the amount of

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 and operating effectiveness of key controls related to the process of establishing and remeasuring liabilities for incurred claims, including the relevant management review controls, accounting and actuarial controls, such as reconciliations of key data underlying the actuarial calculations (including reports on claims and other insurance service expenses paid and incurred and insurance revenue), 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 in determining present value of the future fulfilment cash flows and risk adjustment for non-financial risk, including in particular the loss ratios, claim frequency and average claims amounts, development of future cash flows related to incurred but not reported claims (including for annuities), discount rates, expected payment period, by reference to the methodologies and assumptions applied by the Company in the period and the prevailing industry practice, also

future annuity payments, and the expected payment period.

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

Due to the above factors, we considered measurement of the insurance contract liabilities for incurred claims to be our key audit matter.

considering the applicable legal and regulatory requirements and the requirements of the relevant financial reporting standards.

- For all significant insurance contract portfolios, performing a retrospective analysis of the accuracy and completeness of the Company's insurance contract liabilities for incurred claims 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, such as, among others, obligatory motor third party liability, property and motor own damage insurance, developing an independent estimate of the insurance contract liabilities for incurred claims, including the estimate for cash flows for incurred but not reported claims, comparing our amount to the Company's estimates and seeking Management Board's explanations for any significant differences.
- For all significant insurance contract portfolios assessing the relevance and reliability of input data and significant assumptions in the estimation for a statistical sample of cash flows for incurred and reported claims.
- Assessing the Company's insurance contract liabilities-related disclosures against the requirements of the applicable financial reporting standards, including related to IFRS 17 transition and implementation.

Reporting on Other Information

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

— Information on the Company as set out on page 3 of the accompanying Annual Report,

— the Management Report as set out on pages 4 to 13 of the accompanying Annual Report,

— About Vienna Insurance Group as set out on page 14 of the accompanying Annual Report,

- the Statement on Management Responsibility as set out on page 15 of the accompanying Annual Report;

Our opinion on the separate financial statements does 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 is 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 report and consolidated annual report 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 report and consolidated annual report 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 IFRS Accounting Standards 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 separate 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 separate 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 those charged with governance on 24 March 2022 to audit the separate financial statements of BTA Baltic Insurance Company AAS for the year ended 31 December 2023. Our total uninterrupted period of engagement is 9 years, covering the periods ending 31 December 2015 to 31 December 2023.

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 EU 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.

KPMG Baltics SIA
Licence No. 55

Rainers Vilāns
Member of the Board
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
10 April 2024

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