BTA Baltic Insurance Company AAS

Annual report

2022

For the year ended
31 december 2022

Contents

	Page
Information about the Company	3
Management Report	4
About Vienna Insurance Group	15
Statement of management responsibility	17
Separate financial statements:	
Separate Statement of Comprehensive Income	18
Separate Statement of Financial Position	20
Separate Statement of Cash Flows	22
Separate Statement of Changes in the Shareholder's Equity	23
Notes to the Separate financial Statements	24
Auditors' Report	83

Information about the Company

Name of the company	BTA Baltic Insurance Company
Legal status of the company	Joint Stock Insurance Company
Number, place and date of registration	40103840140, registered in Riga, Latvia on 28 October 2014
Address	Sporta 11, Riga, Latvia, LV-1013
Management Board members and their positions	**Wolfgang Kurt Wilhelm Stockmeyer** - Chairman of the Management Board **Oskars Hartmanis** - Deputy Chairman of the Management Board **Evija Matveja** - Member of the Management Board **Tadeuš Podvorski** - Member of the Management Board
Supervisory Board members and their positions	**Harald Riener** - Chairman of the Supervisory Board **Gabor Lehel** - Deputy Chairman of the Supervisory Board **Franz Fuchs** - Deputy Chairman of the Supervisory Board **Peter Franz Höfinger** - Member of the Supervisory Board (until 30.06.2022.) **Jan Bogutyn** - Member of the Supervisory Board **Artur Borowinski** - Member of the Supervisory Board (until 17.10.2022.)
Reporting period	01.01.2022 – 31.12.2022
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 with a stable and positive development outlook. BTA offers the broadest range of non-life insurance services in the Baltic States – Latvia, Lithuania and Estonia. The sole shareholder of the Company is Vienna Insurance Group AG Wiener Versicherung Gruppe (VIG) with close to 200 years of experience in the insurance business. VIG has more than 25,000 employees in 50 insurance companies and is represented in 30 countries. VIG is a clear market leader in its Central and Eastern European markets, and takes care of more than 22 million customers. VIG 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.

War in Ukraine

In February 2022 the war in Ukraine broke out. We are closely following the situation in the 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 the Ukraine, we feel deeply sorry for those affected by the war the most. During the first quarter of the year – immediately after having received the news about the beginning of the war in the Ukraine, Vienna Insurance Group (VIG) developed a team to coordinate help to colleagues in Ukrainian companies. VIG developed a special charitable fundraising VIG Family Fund with the basic sum of EUR 6.6 million. The goal of the fundraising is to provide all the companies and employees of the group with an opportunity of targeted support to our Ukrainian colleagues and their families.

The Russian military aggression was met with unanimous condemnation by the European Union and the United States, as well as many other countries and international institutions, and was followed by a series of sanctions targeting companies and individuals connected with the governments of Russia and Belarus. The Company takes special care to make sure that it fully complies with the sanction regime.

The direct impact of the conflict on the Company's turnover and financial results in 2022 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.

Customer centricity in BTA and innovations

In 2022, 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.

Although 2022 was a challenging year, BTA continued investing in innovations and digital advancement, therefore, in spring the newest BTA eMed addition was published – eMed Travel. Upon the use of the service, BTA travel insurance customers are able to receive a doctor's consultation while traveling abroad via a video call or a phone call. Key benefits of the service include an opportunity to communicate with a doctor in the language a customer understands, the opportunity to purchase medicine prescribed by a specialist or to get recommendations how to purchase the medicine. As a result this allows our customers to save themselves a troublesome visit to a medical institution abroad. This upgrade will considerably facilitate the daily life of our customers, if they fall ill while travelling.

In 2022 BTA started an important cooperation with Luminor bank. Now Luminor leasing clients can easily purchase BTA insurance and receive special insurance offers. The project was successfully launched in spring and BTA clients highly appreciate the possibility to buy insurance in a simple way.

One IT-Platform

BTA continues to invest in innovations and better customer service. One important project in recent years was moving from legacy to a unified core insurance system in BTA Lithuanian branch. Now the whole company in all three countries is working in one IT platform. The project was started in 2019 and finished in 2022. During the project all Lithuanian insurance products were implemented in the system.

Switching to one core insurance system enabled the company-wide client portal and mobile application usage thus providing better experience for our customers in the Baltics. Unified system allows BTA to present standardized integration solutions for our local and pan-Baltic cooperation partners. For BTA this project brings faster data processing, decision-making, shorter development and time to market for new products, as well.

Changes made by Covid-19

The Covid-19 experience profoundly reshaped many attitudes and beliefs held for decades before the pandemic. Now that we all know we can work from home, we also found out what we greatly miss. Think about the casual catch-up with a colleague behind the coffee machine, a spontaneous meeting, or simply just an ergonomic place to work. So, to strengthen collaboration, relationship and productivity BTA introduced hybrid work model. It means that employees have the opportunity to work from home several days per month, but in the same time they don't lose human connection with each other. In 2022 BTA also created new office concept for all Baltic main offices. Employees in Lithuania have already moved to new and modern office space and the Company plans to invest in other Baltic countries' office innovations.

In 2022 we once again experienced that BTA employees are the main Company's asset, that is why we invested in employees' development and well-being. During all year we created many interesting events, offered a bunch of trainings for development and tried to improve the well-being of our employees. Our colleagues also know the importance of gaining new knowledge and therefore are happy about the trainings we provide. In 2022, the Company continued to invest in the education of employees and new BTA Academy platform was implemented. The new learning platform allows employees to gain new knowledge in interactive and digital way. In 2022 BTA employees participated in trainings in a length of 33 296 hours.

Covid-19 pandemic showed us that innovations in technology are here to stay, that is why we are paying a lot of attention in this field. BTA in 2022 continued to invest in digital solutions like, eMed, DriveX (artificial intelligence-based solution for insurance policy procurement process) and automatic insurance renewals. These digital solutions help to save our clients' time, are convenient and help to get preferred result faster.

Learn more about automatic insurance renewal process!
https://www.linkedin.com/feed/update/urn:li:activity:6998205334741811201

Business development in the Baltics

The war in Ukraine has made a profound impact on the world's political and economic development during the reporting period – among other effects causing disruptions in the energy supply and strongly contributing to the substantial increase in the price level for energy throughout Europe. That, in turn, fueled producer and consumer price inflation, particularly in the Baltics, where it reached one of the highest levels among all member states of the European Union.

For the Company the high inflation level in 2022 resulted in higher prices for car spare parts and construction materials, rising costs of car repair works and medical services. In addition to that, the recovery of economic activity of private and corporate customers in 2022 after lifting of the Covid-19 induced restrictions, higher mobility of the population and transport, closer attention on personal health also led to higher number of insurance claims in 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 the reporting year the Company has increased the prices substantially for many of its insurance products in order to offset the increased claim costs observed during the reporting year and to cover the projected increase of claims level in the following year – driven by the economical forecasts for the producer and consumer price inflation. This one was of the major factors behind the strong growth of the Company's premium volumes.

The Company's gross written premiums (after mandatory fees) amounted to EUR 262.0 million in the reporting year, an increase of 20% compared to 2021. Substantial price increase was the key factor for premium development in Motor insurance lines, which saw a major growth in premium volumes in the reporting year: CASCO insurance premiums grew by 18% to EUR 62.0 million, while motor third party liability insurance (MTPL) volumes increased by 20% in 2022 compared to the previous year and reached EUR 76.0 million (after mandatory fees). Property insurance lines also demonstrated an excellent growth rate of 17% in 2022 and reached the premium volume of EUR 44.0 million.

Health insurance and other Personal risk insurance lines (Accident and Assistance insurance) also showed high rate of premium growth, reaching EUR 53.0 million of premiums combined, 25% more than in 2021. Fast development of Health insurance business in Estonia and Lithuania and increased demand for Assistance insurance after recovery of the tourism industry – following the lifting of the Covid-19 induced restrictions for international travel – were the primary drivers for the business growth in 2022 in these lines of business.

Premium development in Latvia in the reporting year was significantly affected by the pricing 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 2022 – grew by 5% to EUR 22.8 million. Increase in prices was the key driver for the increase of premium volumes in CASCO insurance (+14%), which reached EUR 18.8 million. Gross written premium volume in MTPL insurance (after mandatory fees) increased to EUR 13.0 million, following the growth of 31% compared to 2021, also mainly driven by higher prices in 2022. Property insurance lines, which remained the second largest business line for the Company in Latvia with EUR 22.8 million in gross written premiums (+16% compared to 2021), also strongly contributed 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 19% in 2022 compared to 2021 and reached EUR 56.0 million (after mandatory fees). In the second largest line of business in Lithuania – CASCO insurance – the volume of gross written premiums was EUR 34.6 million in 2022, a rapid growth of 29% compared to the previous year, mainly 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 15% to EUR 15.6 million . Personal risk insurance – Health, Accident and Assistance insurance – demonstrated impressive growth rate of 49% and reached the total combined premium volume of EUR 18.8 million in 2022.

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 4% in 2022 and reached EUR 6.5 million (after mandatory fees). Business volume in CASCO decreased by 8% compared to the previous year to EUR 8.3 million. In 2022 the Company continued to put focus on increasing premium volumes in Property insurance and Personal risk insurance lines in Estonia. As a consequence, premiums in Property insurance grew by 25% and reached EUR 5.8 million. Personal risk insurance – Health, Accident and Assistance insurance – achieved an impressive growth rate of 59% in 2022 compared to 2021, reaching combined premium volumes of EUR 7.2 million. Health insurance was responsible for most of this premium increase, by reaching EUR 5.0 million in premium volumes in 2022 (+59% compared to 2021), while Assistance insurance also made a strong contribution by growing to EUR 1.7 million (+72%) as a result of increased demand from tourists.

Overall, the Company performed in line with the Baltic insurance market development in 2022, retaining its market position in main insurance lines and even increasing its market share in such a key line of business as Property insurance. The Company firmly reestablished its position as the second biggest property and casualty insurance company in Latvia and Lithuania with market shares of 18% and 16%, respectively. The highly segmented Estonian insurance market the Company ranked on the sixth position with a market share of 7%.

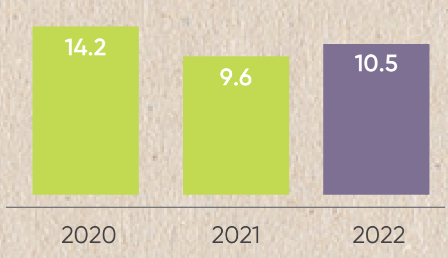
In 2022 the Company strengthened its position as a leading insurance company on the Baltic insurance market and proved again that it is a key market player in the main market segments – Motor insurance lines in Lithuania and Latvia, Health insurance and other Personal risk insurance in Latvia, Financial risk insurance in Latvia and Lithuania, General third-party liability insurance in Lithuania. In the reporting year the Company retained its market leader position in new segment of voluntary Health insurance in Estonia.

Financial Information

The reporting year saw soaring price inflation in the Baltics, substantially increased energy costs and strong demand for more sustainable ways of doing business, fast growth in interest rates and volatility on the international financial markets.

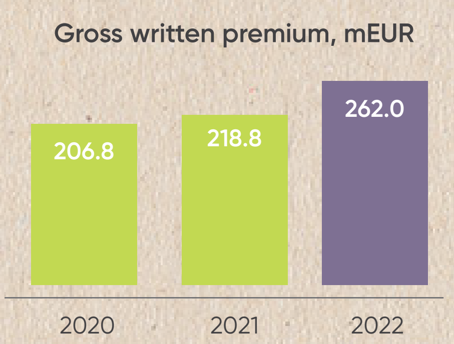
Despite these challenges the Company was successful in reaching its financial goals. The total profit before tax reached EUR 10.5 million, while net profit in 2022 amounted to EUR 9.3 million, moderately increasing by 12% compared to the financial result reported in 2021.

Financial result (PBT), mEUR

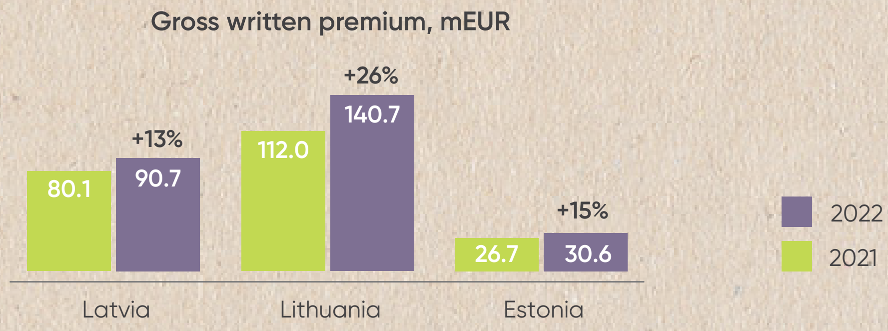


During 2022, the Company faced strong growth in claims costs fueled by the price inflation. Higher economic activity and increased population mobility following the softening of the pandemic-imposed restrictions also resulted in higher frequency of insurance claims in the reporting year. The Company generally succeeded in countering these trends by adjusting the price levels of its insurance products and reviewing sums insured where necessary.

The Company's gross written insurance premiums (after mandatory fees) amounted to EUR 262.0 million in the Baltic States, following a significant growth by 20% compared to the results of 2021.

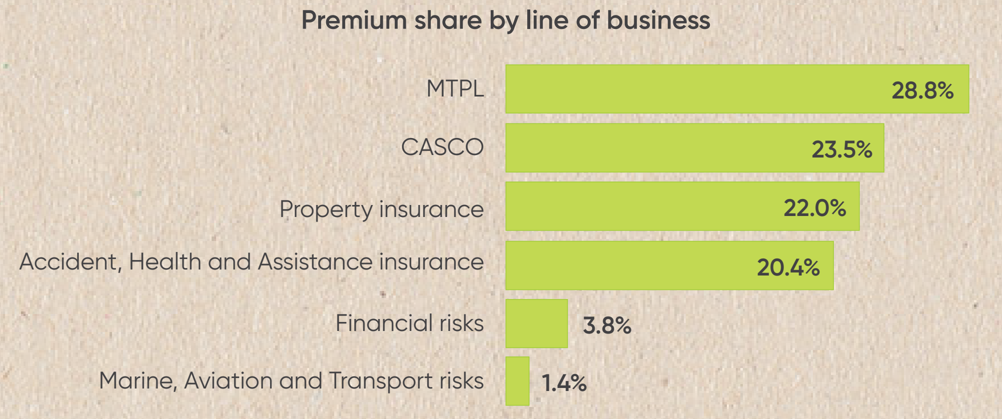


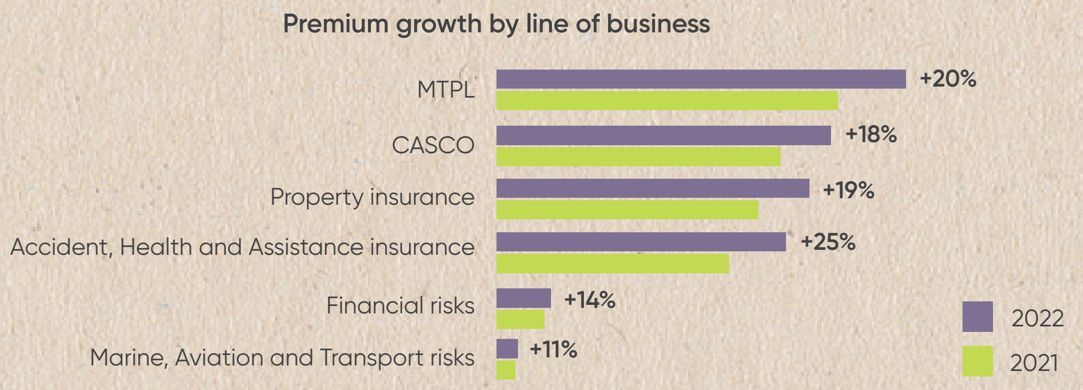
Business growth was strongest in Lithuania, where the Company managed to increase its premium volumes in most key lines of business and achieve the total premium volume of EUR 140.7 million there, a strong growth of 26% compared to 2021. Premium development in Estonia was affected by strong pricing adjustments, particularly in Motor insurance lines, in order to improve their profitability. The strong market competition tempered the overall premium growth, and the Company underwrote EUR 30.6 million in Estonia (+15% compared to 2021 volume). In Latvia the Company took similar actions and the adverse market conditions allowed the Company to increase its premiums by only 13% compared to the previous year and to achieve the total premium volume of EUR 90.7 million.



The overall amount of insurance claims paid out by the Company in the reporting year reached EUR 164.6 million, growing at a higher pace (+23% compared to the previous year) than the total premium growth due to effect of claims inflation and higher number of insurance claims. The major impact came from Property insurance lines, where the volume of insurance claims paid increased by 62% following a series of climate related claims – caused by storms and hails – as well as several large claims. Personal insurance lines also made strong contributions to the growth in insurance claims paid: +31% in Health insurance, +40% in Accident insurance and +72% in Assistance insurance compared to 2021. The growth of insurance claims paid in Motor lines in the reporting period compared to the previous year was less severe: by 14% in CASCO insurance, and 10% in MTPL insurance.

Overall, the Company paid out about EUR 651 thousand on average during every business day in 2022, which was approximately EUR 81 thousand every business hour.





Significant changes in accounting standards in 2023

On 1 January 2023 the Company will adopt new financial reporting standards, which will be 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 will be 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 will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have 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.

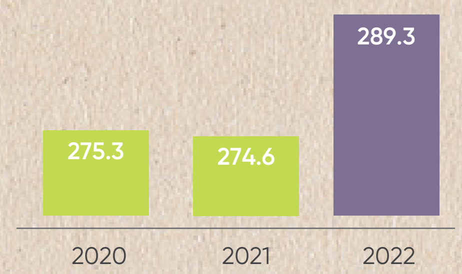
Since the second half 2021 and during the reporting year the Company observed substantial increase in the interest rate levels on the international financial and capital markets. This interest rate increase negatively affected the market value of financial instruments and particularly impacted the fixed income financial instruments, such as sovereign and corporate bonds. As a result of these developments the market valuation of the Company's investment portfolio decreased by EUR 27.0 million during the reporting year.

Taking into account the structure of the Company's investment portfolio and its investment strategy, the Company sees the decrease in the market valuation of its investment assets during the reporting year as a temporary phenomenon. According to its investment strategy, the Company plans to hold its fixed income financial investments until their maturity. As the maturity date of its financial assets draws closer, the Company expects their market value to increase and approach their nominal value. According to the Company's assessment more than 80% of the lost market value of the Company's financial investments will be recovered until the end of 2027.

By itself, such decrease in the market valuation of the Company's investment assets did not result in financial losses or liquidity shortage for the Company. The Company consistently demonstrates its ability to successfully underwrite insurance risks and carry out profitable insurance business, which consequently generates positive operating cash flow, helps maintain sufficient liquidity, and increases the volume of assets of the Company in the long term.

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 289.3 million by the end of 2022. Investments into debt securities of sovereign governments and government agencies of European Union member states constituted 51% of all investment asset value as at 31 December 2021 (up from 46% as at 31 December 2021).

Investment assets under management, mEUR



The share of investments into government and corporate debt securities with high investment rating (between A and AAA according to international rating agency Standard & Poor's classification) was 59% of the total volume of the Company's investments at 31 December 2022.

During the reporting year the Company continued to diversify its investment portfolio with carefully evaluated investments into other investment classes. In the reporting year the Company continued with its major investment project for joint development of rental residential real estate portfolio in the Baltic capital cities with YIT, a major Nordic real estate developer and construction company. As of the end of 2022 the Company had invested EUR 18.2 million into equity of the joint venture, which was set up after signing the investment agreement with YIT in September 2021. The total value of the property developed under this agreement is EUR 65.0 million and that has been the largest transaction of its kind in the Baltic real estate industry so far. In the autumn of 2022 BTA was awarded the title Investor of the Year 2022 at the Baltic Real Estate Forum BRELF Awards 2022 as a sign of recognition of BTA achievements by the industry.

The share of the Company's total investments into real estate backed assets through direct and indirect holdings, participation in real estate investment funds and trusts, and real estate backed loans as at 31 December 2022 amounted to 23%.

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 9.00 per share, that is a total amount of EUR 4 644 846.00 equal to rounded up 50% of the net profit for the financial year 2022. The remaining part of the net profit in the amount of EUR 4 658 257.86 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

Baltic insurance market in 2022 continued fierce competition in all types of insurance, but despite that insurance market stabilized and showed positive trend almost in all lines of business. Growth is based not only on the impact of inflation, but also on the growing awareness of society about the need for insurance. In 2022, MTPL and CASCO continue to be the largest types of insurance in the Baltic non-life insurance market in terms of premiums with 51% of the total premium volume in the market.

According to the Company's estimates, gross written premiums in Property insurance increased by 20% compared to the previous year. The Company expects that this type of insurance 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.

In the reporting year, high growth rates were also achieved in personal risk insurance lines of business - Health insurance, which increased by 27% compared to 2021. Travel insurance fully recovered after C-19 period and increased by 70% compared to 2021.

Health insurance showing that employers continue more frequently complement motivation and social guarantee program packages for their employees with health insurance coverage. In 2022 especially active was Health insurance which continue developed in the Lithuanian and Estonian markets. Among other types, liability insurance also showed significant growth rates: + 9% compared to the premium volume in 2021.

Solvency capital management and compliance with Solvency requirements

During the reporting year interest rates on the international financial and capital markets substantially increased, which negatively affected the market valuation of the Company's financial assets. As a result of these developments the market valuation of the Company's investment portfolio decreased by EUR 27.0 million during the reporting year.

This decrease in the value of the Company's investment assets directly impacted the value of its Solvency own funds and consequently decreased its Solvency ratio. This decrease in value of the Company's Solvency own funds did not result in financial losses or liquidity shortage for the Company. In order to maintain sufficient level of the Solvency own funds the Company implemented two capital measures during the reporting year, receiving a subordinated loan in the amount of EUR 15.0 million from its sole shareholder during the second quarter of 2022 and executing an increase in share capital in the amount of EUR 10.0 million during the fourth quarter of 2022.

At the same time the Company's Solvency capital requirements increased during the reporting year, mainly from substantial premium growth during 2022 and expectations for high premium growth rate in 2023.

According to the Company's risk strategy and capital management plans the Solvency ratio should range around 125%. As at December 2022 the Company's Solvency ratio was 120.16% (unaudited), down from 127.76% (unaudited) as at 31 December 2021.

The Company continuously monitors the developments on the financial markets and other factors that may affect the value of its Solvency own funds and capital requirements, regularly assesses its Solvency position performing scenario analysis and stress tests, and actively develops and executes medium term Solvency capital planning.

Company in order to maintain financial stability has signed ancillary own fund agreement with VIG, a total amount not exceeding EUR 2.0 million. Ancillary own funds are Tier 2 own-fund which can be called up to absorb losses. As at the date of signing these separate financial statements an approval by Latvijas Banka, the local supervisory authority, for the use of the ancilliary own funds is pending.

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 and reputation 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, in its efforts of taking care of sustainability and reducing negative climate change, Company created BTA Sustainability Forest in 2022, with 15,000 tree seedlings planted in an area of 7.5 hectares. 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

ISO 9001:2015

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 CO2 sequestration.

One of BTA's strategic drivers is sustainability. Proceeding with taking care of sustainability and reduction of negative climate changes, BTA in 2022 has received certificates for implementation and maintenance of ISO 9001:2015 and ISO 14001:2015 international standards. The certificates apply to BTA company in Latvia, Estonia and Lithuania, which is an important step towards even more sustainable management of the company. These certificates are proof to BTA's investment in sustainability and its commitment to keep on working according to good management principles further on. The ISO 9001 quality management certificate confirms that BTA has developed quality measurement criteria, as well as all possible risks have been identified, and the company keeps on working on continuous quality improvement. Whereas the ISO 14001 environmental management certificate allows monitoring BTA's environmental footprint, as well as evaluates and promotes the efficiency of the environmental system.

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 also known as Social Active Day of their time on such activities. In 2022 after long Covid-19 restrictions which limited the ability to participate and create social responsibility projects, BTA employees in all Baltics enthusiastically participated in Social Active Day projects. In 2022 more than 800 employees in Baltics volunteered in animal shelters, senior homes, orphanages, helped to make our environment cleaner and volunteered in projects which help people with disabilities. These projects prove that BTA employees are willing to help not only to Company's clients, but also to help those in need.

Stress is a normal part of everyday life. However too much stress can cause mental and physical health problems, that is why BTA Lithuania already for several years have "Be Stresso" initiative. "Be Stresso" in Lithuanian means "no stress" and the name itself highlights the main idea of the initiative – reduce stress. The main project activities include lectures from psychologists, coaches and sports trainers, healthy lifestyle challenges (for instance step challenge for BTA Baltic employees), anti-stress map of the most relaxing places to visit and many more.

Already for several seasons children in many cities in Baltics have 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 second year in a row. So far, 24 BTA Velomaster tracks have been opened in Latvia, and in 2022 we continued to develop this project also in Lithuania (2 tracks) and Estonia (2 tracks). In 2022 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!

ISO 14001:2015

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 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.

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

21 March 2023




PART OF
VIENNA INSURANCE GROUP
COMPANY PROFILE

> **We are the leading insurance group in Central and Eastern Europe with the claim to be a stable and reliable partner for our target groups.**
> *Elisabeth Stadler, CEO of Vienna Insurance Group*

Vienna Insurance Group (VIG), headquartered in Vienna, is the leading insurance group throughout Central and Eastern Europe (CEE). Around 50 insurance companies in 30 countries form a Group with a long-standing tradition, strong brands and close customer relations. The more than 25,000 employees in the VIG take care of the day-to-day needs of more than 22 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.

> **We pursue a long-term business strategy in our markets that is focused on sustainable profitability and continuous earnings growth.**
> *Elisabeth Stadler, CEO of Vienna Insurance Group*

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.

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 70% of VIG's shares. The remaining shares are in free float.

ALBANIA
SIGMA INTERALBANIAN – 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

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

ROMANIA
OMNIASIG – VIENNA INSURANCE GROUP
Asirom – VIENNA INSURANCE GROUP
BCR ASIGURARI DE VIATA – 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 2023

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

VIG
VIENNA INSURANCE GROUP
Protecting what matters.

Statement of management responsibility

In 2022 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 2022 prepared in accordance with IFRS as adopted by the European Union to reflect fairly the activities and cash flows of BTA Baltic Insurance Company AAS for the year ended 31 December 2022, as well as its financial position as at 31 December 2022.

The Company's Management confirms that the Company's financial statements for the year ended 31 December 2022 have been prepared in accordance with the effective requirements of legislation and Latvijas Banka, and IFRS as adopted by the European Union.

The Company's financial statements for the year ended 31 December 2022 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 2022.

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.

Wolfgang Stockmeyer
Chairman of the Management Board

Oskars Hartmanis
Deputy Chairman of the Management Board

Evija Matveja
Member of Management Board

Tadeuš Podvorski
Member of Management Board

21 March 2023

Separate Statement of Comprehensive Income

	Note	2022 EUR'000	2021 EUR'000
Earned premiums			
Written premiums			
Gross written premiums	5	262 066	218 804
Reinsurers' share in written premiums	5,19	(59 410)	(52 347)
Net written premiums	5	**202 656**	**166 457**
Change in unearned premium and unexpired risk reserves			
Gross change	7	(18 153)	(10 645)
Reinsurers' share	7,19	2 733	2 328
Change in net unearned premium and unexpired risk reserves	7	**(15 420)**	**(8 317)**
Net earned premiums	6	**187 236**	**158 140**
Other technical income, net	8	**1 424**	**574**
Paid claims, net			
Paid claims	9	(163 169)	(133 464)
Loss adjustment expenses	9	(11 605)	(9 248)
Recovered losses	9	10 154	8 599
Gross claims paid	9	(164 620)	(134 113)
Reinsurers' share of claims paid	9,19	32 857	27 271
Net claims paid	9	**(131 763)**	**(106 842)**
Change in outstanding claim reserve			
Change in gross outstanding claim reserve	10	5 430	(8 913)
Reinsurers' share	10,19	368	4 163
Change in net outstanding claim reserve	10	**5 798**	**(4 750)**
Net incurred claims	11	**(125 965)**	**(111 592)**
Operating (expenses)/income			
Client acquisition costs	12	(48 882)	(41 268)
Change in deferred client acquisition costs	12	2 133	1 114
Administrative expenses	13	(16 117)	(15 397)
Depreciation and amortisation	20,21a,22	(4 116)	(3 965)
Reinsurance commission income, net	14,19	13 515	20 018
Change in unearned reinsurance commission	14,19	(97)	(478)
Net operating expenses		**(53 564)**	**(39 976)**

Continued table

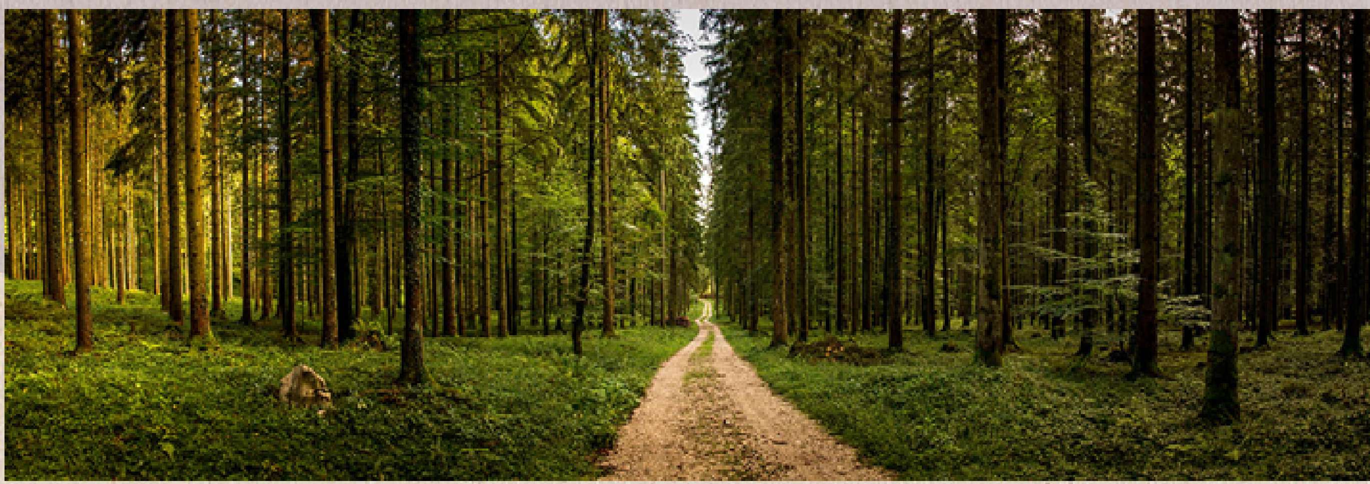
	Note	2022 EUR'000	2021 EUR'000
Other technical expenses, net	15	**(450)**	**(272)**
Investment management charges		(533)	(1 241)
Depreciation of investment property	21b	(96)	(87)
Interest income	16	2 789	2 629
Interest expense	17	(1 103)	(418)
Gain from financial assets and liabilities measured at fair value, net	45	158	701
Gain/(loss) on foreign currency fluctuation		(52)	215
Other income		2 541	1 899
Other expenses		(1 852)	(991)
Profit before tax		**10 533**	**9 581**
Income tax expense	18	(1 230)	(1 295)
Net profit for the period		**9 303**	**8 286**

	Note	2022 EUR'000	2021 EUR'000
Items that are or may be reclassified to profit or loss			
Available-for-sale financial assets – net change in fair value	45	(26 993)	(4 412)
Other comprehensive income for the period		**(26 993)**	**(4 412)**
Total comprehensive income for the period		**(17 690)**	**3 874**

Separate Statement of Financial Position

Assets	Note	31.12.2022 EUR'000	31.12.2021 EUR'000
Property and equipment	20	**2 182**	**2 563**
Land and buildings			
Land and buildings for own use	21a	3 471	4 621
Investment property	21b	946	1 121
Total land and buildings		**4 417**	**5 742**
Intangible assets	22	**6 652**	**4 198**
Investment in subsidiaries and associate companies	23	**20 492**	**17 341**
Financial investments			
Financial instruments at fair value through profit or loss	45	-	1 375
Available-for-sale instruments	45	238 019	228 411
Held-to-maturity financial instruments	45	1 764	1 767
Total financial investments	24	**239 783**	**231 553**
Inventory during		**148**	**61**
Loans and Receivables			
Loans	25,41	14 520	14 761
Receivables from direct insurance activities			
Due from policy holders		58 338	49 897
Due from intermediaries		1 057	308
Total receivables from direct insurance activities	26	**59 395**	**50 205**
Receivables from reinsurance activities		4 330	3 929
Other receivables	27	999	494
Total loans and receivables		**79 244**	**69 389**
Accrued income and deferred expenses			
Deferred client acquisition costs	12	13 762	11 629
Other accrued income and deferred expenses		1 915	1 792
Total accrued income and deferred expenses		**15 677**	**13 421**
Deferred tax asset	33	**202**	**250**
Reinsurers' share of insurance contract liabilities			
Reinsurers' share in unearned premium and unexpired risk reserves	7,42	27 048	24 315
Reinsurers' share in outstanding claim reserve	10,42	55 957	55 589
Total reinsurers' share of insurance contract liabilities	42	**83 005**	**79 904**
Cash and cash equivalents	28	**12 894**	**9 831**
Total assets		**464 696**	**434 253**

Equity and liabilities	Note	31.12.2022 EUR'000	31.12.2021 EUR'000
Equity			
Share capital	30	51 609	41 609
Revaluation reserves	30	(23 248)	3 745
Other reserves	30	(1 605)	(1 605)
Retained earnings		17 874	13 732
Profit for the period		9 303	8 286
Total equity		**53 933**	**65 767**
Liabilities			
Insurance contract liabilities			
Gross unearned premium and unexpired risk reserves	7,42	135 609	117 456
Gross outstanding claim reserves	10,42	144 186	149 616
Total insurance contract liabilities		**279 795**	**267 072**
Reinsurers' deposit	31,41	49 434	43 229
Subordinated loan	41	22 000	7 000
Lease liabilities	32	3 062	4 084
Payables from direct insurance activities			
Due to policy holders		5 558	7 673
Due to intermediaries		1 697	1 425
Total direct insurance creditors		**7 255**	**9 098**
Payables from reinsurance activities	35	10 102	5 396
Other creditors	36	29 428	24 038
Provisions	37	2 477	2 109
Taxes and social insurance contributions	34	740	845
Accrued liabilities	37	2 921	2 163
Unearned reinsurance commission income	14	3 549	3 452
Total liabilities		**410 763**	**368 486**
Total equity and liabilities		**464 696**	**434 253**



Separate Statement of Cash Flows

	Note	2022 EUR'000	2021 EUR'000
Cash flows from operating activities			
Premiums received in direct insurance		244 454	211 189
Claims paid in direct insurance		(163 169)	(133 464)
Payments received from reinsurers		9 077	6 920
Payments made to reinsurers		(10 006)	(9 991)
Income tax paid in Latvia and Lithuania	34	(1 506)	(1 651)
Obligatory payments	29	(2 270)	(1 997)
Payments to employees		(18 440)	(17 506)
Payments to intermediaries		(18 799)	(15 164)
Other payments made:		(30 144)	(26 039)
Other tax paid	34	*(14 615)*	*(13 550)*
Payments to other suppliers		*(12 096)*	*(12 025)*
Other payment made		*(3 433)*	*(464)*
Other payments received		14 583	4 514
Total cash flows from operating activities		**23 780**	**16 811**
Cash flows from/(used in) investing activities			
Cash flows from/(used in) investing activities			
Purchase of property and equipment and intangible assets	20,21,22	(4 117)	(3 069)
Acquisition of investments		(51 442)	(49 514)
Investments in subsidiaries and associates and funds		(3 150)	(19 094)
Disposal of investments		15 565	41 714
Investment income received		3 907	3 864
Total cash flows from/(used in) investing activities		**(39 237)**	**(26 099)**
Cash flows from/(used in) financing activities			
Payment of capital Increase		10 000	-
Subordinated loan received		15 000	-
Paid interest		(378)	(378)
Paid dividends	30	(4 144)	(10 004)
Payment of lease liabilities	43	(1 958)	(1 896)
Total cash flows from/(used in) financing activities		**18 520**	**(12 278)**
Cash and cash equivalents net increase/(decrease)		**3 063**	**(21 566)**
Cash and cash equivalents at the beginning of the period		**9 831**	**31 397**
Cash and cash equivalents at the end of the period	28	**12 894**	**9 831**

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
31.12.2020	**41 609**	**(1 605)**	**8 157**	**23 736**	**71 897**
Total comprehensive income					
Profit for the period	-	-	-	8 286	**8 286**
Other comprehensive income	-	-	(4 412)	-	**(4 412)**
Transactions with shareholder recorded directly in equity					
Dividends paid	-	-	-	(10 004)	**(10 004)**
31.12.2021	**41 609**	**(1 605)**	**3 745**	**22 018**	**65 767**
Total comprehensive income					
Profit for the period	-	-	-	9 303	**9 303**
Other comprehensive income	-	-	(26 993)	-	**(26 993)**
Transactions with shareholder recorded directly in equity	-	-	-	-	-
Increase in share capital	10 000	-	-	10 000	-
Dividends paid	-	-	-	(4 144)	**(4 144)**
31.12.2022	**51 609**	**(1 605)**	**(23 248)**	**27 177**	**53 933**

*see Note 30

Notes to the Separate Financial Statements

(1) General information

(a) Principal activities

BTA Baltic Insurance Company AAS (BTA or the Company) is a company domiciled in the Republic of Latvia (Latvia). The Company was registered on 28 October 2014 in Riga, Latvia as a Joint Stock Insurance Company. The headquarter is located in Riga, Sporta Street 11, Republic of Latvia.

On 10 June 2015 the Company obtained the following insurance licenses in Latvia:
- accident insurance;
- health insurance (insurance against illnesses);
- motor transport (except railway transport) insurance (CASCO);
- railway rolling stock insurance;
- aircraft insurance;
- marine vessel insurance;
- freight insurance;
- property insurance against damage by fire and natural disasters (damages caused to property, except for motor transport, railway rolling stock, aircraft, marine vessel and freight, by fire, explosion, nuclear power, subsiding of land and other disasters);
- property insurance against other damage (damages caused to property, except for motor transport, railway rolling stock, aircraft, marine vessel and freight, by hail, frost, theft and other accidents, except fire, explosion, nuclear power, subsiding of land and other disasters);
- motor vehicle owner third party liability insurance (MTPL);
- aircraft owner third party liability insurance;
- ship owner liability third party insurance;
- general third party liability insurance (TPL);
- credit insurance;
- surety insurance;
- miscellaneous financial loss insurance;
- legal expenses insurance;
- assistance insurance.

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

(b) Branches

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

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

	31.12.2021	
	Number of shares	**Shareholding**
Vienna Insurance Group AG Wiener Versicherung Gruppe	416 094	100%
	416 094	**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) as adopted by the European Union, and regulations of the Financial and Capital Market Commission of the Republic of Latvia (FCMC) in force as at the reporting date. 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.

Certain balances for 2022 were classified differently from the prior year, due to management judgment. The reclassification has no impact on the financial result. The comparative information for 2021 disclosed in the financial statements for 2022 was classified in line with the principles used in 2022 and is comparable. The opening balances before reclassification agree with the prior year closing balances.

The financial statements were authorised for issue by the Management Board on 21 March 2023. 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 2022 to 31 December 2022. The comparative period is from 1 January 2021 to 31 December 2021.

(d) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are carried at fair value:

- derivatives,
- other financial assets and liabilities designated at fair value through profit or loss,
- available-for-sale assets.

(e) Changes in accounting policies

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

Company has applied 30 June 2021 IFRS 16 amendments. 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.

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 2021, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below.

(i) IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023)

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

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

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the Company's consolidated financial statements in the period of initial application.

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin (CSM). The premium allocation approach (PAA) is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. The Company expects that it will apply the PAA to all contracts in the non-life segment because the following criteria are expected to be met at inception.

- Insurance contracts and loss-occurring reinsurance contracts: The coverage period of most of the contract in the Company is one year or less, the rest of the contracts liability for remaining coverage would not differ materially from the result of applying the CSM accounting model;
- Risk-attaching reinsurance contracts: The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the CSM accounting model.

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines or issued by different Group entities are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group. This will apply to contracts issued in the EU that are required by regulation to be priced on a gender-neutral basis.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of reinsurance contracts are established such that each group comprises a single contract.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a CSM, against losses on groups of onerous contracts, which are recognised immediately. Compared with the level at which the liability adequacy test is performed under IFRS 4 (i.e. portfolio of contracts level), the level of aggregation under IFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Company expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts and reinsurance contracts.

Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

The Company will apply the same accounting policies to measure Company's reinsurance contracts.

(ii) IFRS 9 Financial Instruments

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 has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023.

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. IFRS 9 includes three principal measurement categories for financial assets – measured at amortised cost, fair value through other comprehensive income (FVOCI) 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.

IFRS 9 will affect the classification and measurement of financial assets held at 1 January 2023 as follows:

- all - equity investments will be measured at FVTPL under IFRS 9, currently investments in subsidiaries are accounted at cost less impairment. Other AFS equity investments are accounted at fair value;
- debt investments that are classified as available-for-sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances, generally debt instruments are expected to be classified in FVOCI category;
- the majority of equity investments that are classified as available-for-sale under IAS 39 will be measured at FVTPL under IFRS 9. However, some of these equity investments are held for long- term strategic purposes and will be designated as at FVOCI on 1 January 2023; consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognised in profit or loss, and no gains or losses will be reclassified to profit or loss on disposal of these investments;

- held-to-maturity investments and loans and receivables measured at amortised cost under IAS 39 will generally also be measured at amortised cost under IFRS 9.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. This will require considerable judgement about how changes in economic factors affect expected credit loss (ECL), which will be determined on a probability-weighted basis.

The new impairment model will apply to the Company's financial assets measured at amortised cost, debt investments at FVOCI and lease receivables.

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.

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

Fair Value Analysis of the financial assets:

	31.12.2022			31.12.2021		
	SPPI*	**Other****	**Total**	**SPPI***	**Other****	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Loans	14 520	-	**14 520**	14 761	-	**14 761**
Other securities						
Bonds	196 198	891	**197 089**	183 325	1 375	**184 700**
Shares	-	5 344	**5 344**	-	5 205	**5 205**
Investment funds	-	37 350	**37 350**	-	41 648	**41 648**
Total other securities	**196 198**	**43 585**	**239 783**	**183 325**	**48 228**	**231 553**
Cash and cash equivalents	12 894	-	**12 894**	9 831	-	**9 831**
	209 092	**43 585**	**252 677**	**207 917**	**48 228**	**256 145**

* Financial instruments with contractual cash flows that are solely payments of principal and interest on the principal amount outstanding except for those reported under "Other". The SPPI assessment is preliminary.

** Financial instruments that do not meet SPPI criteria or are held for held for trading or managed on a fair value basis are reported under "Other". The SPPI assessment is preliminary.

The Company has assessed the estimated impact that the initial application of IFRS 17 and IFRS 9 at the transition date (01.01.2022) for the comparative period requirements. Comparative period data (for the period 01.01.2022-31.12.2022) have not been finalized yet, therefore, Company will not report any other financial information apart from data below.

	1 January 2022
	EUR'000
Estimated increase (reduction) in the Company's total equity	
Adjustments due to adoption of IFRS 17	
Non-life contracts	(2 445)
Adjustments due to adoption of IFRS 9	
Classification of financial assets	688
Impairment of financial assets (ECL)	(145)

The assessment above is preliminary because the actual impact of adopting IFRS 17 and IFRS 9 on 1 January 2023 and 2022 may change due to following reasons:

- the Company is continuing to refine the new accounting processes and internal controls required for applying IFRS 17 and IFRS 9;
- although parallel runs were carried out in the second half of 2022, the new systems and associated controls in place have not been operational for a more extended period;
- the Company has not finalised all the testing of all of the operational processes and assessment of controls over its new IT systems and changes to its governance framework; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.

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

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Definition of Accounting Estimate (Amendments to IAS 8).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes.

(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:

	31.12.2022	**31.12.2021**
USD	1.0666	1.1326
PLN	4.6808	4.5969
GBP	0.88693	0.84028
DKK	7.4365	7.43640

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

3.2 Insurance contracts

(a) Classification of insurance contracts

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

Non-life insurance includes contracts:

- in which the insurer assumes substantial insurance risk on behalf of the other contracting party – the policyholder, by agreeing to compensate losses to the policyholders if a certain unexpected future event (insured occurrence) has been previously agreed, which adversely impacts the policyholder. An unexpected future event is considered to be a situation when at the time of signing the insurance contract is not known:
    1. whether the insured occurrence will occur;
    2. when it will occur;
    3. how much the insurer will have to pay if it occurs.

- in which the insured event is the discovery of a loss during the term of the contract, even if the loss arises from an event that occurred before the inception of the contract;
- in which the insured event is an event that occurred during the term of the contract, even if the resulting loss is discovered after the end of the contract term;
- which comprise events, which have already occurred, but whose financial impact is not yet fixed. For example, reinsurance contracts that protect direct insurer from the adverse development of claims already reported by the policy holder;
- which require or permit payment in kind, e.g., the insurer directly replaces a stolen object rather than compensates the claim to the policy holder in money;
- which stipulate a fixed charge service, in which the service level depends on an unexpected event. Fixed charge services are based on the number of expected equipment malfunctions, but it cannot be determined on whether some specific equipment will not function;
- in which one insurer (reinsurer) compensates the losses of one or several contracts closed with other insurers (assignor).

Recognition and evaluation of insurance contracts

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

When classifying insurance contracts for accounting purposes, the basis is the substance of transfer of insurance risk and common signs of possible risk. For example:

- accident insurance;
- assistance insurance;
- insurance against property damage or thefts;
- motor vehicle insurance;
- general third party liability insurance.

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

(b) Insurance premium and premium income

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

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

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

(c) Unearned premium and unexpired risk reserves

Unearned premium reserves (UPR)

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

Unexpired risk reserve (URR)

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

(d) Claims incurred

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

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

(e) Outstanding claim reserves

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

Reported but not settled claims reserve (RBNS)

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

Incurred but not reported claims reserve (IBNR and IBNER)

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

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

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

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

(f) Ceded reinsurance

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

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

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

(g) Client acquisition costs

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

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

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

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

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

(i) Outstanding claim reserves 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 2021). Below are the gross results of sensitivity analysis as at 31 December 2022 and 2021 for inflation:

EUR'000	Projected annual inflation increased by 3 p.p.*	Projected annual inflation decreased by 3 p.p.*
Increase/ (decrease) in outstanding claim reserves (including annuities) in 2022	6 939	(4 896)
Increase/ (decrease) in outstanding claim reserves (including annuities) in 2021	8 949	(7 626)

* 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.

(j) Insurance receivables and payables

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

3.3 Financial instruments

(a) Classification

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

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

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

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

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

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

Derivative financial instruments

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

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

(b) Recognition and derecognition

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

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

(c) Initial and subsequent measurement

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

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

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

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

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

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

3.4 Fair value measurement

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

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

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

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

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

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

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

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

- Verifying that equity broker or pricing service is approved by the Company for use in pricing the relevant type of financial instrument;
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;

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

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

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

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

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.5 Impairment

(a) Financial assets

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

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

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

Impairment of loans and receivables

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

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

(b) Impairment of insurance receivables

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

Insurance receivables for which no individual impairment loss is measured are assessed on collective level using statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred. These are then adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate. They will, however, always include uncertainty and may change depending on financial position of customers or general economic environment. During the receivables back testing analysis, it was evaluated that the accruals related to the portfolio issued through the broker are too conservative. Therefore, the accounting policy was changed and no provisions are made for policies with a delay of up to 30 days.

(c) Non-financial assets

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

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

3.6 Property and equipment

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

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

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

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

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

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

3.7 Intangible assets

Software licences

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

3.8 Investment property

Land and buildings held either to earn rental income or for capital appreciation or both are classified as investment property and are measured at cost less accumulated depreciation and impairment.

Depreciation is calculated using a linear method over the entire useful life of the respective asset in order to write their value down to the residual value at the end of the useful life based on the following rates:

Buildings	5% per year

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

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

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

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

3.9 Assets held for sale

Non-current assets are classified as held-forsale if it is highly probable that their carrying value will be recovered through sale rather than through continuing use and if they meet the following two classification criteria:

- these items, in their current state, are available for immediate sale and subject only to the normal conditions of sale of such items;
- their sale is reliable (based on the management's decision to sell these items, the sale process has been initiated and there is assurance that it will be completed within one year of the date of commencement of this process).

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

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

3.10 Leases

The Company has applied IFRS 16 for accounting lease contracts.

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

<u>As a lessee</u>

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

<u>As a lessor</u>

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

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for 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 permition to account concession is in the form of a one-off reduction in rent, and it is accounted for as a variable lease payment and is recognised in profit or loss.

The Company as a lessor

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

3.11 Corporate income tax

(a) Payable tax

Based on the Law on Corporate Income Tax of the Republic of Latvia the tax rate is 20%, the taxation period is one month and the taxable base, determined by dividing the value of the taxable item by a factor of 0.8, includes:

- distributed profit (dividends calculated, payments equivalent to dividends, conditional dividends) and
- conditionally or theoretically distributed profit (non-operating expenses, doubtful debts, excessive interest payments, loans to related parties, decrease of income or excessive expenses which are incurred by entering into transactions at prices other than those on the market that should be calculated using the methodology determined by the Cabinet of Ministers, benefits bestowed by the non-resident upon its staff or Management board and Supervisory Board members regardless of whether the receiving party is a resident or a non-resident, if they relate to the operation of a permanent establishment in Latvia, liquidation quota).

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

(b) Deferred tax

Lithuania

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

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

The carrying amount of deferred tax asset was reviewed at 31 December 2022 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.

3.12 Cash and cash equivalents

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

3.13 Dividends

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

3.14 Employee benefits

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

3.15 Provisions

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

3.16 Related parties

Related parties represent both legal entities and private individuals related to the company in accordance with the following rules.

a) A person or a close member of that person's family is related to a reporting entity if that person:
i) has control or joint control over the reporting entity;
ii) has significant influence over the reporting entity;
iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:
i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
iii) Both entities are joint ventures of the same third party.
iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are

also related to the reporting entity.
vi) The entity is controlled, or jointly controlled by a person identified in (a).
vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
viii) The entity, or any member of a group to which the entity belongs provides management personnel services to the entity or to the parent of the entity.

Related party transaction – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a consideration is determined.

3.17 Significant accounting estimates and judgement in applying accounting policies

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty:

Outstanding claim reserves

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

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

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

The Company is calculating IBNER (incurred but not enough reported) reserve for large claims incurred but not enough reported for each country separately in MTPL line of business on a net basis, it was reduced to zero (31.12.2021: EUR 1 200 thousand). Calculation assumptions among others include frequency, net premium amount and reinsurance retention for each country separately. Starting from 2019 economic uncertainty reserve IBNER is set aside for financial lines which is calculated by applying publicly available default rates (Lursoft, SIA), stock indexes of leisure sectors and exposure (sum insured). Majority share of reserve were for fulfilment of the travel agency obligations insurance product in 2021. Reserve wase released in 2022 for travel agencies and remained for other financial lines products (e.g. construction bonds). IBNER reserve is included under IBNR reserve position in the financial statements. IBNER gross amount as at 31.12.2022 was EUR 3 497 thousand (31.12.2021: EUR 7 747 thousand).

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

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

To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development/ recording of claims paid and incurred (such as changes in claim reserving procedures);
- economic, legal, political and social trends (resulting in different than expected levels of inflation);
- changes in mix of business;
- random fluctuations, including the impact of large losses.

For claim reserve assumptions, please referrer to Note 4.

Measurement of fair values

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

(4) Risk management

4.1 General principles

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

The risk management system ensures three levels of defence:

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

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

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

The results of the own risk and solvency evaluation are used in strategic and operational planning, as well as in 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.

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

4.2 Insurance 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 very essential role in this area, especially taking into account high rising inflation environment. These committees consolidate the competence of product development, underwriting, pricing etc., and use highly developed analytic tools to ensure appropriate pricing and fulfillment of business goals in this challenging time.

(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 strategy is set out in an annual business plan.

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

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

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

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

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

(b) Basic products

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

Motor transport (except railway transport) insurance (CASCO)

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

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

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

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

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

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

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

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

Geographic concentration of risks

To reduce the concentration risk in one country, the Company continues to develop operations in all Baltic countries. As a result, in the reporting period, 36% of all business (by net earned premiums) was conducted in Latvia, 51% in Lithuania and 13% in Estonia.

Concentration of risks by industry

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

(d) Catastrophes

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

(e) Liability adequacy test

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

Liability adequacy test and Combined ratio approach (as alternative URR approach) as at 31 December 2022 identify deficiency that would require setting of unexpired risk reserve for Health insurance in Estonia.

Claims development

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

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

Claim development analysis, EUR'000

	Year of insured occurrence								
	2015 year and before EUR'000	**2016 EUR'000**	**2017 EUR'000**	**2018 EUR'000**	**2019 EUR'000**	**2020 EUR'000**	**2021 EUR'000**	**2022 EUR'000**	**Total EUR'000**
Gross claim provision at the end of the reporting period									
At the end of accident year	55 700	27 996	41 344	56 159	55 283	58 748	72 885	70 978	-
-one year later	31 326	14 390	17 692	20 160	15 649	13 364	16 987	-	-
-two years later	45 617	9 881	12 049	13 284	7 551	8 650	-	-	-
-three years later	45 835	8 652	10 145	8 040	5 020	-	-	-	-
-four years later	42 703	5 523	6 053	5 466	-	-	-	-	-
-five years later	37 354	5 224	3 591	-	-	-	-	-	-
-six years later	36 499	3 936	-	-	-	-	-	-	-
-seven year later	29 557	-	-	-	-	-	-	-	-
Gross claims paid in subsequent years									
-one year later	20 903	16 765	28 415	37 089	28 610	22 538	31 684	-	-
-two years later	5 494	5 017	2 687	4 526	2 573	2 167	-	-	-
-three years later	4 720	1 802	1 508	2 860	1 068	-	-	-	-
-four years later	4 277	1 010	1 052	844	-	-	-	-	-
-five years later	2 847	517	313	-	-	-	-	-	-
-six years later	3 149	736	-	-	-	-	-	-	-
-seven year later	1 841	-	-	-	-	-	-	-	-
Gross claims paid	**43 231**	**25 847**	**33 975**	**45 319**	**32 251**	**24 705**	**31 684**	**-**	**237 012**
Current year (deficiency)/ redundancy	**5 101**	**552**	**2 149**	**1 730**	**1 463**	**2 547**	**24 214**	**-**	**37 755**

(f) Sensitivity analysis assumptions

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

As at 31 December 2022 82% of IBNR reserve (excluding IBNER large claims) consists of the following lines of business: MTPL and general third party liability insurance. Considering the current market situation, the Company believes that the most volatile assumption, which stands in one line with average claim amount, is inflation.

The table below presents the change in IBNR reserve as at 31 December 2022 – if the annual inflation used in the IBNR reserve estimation would change as a result of a 3 percentage point (p.p.) change in projected annual inflation, the IBNR reserve would change respectively:

EUR'000 **Line of business**	**IBNR, as at 31.12.2022**	**IBNR if projected annual inflation increased by 3 p.p.***	**IBNR without using inflation**
MTPL	24 570	25 338	23 846
General TPL	2 629	2 803	2 463

EUR'000 **Line of business**	**IBNR, as at 31.12.2021**	**IBNR if projected annual inflation increased by 3 p.p.***	**IBNR without using inflation**
MTPL	23 354	24 845	22 411
General TPL	3 836	4 160	3 632

* 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.

Assumptions used for estimation of MTPL insurance claim reserves

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

RBNS reserves for annuities are calculated based on mathematical formulas used in life insurance. The main assumptions in these calculations are mortality tables, inflation and discount rates. General Latvian mortality tables are used for RBNS reserve calculations. Special disabled person mortality tables are used for first or second group disabled persons. Cash flows are calculated until the end of life or until age of retirement. EIOPA (The European Insurance and Occupational Pensions Authority) given discount rates are used for discounting cash flows. In addition, RBNS reserve for cases involving government social insurance agencies and private persons are calculated using specific indexation inflation coefficients set by each country separately. Sensitivity analysis of reserve discounting and it's impact can be seen in next section under market risk, interest rate risk. Changes in EIOPA given rates goes through Profit and Loss and increase by 3 p.p. results in drop in RBNS by EUR 1 407 thousand.

4.3 Financial risk management

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

The Company's financial assets and liabilities, including investments, deposits with banks, loans, insurance receivables and receivables from reinsurance activities, are exposed to financial risk as follows:

- Market risk: risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments, including interest rate risk, price risk and currency risk;

- Credit risk: risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which Company is exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations;
- Liquidity risk: risk that Company is unable to realise investments and other assets in order to settle its financial obligations when they fall due.

Market risk

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

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

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

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

(a) Currency (foreign exchange rate) risk

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

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

The Company held an open currency position in DKK in the equivalent of EUR 17 335 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 2022 and 2021 and a simplified scenario of a 10% change in PLN, GBP, USD to EUR exchange rate is as follows:

	2022	**2021**
EUR'000	**Net income**	**Net income**
10% depreciation of PLN against EUR	(159)	57
10% appreciation of PLN against EUR	159	(57)
10% depreciation of GBP against EUR	(91)	(36)
10% appreciation of GBP against EUR	91	36
10% depreciation of USD against EUR	(167)	114
10% appreciation of USD against EUR	167	(114)

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 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	171 613	1 833	17 392	4 815	1 276	160	**197 089**
Non-fixed income securities	42 694	-	-	-	-	-	**42 694**
Loans	14 520	-	-	-	-	-	**14 520**
Insurance Receivables and Receivables	64 724	-	-	-	-	-	**64 724**
Cash and cash equivalents	12 285	413	8	113	62	13	**12 894**
Total financial assets	**305 836**	**2 246**	**17 400**	**4 928**	**1 338**	**173**	**331 921**
Insurance contract liabilities, net and financial liabilities							
Unearned premium and unexpired risk reserves, net	108 273	288	-	-	-	-	**108 561**
Outstanding claim reserves, net	83 110	289	209	3 339	431	851	**88 229**
Financial liabilities	72 588	-	-	-	-	-	**72 588**
Reinsurers' deposit	49 434	-	-	-	-	-	**49 434**
Total insurance contract liabilities, net and financial liabilities	**313 405**	**577**	**209**	**3 339**	**431**	**851**	**318 812**
Open currency position	**(7 569)**	**1 669**	**17 191**	**1 589**	**907**	**(678)**	**13 109**

31 December 2021	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	158 367	-	22 090	2 349	1 697	197	**184 700**
Non-fixed income securities	46 853	-	-	-	-	-	**46 853**
Loans	14 761	-	-	-	-	-	**14 761**
Insurance Receivables and Receivables	54 628	-	-	-	-	-	**54 628**
Cash and cash equivalents	8 009	1 702	-	1	11	108	**9 831**
Total financial assets	**282 618**	**1 702**	**22 090**	**2 350**	**1 708**	**305**	**310 773**
Insurance contract liabilities, net and financial liabilities							
Unearned premium and unexpired risk reserves, net	92 676	465	-	-	-	-	**93 141**
Outstanding claim reserves, net	88 872	102	223	2 924	1 344	562	**94 027**
Financial liabilities	50 406	-	-	-	-	-	**50 406**
Reinsurers' deposit	43 229	-	-	-	-	-	**43 229**
Total insurance contract liabilities, net and financial liabilities	**275 183**	**567**	**223**	**2 924**	**1 344**	**562**	**280 803**
Open currency position	**7 435**	**1 135**	**21 867**	**(574)**	**364**	**(257)**	**29 270**

(b) Price risk

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

A significant share of the Company's financial investments was accounted for as available-for-sale instruments. Changes in securities prices for available-for-sale instruments is reported through other comprehensive income for the period. A simplified scenario of 5% change in investment funds' prices would result in the following effect on the other comprehensive income as at 31 December 2022 and 2021:

	2022 EUR'000	2021 EUR'000
5% increase in non-fixed income securities prices	2 135	2 343
5% decrease in non-fixed income securities prices	(2 135)	(2 343)

An analysis of the sensitivity of the Company's profit or loss to changes in securities prices based on positions existing as at 31 December 2022 and 2021 and a simplified scenario of a 5% change in all fair value through profit and loss instruments prices is as follows:

	2022 EUR'000	2021 EUR'000
5% increase in securities prices	-	69
5% decrease in securities prices	-	(69)

(c) Interest rate risk

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

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

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

	31.12.2022		31.12.2021	
EUR'000	Profit or loss	OCI	Profit or loss	OCI
100 bp parallel increase	1 407	(7 168)	1 830	(9 740)
100 bp parallel decrease	(1 740)	7 168	(1 870)	9 740

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

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

31 December 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						
Investments at fair value through profit or loss	-	-	-	-	-	-
Available-for-sale instruments	8 632	154 124	32 569	42 694	**238 019**	**195 326**
Held-to-maturity instruments	30	-	1 734	-	**1 764**	**1 764**
Loans	-	-	14 520		**14 520**	**14 520**
Insurance Receivables and Receivables	-	-	-	64 724	**64 724**	-
Cash and cash equivalents	-	-	-	12 894	**12 894**	**300**
Total financial assets	**8 662**	**154 124**	**48 823**	**120 312**	**331 921**	**211 910**

31 December 2021	Up to 12 months EUR'000	1-5 years EUR'000	Over 5 years EUR'000	Non-interest bearing EUR'000	Total EUR'000	Of which subject to fixed rates EUR'000
Financial assets						
Investments at fair value through profit or loss	1 375	-	-	-	**1 375**	**1 360**
Available-for-sale instruments	10 629	95 475	75 454	46 853	**228 411**	**180 618**
Held-to-maturity instruments	30	-	1 737	-	**1 767**	**1 738**
Loan	5	-	14 756	-	**14 761**	**14 756**
Insurance Receivables and Receivables	-	-	-	54 628	**54 628**	-
Cash and cash equivalents	-	-	-	9 831	**9 831**	-
Total financial assets	**12 039**	**95 475**	**91 947**	**111 312**	**310 773**	**198 472**

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 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					
Available-for-sale instruments	8 632	154 124	32 569	42 694	**238 019**
Held-to-maturity instruments	30	-	1 734	-	**1 764**
Loans	-	-	14 520	-	**14 520**
Receivables from direct insurance activities	59 395	-	-	-	**59 395**
Receivables from reinsurance activities	4 330	-	-	-	**4 330**
Other receivables	999	-	-	-	**999**
Cash and cash equivalents	12 894	-	-	-	**12 894**
Total financial assets taking into account maturity	**86 280**	**154 124**	**48 823**	**42 694**	**331 921**
Insurance contract liabilities, net and financial liabilities					
Insurance contract liabilities, net	147 347	31 381	18 063	-	**196 791**
Financial liabilities	49 151	1 342	22 095	-	**72 588**
Reinsurers' deposit	49 434	-	-	-	**49 434**
Total Insurance contract liabilities, netand financial liabilities	**245 932**	**32 723**	**40 158**	**-**	**318 813**
Maturity gap	**(159 652)**	**121 401**	**8 665**	**42 694**	**13 108**

31 December 2021	Up to 12 months EUR'000	From 1 to 5 years EUR'000	Over 5 years EUR'000	No fixed maturity EUR'000	Total EUR'000
Financial and insurance related assets					
Financial instruments at fair value through profit or loss	1 375	-	-	-	**1 375**
Available-for-sale instruments	10 628	95 475	75 455	46 853	**228 411**
Held-to-maturity instruments	30	-	1 737	-	**1 767**
Loan	4	-	14 757	-	**14 761**
Receivables from direct insurance activities	50 205	-	-	-	**50 205**
Receivables from reinsurance activities	3 929	-	-	-	**3 929**
Other receivables	494	-	-	-	**494**
Cash and cash equivalents	9 831	-	-	-	**9 831**
Total financial assets taking into account maturity	**76 496**	**95 475**	**91 949**	**46 853**	**310 773**
Insurance contract liabilities, net and financial liabilities					
Insurance contract liabilities, net	148 030	17 240	33 788	-	**199 058**
Financial liabilities	41 076	2 273	7 057	-	**50 406**
Reinsurers' deposit	43 229	-	-	-	**43 229**
Total insurance contract liabilities, net and financial liabilities	**232 335**	**19 513**	**40 845**	**-**	**292 693**
Maturity gap	**(155 839)**	**75 962**	**51 104**	**46 853**	**18 080**

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 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					
Financial liabilities	50 493	50 493	49 151	1 342	-
Subordinated loan	22 095	29 279	1 251	6 352	21 676
Total financial liabilities	**72 588**	**79 772**	**50 402**	**7 694**	**21 676**

31 December 2021	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					
Financial liabilities	43 349	43 349	41 076	2 273	-
Subordinated loan	7 057	9 041	378	2 860	5 803
Total financial liabilities	**50 406**	**52 390**	**41 454**	**5 133**	**5 803**

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	2022 EUR'000		2021 EUR'000	
	Gross	Net	Gross	Net
Government bonds	149 785	149 785	128 188	128 188
Corporate bonds	29 752	29 752	34 225	34 225
Mortgage bonds	17 552	17 552	22 287	22 287
Loans	14 520	14 520	14 761	14 761
Due from policy holders	58 374	58 338	50 458	49 897
Due from intermediaries	1 062	1 057	314	308
Receivables from reinsurance activities	4 330	4 330	3 929	3 929
Other debtors	1 330	999	494	494
Cash	12 894	12 894	9 831	9 831
	289 599	**289 277**	**264 487**	**263 920**

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:

2022	Rating	Government bonds	Listed debt securities	Mortgage bonds	Total
		EUR'000	EUR'000	EUR'000	EUR'000
Agency:	S&P, Fitch, Moody's				
	AAA	16 869	-	17 552	**34 421**
	AA	20 925	1 113	-	**22 038**
	A	106 537	8 268	-	**114 805**
	BBB	5 454	13 537	-	**18 991**
	BB and lower	-	4 447	-	**4 447**
	No rating	-	2 387	-	**2 387**
		149 785	**29 752**	**17 552**	**197 089**

2021	Rating	Government bonds	Listed debt securities	Mortgage bonds	Total
		EUR'000	EUR'000	EUR'000	EUR'000
Agency:	S&P, Fitch, Moody's				
	AAA	-	-	22 287	**22 287**
	AA	2 750	1 296	-	**4 046**
	A	121 797	11 099	-	**132 896**
	BBB	3 641	15 498	-	**19 139**
	BB and lower	-	4 593	-	**4 593**
	No rating	-	1 739	-	**1 739**
		128 188	**34 225**	**22 287**	**184 700**

Insurance receivables

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

Reinsurance

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

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

Risks are ceded to the (re)insurance companies with a sound reputation 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.

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

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

	31 December 2022	
Rating	Reinsurance debtors EUR'000	Reinsurers' share of insurance contract liabilities EUR'000
AA	540	13 883
A	3 765	67 123
BBB	-	531
No rating	25	1 468
	4 330	**83 005**

	31 December 2021	
Rating	Reinsurance debtors EUR'000	Reinsurers' share of insurance contract liabilities EUR'000
AA	300	14 560
A	3 501	62 713
BBB	3	849
No rating	125	1 782
	3 929	**79 904**

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 2022 EUR'000	31 December 2021 EUR'000
Accident insurance	100	100
Health insurance	Retained on net	Retained on net
CASCO	Retained on net	Retained on net
Railway rolling stock insurance	100	100
Aircraft insurance	100	100
Marine vessel insurance	805	805
Freight insurance	100	100
Property insurance	500	500
MTPL	600	600
Aircraft owner third party liability insurance	100	100
Ship owner third party liability insurance	805	805
General third party liability insurance	400	400
Credit insurance	800	800
Surety insurance	750	750
Miscellaneous financial losses insurance	500	500
Legal expense insurance	Retained on net	Retained on net
Assistance insurance	Retained on net	Retained on net

4.4 Operational risk management

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

The Company considers internal control to be key for managing operational risk. The objectives of the internal control system are:
- to provide reasonable assurance financial statements and disclosures are materially correct;
- 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.

Business continuity remains one of the key areas – in 2021, the coronavirus pandemic was a real-life test of remote work which was successfully passed, then in 2022 Russian invasion of Ukraine and complicated geopolitical situation required sufficient focus to minimize and prevent cyber risk as well as be prepared for certain emergency situations.

4.5 Capital adequacy requirements and Capital management

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

The Company has developed a capital management policy to be sure:

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

Capital management

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

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

During the reporting year interest rates on the international financial and capital markets substantially increased, which negatively affected the market valuation of the Company's financial assets. As a result of these developments the market valuation of the Company's investment portfolio decreased by EUR 27.0 million during the reporting year. This decrease in the value of the Company's investment assets directly impacted the value of its Solvency own funds and consequently decreased its Solvency ratio. This decrease in value of the Company's Solvency own funds did not result in financial losses or liquidity shortage for the Company. In order to maintain sufficient level of the Solvency own funds the Company implemented two capital measures during the reporting year, receiving a subordinated loan in the amount of EUR 15.0 million from its sole shareholder during the second quarter of 2022 and executing an increase in share capital in the amount of EUR 10.0 million during the fourth quarter of 2022.

Company in order to maintain financial stability has signed ancilarry own fund agreement with VIG, a total amount not exceeding EUR 2.0 million. Ancillary own funds are Tier 2 own-fund which can be called up to absorb losses.

(5) Gross written premiums

	2022 EUR'000			2021 EUR'000		
	Gross written premiums	**Reinsurers' share in premiums**	**Net written premiums**	**Gross written premiums**	**Reinsurers' share in premiums**	**Net written premiums**
Accident insurance	6 678	(3 361)	3 317	6 071	(3 064)	3 007
Health insurance	37 806	-	37 806	30 574	-	30 574
CASCO	61 672	(10)	61 662	52 356	(8)	52 348
Railway rolling stock insurance	452	(47)	405	274	(50)	224
Aircraft insurance	209	(40)	169	203	(34)	169
Marine vessel insurance	1 282	(861)	421	1 158	(791)	367
Freight insurance	1 291	(270)	1 021	1 311	(142)	1 169
Property insurance	43 320	(10 429)	32 891	37 320	(8 883)	28 437
MTPL*	75 501	(38 350)	37 151	63 119	(32 023)	31 096
Aircraft owner third party liability insurance	237	(63)	174	232	(60)	172
Ship owner third party liability insurance	307	(199)	108	216	(140)	76
General third party liability insurance	13 471	(2 130)	11 341	10 399	(1 833)	8 566
Credit insurance	433	(260)	173	417	(251)	166
Surety insurance	9 576	(2 978)	6 598	8 346	(4 630)	3 716
Miscellaneous financial losses insurance	854	(232)	622	587	(247)	340
Legal expenses insurance	17	-	17	17	-	17
Assistance insurance	8 960	(180)	8 780	6 204	(191)	6 013
Total	**262 066**	**(59 410)**	**202 656**	**218 804**	**(52 347)**	**166 457**

* The Company makes obligatory deductions in accordance with the law "On compulsory motor third party liability" and the related Cabinet of Ministers regulations of the Republic of Latvia. Gross written premiums on motor third party liabilities insurance are shown net of the obligatory deductions EUR 586 thousand (2021: EUR 457 thousand).

The Company makes obligatory deductions to the Motor Bureaus of Lithuania and Estonia in accordance with the statutory requirements. Gross written premiums on motor third party liabilities insurance are shown net of the obligatory deductions to the transport insurance offices of Lithuania and Estonia in the amount of EUR 1 214 thousand (2021: EUR 1 052 thousand).

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

- Co-financing of the activities of the Motor Insurers' Bureau of Latvia: EUR 0.39 (2021:0.41) per contract and additionally EUR 3 247 (2021: EUR 3 314) per month;
- For the MTPL Guarantee Fund: payments are made in accordance with special calculation by taking into account the period of contract and the type of insured motor vehicle;
- For the Road Traffic Accidents Fund in Latvia: 2% from gross written premium.

Breakdown of gross written premiums by country:

	2022 EUR'000	**2021 EUR'000**
Latvia	90 734	80 144
Lithuania	140 715	111 974
Estonia	30 617	26 686
	262 066	**218 804**

(6) Net earned premiums

	2022 EUR'000			2021 EUR'000		
	Gross earned premiums	Reinsurers' share in premiums	Net earned premiums	Gross earned premiums	Reinsurers' share in premiums	Net earned premiums
Accident insurance	6 412	(3 225)	3 187	5 716	(2 891)	2 825
Health insurance	35 228	-	35 228	29 183	-	29 183
CASCO	57 270	(10)	57 260	50 375	(8)	50 367
Railway rolling stock insurance	345	(47)	298	274	(50)	224
Aircraft insurance	208	(40)	168	177	(34)	143
Marine vessel insurance	1 268	(823)	445	1 287	(956)	331
Freight insurance	1 199	(141)	1 058	1 161	(143)	1 018
Property insurance	39 444	(9 120)	30 324	33 155	(7 713)	25 442
MTPL	71 040	(36 137)	34 903	62 747	(31 859)	30 888
Aircraft owner third party liability insurance	239	(62)	177	214	(63)	151
Ship owner third party liability insurance	232	(150)	82	202	(136)	66
General third party liability insurance	11 709	(2 122)	9 587	9 221	(1 756)	7 465
Credit insurance	420	(228)	192	351	(211)	140
Surety insurance	9 423	(4 141)	5 282	7 635	(3 789)	3 846
Miscellaneous financial losses insurance	782	(237)	545	577	(229)	348
Legal expenses insurance	18	-	18	17	-	17
Assistance insurance	8 676	(194)	8 482	5 867	(181)	5 686
Total	**243 913**	**(56 677)**	**187 236**	**208 159**	**(50 019)**	**158 140**

(7) Gross unearned premium and unexpired risk reserves

	Gross EUR'000	Reinsurers' share EUR'000	Net EUR'000
Balance at 31.12.2020	**106 811**	**(21 987)**	**84 824**
Written premiums	218 804	(52 347)	166 457
Premiums earned	(208 159)	50 019	(158 140)
Changes during period	*10 645*	*(2 328)*	*8 317*
Balance at 31.12.2021	**117 456**	**(24 315)**	**93 141**
Written premiums	262 066	(59 410)	202 656
Premiums earned	(243 913)	56 677	(187 236)
Changes during period	*18 153*	*(2 733)*	*15 420*
Balance at 31.12.2022	**135 609**	**(27 048)**	**108 561**

	31.12.2022 EUR'000		31.12.2021 EUR'000	
	Gross	Net	Gross	Net
Unearned premium reserve	135 212	108 164	116 585	92 270
Unexpired risk reserve	397	397	871	871
	135 609	**108 561**	**117 456**	**93 141**

(8) Other technical income, net

	2022 EUR'000	2021 EUR'000
Fee for policy amendments and cancellation	309	206
Change in impairment allowance for receivables from direct insurance and reinsurance operations	525	66
Other technical income	590	302
	1 424	**574**

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

(9) Gross claims paid

	2022 EUR'000			2021 EUR'000		
	Gross claims paid	**Reinsurers' share in claim**	**Net claims paid**	**Gross claims paid**	**Reinsurers' share in claim**	**Net claims paid**
Accident insurance	(3 575)	1 608	(1 967)	(2 547)	1 151	(1 396)
Health insurance	(32 101)	–	(32 101)	(24 471)	–	(24 471)
CASCO	(41 975)	–	(41 975)	(36 971)	–	(36 971)
Railway rolling stock insurance	(47)	–	(47)	(2)	–	(2)
Aircraft insurance	(260)	5	(255)	(172)	34	(138)
Marine vessel insurance	(949)	682	(267)	(2 129)	1 840	(289)
Freight insurance	(160)	–	(160)	(177)	–	(177)
Property insurance	(26 528)	5 757	(20 771)	(16 343)	2 321	(14 022)
MTPL	(51 123)	24 005	(27 118)	(46 271)	21 587	(24 684)
Aircraft owner third party liability insurance	(3)	–	(3)	(17)	–	(17)
Ship owner third party liability insurance	(13)	7	(6)	(22)	14	(8)
General third party liability insurance	(2 744)	65	(2 679)	(2 237)	130	(2 107)
Credit insurance	(157)	88	(69)	(159)	95	(64)
Surety insurance	(1 052)	268	(784)	21	(9)	12
Miscellaneous financial losses insurance	(235)	216	(19)	(468)	16	(452)
Legal expenses insurance	–	–	–	–	–	–
Assistance insurance	(3 698)	156	(3 542)	(2 148)	92	(2 056)
	(164 620)	**32 857**	**(131 763)**	**(134 113)**	**27 271**	**(106 842)**

Gross claims paid include:

	2022 EUR'000	2021 EUR'000
Paid claims	(163 169)	(133 464)
Loss adjustment expenses*	(11 605)	(9 248)
Recovered losses	10 154	8 599
	(164 620)	**(134 113)**

*Loss adjustment expenses in the reporting period include EUR 5 223 thousand (2021: EUR 4 166 thousand) salaries and social contributions for employees dealing with claims handling and allocation of salaries and social contributions for back office employees.

(10) Gross outstanding claim reserves

	Gross EUR'000	Reinsurers' share EUR'000	Net EUR'000
Balance at 31.12.2020	**140 703**	**(51 426)**	**89 277**
Claims incurred during the period	143 026	(31 434)	111 592
Claims paid	(134 113)	27 271	(106 842)
Changes during period	*8 913*	*(4 163)*	*4 750*
Balance at 31.12.2021	**149 616**	**(55 589)**	**94 027**
Claims incurred during the period	159 190	(33 225)	125 965
Claims paid	(164 620)	32 857	(131 763)
Changes during period	*(5 430)*	*(368)*	(5 798)
Balance at 31.12.2022	**144 186**	**(55 957)**	**88 229**

	31.12.2022 EUR'000			31.12.2021 EUR'000		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
RBNS	107 392	(42 067)	65 325	107 759	(41 096)	66 663
IBNR	36 794	(13 890)	22 904	41 857	(14 493)	27 364
	144 186	**(55 957)**	**88 229**	**149 616**	**(55 589)**	**94 027**

(11) Net incurred claims

	2022 EUR'000			2021 EUR'000		
	Gross claims incurred	Reinsurers' share in claims incurred	Net claims incurred	Gross claims incurred	Reinsurers' share in claims incurred	Net claims incurred
Accident insurance	(3 879)	1 754	(2 125)	(2 559)	1 183	(1 376)
Health insurance	(32 619)	–	(32 619)	(24 489)	–	(24 489)
CASCO	(42 200)	(23)	(42 223)	(39 882)	23	(39 859)
Railway rolling stock insurance	(85)	2	(83)	8	–	8
Aircraft insurance	(165)	5	(160)	(244)	26	(218)
Marine vessel insurance	(1 561)	1 055	(506)	(1 991)	1 827	(164)
Freight insurance	(170)	7	(163)	(124)	1	(123)
Property insurance	(26 403)	6 515	(19 888)	(21 121)	3 860	(17 261)
MTPL	(49 956)	26 989	(22 967)	(48 116)	23 516	(24 600)
Aircraft owner third party liability insurance	44	–	44	(84)	–	(84)
Ship owner third party liability insurance	105	(16)	89	(272)	160	(112)
General third party liability insurance	(1 137)	(265)	(1 402)	(1 579)	280	(1 299)
Credit insurance	(161)	79	(82)	(117)	79	(38)
Surety insurance	2 896	(2 705)	191	737	(133)	604
Miscellaneous financial losses insurance	(166)	(286)	(452)	(930)	506	(424)
Legal expenses insurance	–	–	–	–	–	–
Assistance insurance	(3 733)	114	(3 619)	(2 263)	106	(2 157)
	(159 190)	**33 225**	**(125 965)**	**(143 026)**	**31 434**	**(111 592)**

(12) Deferred client acquisition costs

	EUR'000
Balance at 31.12.2020	**10 515**
Direct client acquisition costs	22 123
Deferred commissions allocated to the profit or loss	(21 009)
Changes during period	*1 114*
Balance at 31.12.2021	**11 629**
Direct client acquisition costs	27 817
Deferred commissions allocated to the profit or loss	(25 684)
Changes during period	*2 133*
Balance at 31.12.2022	**13 762**

Client acquisition costs:

	2022 EUR'000	2021 EUR'000
Direct client acquisition costs		
Intermediaries' commissions payable	26 957	21 506
Agents' commissions payable	860	536
Other payable to intermediaries	–	81
Total direct client acquisition costs	**27 817**	**22 123**
Indirect client acquisition costs		
Salaries and social contributions of front office employees	17 325	15 513
Allocated salaries and social contributions of back office employees	528	575
Front office administrative expenses	3 212	3 057
Total indirect client acquisition costs	**21 065**	**19 145**
	48 882	**41 268**

(13) Administrative expenses

	2022 EUR'000	2021 EUR'000
Salaries and social contribution expenses	9 529	9 118
Rent payments*	107	2 740
Computer programs rent and maintenance	1 985	761
Obligatory payments	41	400
Business related costs	564	291
Utility expenses (electricity, heating, water)	260	594
Car maintenance costs	244	164
Telecommunication costs	309	190
Advertising expenses	871	205
Other personal expenses	987	180
Presentation expenses	229	56
Legal expenses	45	122
Computer maintenance	78	102
Audit and consultant services**	378	52
Cleaning expenses	50	64
Public relations expenses	116	15
Typographic costs	21	8
Other administrative expenses	303	335
	16 117	**15 397**

* Rent payments in 2022 and 2021 consists of expenses relating to short-term leases and leases of low-value assets, as well as VAT part of lease payments that are directly expensed and are not taken into account when assessing right-of-use asset and lease liability.
** Audit and consultancy service expenses include audit and other services received from auditor and other professional service companies.

Administrative expenses allocated by insurance types*:

	2022 EUR'000	2021 EUR'000
Accident insurance	600	369
Health insurance	1 367	1 787
CASCO	3 123	3 801
Railway rolling stock insurance	30	26
Aircraft insurance	21	9
Marine vessel insurance	98	168
Freight insurance	93	65
Property insurance	3 162	2 069
MTPL	4 784	5 360
Aircraft owner third party liability insurance	27	10
Ship owner third party liability insurance	11	8
General third party liability insurance	1 092	587
Credit insurance	17	20
Surety insurance	955	556
Miscellaneous financial losses insurance	26	32
Legal expenses insurance	–	1
Assistance insurance	711	343
	16 117	**15 211**

* See Note 3.2(h) for allocation principles.

(14) Unearned reinsurance commission income

	EUR'000
Balance at 31.12.2020	**2 974**
Written commissions	(20 018)
Deferred commissions allocated to the profit or loss	19 540
Changes during period	*478*
Balance at 31.12.2021	**3 452**
Written commissions	(13 515)
Deferred commissions allocated to the profit or loss	13 418
Changes during period	*97*
Balance at 31 December 2022	**3 549**

(15) Other technical expenses, net

	2022 EUR'000	2021 EUR'000
Impairment allowance for receivables from direct insurance and reinsurance operations	402	100
Other	48	172
	450	**272**

(16) Interest income

	2022 EUR'000	2021 EUR'000
Interest income from financial assets at fair value through profit or loss	8	18
Interest income from held to maturity financial investments	35	35
Interest income from available for sale financial investments	1 699	1 391
Dividend income from available for sale financial investments	687	866
Interest on loans	360	319
	2 789	**2 629**

(17) Interest expense

	2022 EUR'000	2021 EUR'000
Interest expense on subordinated loans	855	378
Interest expense on reinsurers' deposit	223	–
Interest expense on lease liabilities	25	40
	1 103	**418**

(18) Income tax expense

	2022 EUR'000	2021 EUR'000
Current corporate income tax	(1 182)	(1 323)
Deferred tax	(48)	28
	(1 230)	**(1 295)**

Effective tax rate reconciliation

	2022 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 impact	(533)	–	(84)	**(617)**
Donations	–	(22)	–	**(22)**
Tax expenses	**–**	**1 230**	**–**	**1 230**

	2021 EUR'000 Latvia	Lithuania	Estonia	Total
Profit before tax	**4 489**	**8 341**	**(3 249)**	**9 581**
Theoretical tax using the 15% or 20% rate*	898	1 251	-	**2 149**
Non-deductible expenses	-	32	-	**32**
Profit taxation on distribution	(898)	-	-	**(898)**
Donations	-	12	-	**12**
Tax expenses	**-**	**1 295**	**-**	**1 295**

* Theoretical tax rate in 2022 and 2021 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.

If all retained earning were paid out as dividends, there would be changes in payables corporate income tax, take in to account outstanding amount of transferred dividends from Lithuania to Latvia.

(19) Reinsurance cession result

	2022 EUR'000	2021 EUR'000
Reinsurance premiums	(59 410)	(52 347)
Changes in reinsurers' share in unearned premiums reserve	2 733	2 328
Reinsurers' share in claims paid	32 857	27 271
Changes in reinsurers' share in reserve for outstanding claims	368	4 163
Reinsurance commissions and profit participation	13 515	20 018
Change in unearned reinsurance commissions	(97)	(478)
	(10 034)	**955**

(20) 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					
31.12.2020	**1 947**	**161**	**3 563**	**368**	**6 039**
Purchased	440	3	333	76	852
Disposals	(305)	-	(452)	(64)	(821)
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**
Accumulated depreciation					
31.12.2020	**(792)**	**-**	**(2 268)**	**(181)**	**(3 241)**
Depreciation for the period	(375)	-	(582)	(99)	(1 056)
Depreciation on disposed assets	281	-	445	64	790
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)**
Balance at 31.12.2021	**1 196**	**164**	**1 039**	**164**	**2 563**
Balance at 31.12.2022	**880**	**164**	**903**	**235**	**2 182**

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

(21) 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			
31.12.2020	**2 135**	**7 866**	**10 001**
Additions	11	902	913
Disposals	-	(427)	(427)
Reclassification to Investment Property	(259)	-	(259)
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**
Accumulated depreciation			
31.12.2020	**(1 057)**	**(3 160)**	**(4 217)**
Depreciation for the period	(89)	(1 769)	(1 858)
Depreciation on disposed assets	-	428	428
Reclassification to Investment Property	40	-	40
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)**
Balance at 31.12.2021	**781**	**3 840**	**4 621**
Balance at 31.12.2022	**708**	**2 763**	**3 471**

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

Transfer to investment property

During 2021, part of a building and land located in Riga were transferred to investment property (see Note 21(b)), because they were no longer used by the Company and it was decided that the respective part of the building and land would be leased to third parties.

(b) Investment property

	Investment property EUR'000
Balance at 31.12.2020	**1 017**
Reclassification from Land and Buildings	219
Disposals	(28)
Depreciation for the period	(87)
Balance at 31.12.2021	**1 121**
Disposals	(79)
Depreciation for the period	(96)
Balanceat 31.12.2022	**946**

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 135 thousand (2021: EUR 119 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 2022 and 2021 in brackets:

Type	Fair value, EUR'000 (year 2021)	Valuation technique	Significant unobservable inputs (year 2021)	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)
Building located in Tallinn (property was sold during 2022)	- (269)	The income capitalization and sales comparison approach	Rental income of EUR 10 per m^2 Discount rate 10% (Rental income of EUR 10 per m^2 Discount rate 10%)	The estimated fair value would increase/ (decrease) if rental income per m^2 was higher/ (lower). The estimated fair value would increase/ (decrease) if discount rate was lower (higher)
Buildings and land located in Riga	139 (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	210 (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	1 096 (1 021)	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)

	2022 EUR'000	2021 EUR'000
Total fair value	1 662	1 856

* 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. One property was revaluated by external valuator during 2022. No other properties were revaluated by external valuators. Based on managements' fair value assessment, there were no significant changes in fair value in those properties.

(22) Intangible assets

	Software EUR'000	Total EUR'000
Cost		
31.12.2020	**5 630**	**5 630**
Purchased	2 293	2 293
Disposals	(51)	(51)
31.12.2021	**7 872**	**7 872**
Purchased	3 594	3 594
Disposals	(8)	(8)
31.12.2022	**11 458**	**11 458**

Accumulated amortisation		
31.12.2020	**(2 629)**	**(2 629)**
Amortisation for the period	(1 051)	(1 051)
Amortisation on disposed assets	6	6
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)**
Balance at 31.12.2021	**4 198**	**4 198**
Balance at 31.12.2022	**6 652**	**6 652**

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

In 2021 and 2022 insurance new core system was implemented in Lithuania branch, now Company has one common system for insurance in all branches.

(23) Investment in subsidiaries and associate companies

On 18 June 2019 BTA Baltic Insurance Company AAS acquired 100% share capital of and complete control over Urban Space SIA for EUR 406 thousand. 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 2022 the subsidiaries and associate companies are accounted using the cost method. Based on impairment analysis performed by management as at 31.12.2022, no impairment has been identified.

Name of the Company	Participation	Investment amount 31.12.2022 EUR'000	Investment amount 31.12.2021 EUR'000	Net asset value 31.12.2022 (unaudited) EUR'000	Net asset value 31.12.2021 (unaudited) EUR'000
Urban Space SIA	100%	506	506	733	440
Ģertrūdes 121 SIA	33.33%	1 059	1 059	3 485	3 289
Artilērijas 35 SIA	33.33%	320	320	1 103	918
Alauksta 13/15 SIA	33.33%	304	304	1 086	924
Global Assistance SIA	33.33%	100	100	265	277
LiveOn SIA	70%	18 203	15 052	27 959	21 535

(24) Financial instruments	**31.12.2022 EUR'000**	**31.12.2021 EUR'000**
Fixed income securities	197 089	184 700
Investment funds	37 350	41 648
Investment in share capital of VIG Fund, a.s. (see Note 41)*	4 671	4 671
Equity securities	673	534
	239 783	**231 553**

* The portfolio of available-for-sale securities also includes shares held at cost of EUR 4 671 thousand (2021: EUR 4 671 thousand). These are unlisted equity securities in VIG group company – VIG Fund, a.s. – for which fair value could not be measured reliably due to the existence of significant transactions between the Company and this investee. The Company's investment strategy is to hold these securities for a long-term period. When sold, the carrying value of these assets will be charged to profit or loss.

Fixed income securities:

	31.12.2022 EUR'000		31.12.2021 EUR'000	
	Purchase cost	Fair value	Purchase cost	Fair value
Debt securities issued or guaranteed by central governments or municipalities	163 903	149 785	128 170	128 188
Debt securities and other securities with fixed income, which are listed in a regulated market	55 783	47 304	56 180	56 512
		197 089		**184 700**

Investment portfolio of fixed income securities by geographic split:

	31.12.2022 EUR'000	31.12.2021 EUR'000
Latvia, Lithuania, Estonia	101 313	120 284
Poland	13 479	12 249
Other European Union countries	70 589	40 221
Other	11 708	11 946
	197 089	**184 700**

(25) Loans

Loan maturity structure:

	31.12.2022 EUR'000	31.12.2022 EUR'000
With maturity up to 12 months	285	321
With maturity in more than 5 years	14 235	14 440
	14 520	**14 761**

Loan structure by geographical split:

	31.12.2022 EUR'000	31.12.2021 EUR'000
Latvia	8 579	8 769
Poland	5 746	5 855
Czech Republic	132	137
Estonia	40	-
Lithuania	23	-
	14 520	**14 761**

All issued loans are to related parties. For more detailed information please refer to Note 41.

(26) Receivables from direct insurance activities

	31.12.2022 EUR'000	31.12.2021 EUR'000
Due from policy holders	58 374	50 458
Due from intermediaries	1 062	314
Impairment allowance for bad debtors	(41)	(567)
	59 395	**50 205**

	Allowance for policy holders EUR'000	Allowance for intermediaries EUR'000	Total allowance for insurance debtors EUR'000
Allowance at 31.12.2020	**(461)**	**(72)**	**(533)**
Recovered debts	-	66	66
Impairment loss charge	(100)	-	(100)
Allowance at 31.12.2021	**(561)**	**(6)**	**(567)**
Recovered debts (see Note 8)	525	1	**526**
Impairment loss charge	-	-	**-**
Allowance at 31.12.2022	**(36)**	**(5)**	**(41)**

	31.12.2022 EUR'000	31.12.2021 EUR'000
Intermediaries	1 062	314
Allowances for doubtful debts	(5)	(6)
Intermediaries	**1 057**	**308**
More than 3 months overdue	*29*	*99*
Less than 3 months overdue	*361*	*3 116*
Overdue receivables	390	3 215
Outstanding receivables not yet due	57 984	47 243
Allowances for doubtful debts	(36)	(561)
Policyholders	**58 338**	**49 897**
Total direct insurance debtors	**59 395**	**50 205**

(27) Other receivables

	31.12.2022 EUR'000	31.12.2021 EUR'000
Financial assets		
Receivables for claims handling services provided	283	333
Other debtors	426	496
Impairment allowance	(331)	(418)
Total financial assets	**378**	**411**
Non-financial assets		
Advance payments	263	36
Tax prepayments	358	47
Total non-financial assets	**621**	**83**
	999	**494**

(28) Cash and cash equivalents

	31.12.2022 EUR'000	31.12.2021 EUR'000
Cash on hand	16	6
Current accounts with credit institutions	12 578	9 825
Short term deposit	300	-
Cash and cash equivalents	**12 894**	**9 831**
Cash and cash equivalents as disclosed in the statement of cash flows	**12 894**	**9 831**

Credit institutions:

	31.12.2022 EUR'000	31.12.2021 EUR'000
Latvian credit institutions	7 596	6 120
Lithuanian credit institutions	3 338	2 755
Estonian credit institutions	1 944	950
	12 878	**9 825**

Credit institutions analysis by ratings:

	31.12.2022 EUR'000	31.12.2021 EUR'000
A	3 020	1
BBB	7 903	1 521
BB and lower	1 878	1 010
Not rated	77	7 293
	12 878	**9 825**

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.

(29) Obligatory payments disclosed in statement of cash flows

Payments made to:

	31.12.2022 EUR'000	31.12.2021 EUR'000
Latvian Transport Insurance Bureau	586	457
Estonian and Lithuanian Transport Insurance Bureaus	1 214	1 052
FCMC commission	466	465
Estonian and Lithuanian insurance supervisory institutions	4	23
	2 270	**1 997**

(30) Capital and reserves

Share capital

The authorized and issued share capital of the Company at 31 December 2022 is EUR 51 609 400 (2021: EUR 41 609 400) comprised of 516 094 (2021: 416 094) ordinary shares and is fully paid. Nominal value of one share is EUR 100.

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

Dividends

	2022 EUR'000	2021 EUR'000
Dividends declared	4 144	10 004
Dividends paid	4 144	10 004

	2022 EUR	2021 EUR
Dividends declared per share	8.03	24.04
Dividends paid per share	8.03	24.04

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 available-for-sale instruments, net of deferred tax.

	31.12.2022 EUR'000	31.12.2021 EUR'000
Investment revaluation reserves	(23 248)	3 745
	(23 248)	**3 745**

	EUR'000
Balance at 31.12.2020	**8 157**
Debt investments at FVOCI – net change in fair value	(3 317)
Debt investments at FVOCI – reclassified to profit or loss	(1 095)
Balance at 31.12.2021	**3 745**
Debt investments at FVOCI – net change in fair value	(26 653)
Debt investments at FVOCI – reclassified to profit or loss	(340)
Balance at 31.12.2022	**(23 248)**

(31) Reinsurers' deposit

The reinsurance deposit is recognized in accordance with the reinsurance contracts for motor vehicle owner third party liability insurance (MTPL) and personal accident (PA) line of business. The basis for calculating the deposit is reinsurers' share of insurance contract liabilities:

- unearned premium reserves (UPR) at the end of the period;
- outstanding claim reserves (RBNS and IBNR) at the end of the period.

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

The Reinsurers' deposit consists of following reinsurers' share of insurance contract liabilities as at 31 December 2022 and 2021:

	31.12.2022 EUR'000	31.12.2021 EUR'000
Unearned premium reserves	15 469	13 132
Outstanding claim reserve	33 965	30 097
	49 434	**43 229**

(32) Lease liabilities

	31.12.2022 EUR'000	31.12.2021 EUR'000
Less than one year	1 755	1 754
Between one and five years	1 264	2 273
More than five years	43	57
	3 062	**4 084**

Lease liability movement

	EUR'000
Balance at 31.12.2020	**4 974**
Additions	141
Modification	878
Payments	(1 896)
Disposals	(13)
Balance at 31.12.2021	**4 084**
Additions	185
Modification	751
Payments	(1 958)
Balance at 31.12.2022	**3 062**

(33) 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 2022 and 2021. These deferred tax assets have been recognised in these financial statements.

Deferred tax asset/(liabilities) attributable to:	2022 EUR'000	2021 EUR'000
Lithuania	202	250

Movement in temporary differences during the year ended 31 December 2022

'000 EUR	Net balance 1 January 2022	Recognised in profit or loss	Net balance 31 December 2022	31 December 2022 Deferred tax asset	31 December 2022 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**	**-**

Movement in temporary differences during the year ended 31 December 2021

'000 EUR	Net balance 1 January 2021	Recognised in profit or loss	Net balance 31 December 2021	31 December 2021 Deferred tax asset	31 December 2021 Deferred tax liability
Provisions	222	28	250	250	-
Deferred tax assets before set-off	**222**			**250**	**-**
Set off of tax				-	-
Net deferred tax assets				**250**	**-**

(34) Taxes and social insurance contributions

Tax type	Balance at 31.12.2021 EUR'000	Calculated in reporting period EUR'000	Paid in reporting period EUR'000	Reclassified EUR'000	Balance at 31.12.2022 EUR'000
Social contributions	**450**	7 948	(7 949)	-	**449**
Personal income tax	**235**	5 388	(5 385)	-	**238**
Value added tax	**140**	1 083	(1 178)	-	**45**
Real estate tax	**-**	5	(5)	-	**-**
Risk Duty	**7**	99	(98)	-	**8**
Other taxes	**-**	-	-	-	**-**
CIT in Latvia	**-**	-	-	-	**-**
CIT in Lithuania	**(34)**	1 182	(1 506)	-	**(358)**
	798	**15 705**	**(16 121)**	**-**	**382**

	31.12.2021 EUR'000	31.12.2022 EUR'000
Prepaid corporate income tax, see Note 27	(34)	(358)
Other tax prepayment, see Note 27	(13)	-
Other tax liabilities	845	740

	Tax payable 31.12.2021 EUR'000	Tax receivable 31.12.2021 EUR'000	Calculated in reporting period EUR'000	Paid in reporting period EUR'000	Tax payable 31.12.2022 EUR'000	Tax receivable 31.12. 2022 EUR'000
Latvia	689	-	6 709	(6 842)	556	-
Lithuania	55	(47)	7 789	(8 070)	85	(358)
Estonia	101	-	1 207	(1 209)	99	-
	845	**(47)**	**15 705**	**(16 121)**	**740**	**(358)**

(35) Payables from reinsurance activities

	31.12.2022 EUR'000	31.12.2021 EUR'000
Reinsurance companies	10 102	5 396
	10 102	**5 396**

Reinsurance creditors by geographic split:

	31.12.2022 EUR'000	31.12.2021 EUR'000
European Union member countries	9 863	5 240
Europe other than EU	231	37
North America	8	21
Other	–	98
	10 102	**5 396**

(36) Other creditors

	31.12.2022 EUR'000	31.12.2021 EUR'000
Financial liabilities		
Financial pledge	21 293	17 347
Due to employees (remuneration)	305	238
Other creditors	7 308	6 027
Total financial liabilities	**28 906**	**23 612**
Non-financial liabilities		
Due to the Motor Insurers' Bureau of Latvia	91	80
Due to the Financial Capital and Market Commission, Latvia	125	111
Due to Motor Insurers' Bureau of Lithuania	306	235
Total non-financial liabilities	**522**	**426**
	29 428	**24 038**

(37) Provisions and accrued liabilities

Provisions

	31.12.2022 EUR'000	31.12.2021 EUR'000
Accrued staff bonuses	2 477	2 109
	2 477	**2 109**

	Gross EUR'000
Provisions at 31.12.2020	**2 161**
Paid	(1 891)
Increase of provisions	1 839
Provisions at 31.12.2021	**2 109**
Paid	(1 629)
Increase of provisions	1 997
Provisions at 31.12.2022	**2 477**

Accrued liabilities

	31.12.2022 EUR'000	31.12.2021 EUR'000
Accrued liabilities for unused employee vacations	1 560	1 434
Accrued liabilities for intermediary commissions	474	520
Other accrued liabilities	887	209
	2 921	**2 163**

(38) Number of employees and information on branches

	At 31 December 2022	At 31 December 2021
Employees	1 091	1 084
Insurance agents	152	142
	1 243	**1 226**

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 2022	At 31 December 2021
Latvia	474	478
Branch in Lithuania	528	535
Branch in Estonia	89	71
	1 091	**1 084**

Number of client service centres:

	At 31 December 2022	At 31 December 2021
Customer service centres abroad	111	117
Customer service centres in Latvia	56	57

(39) Personnel expenses

	2022 EUR'000	2021 EUR'000
Remuneration	29 025	29 066
Social contribution expenses	3 800	3 601
	32 825	**32 667**

	2022 EUR'000	2021 EUR'000
Personnel expenses (included in administrative expenses in Note 13)	9 529	9 118
Personnel expenses (included in loss adjustment expenses in Note 9)	5 223	4 166
Personnel expenses (included in indirect client acquisition costs in Note 12)	17 853	19 145
Personnel expenses (included in investment management charges)	220	238
	32 825	**32 667**

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

	2022 EUR'000	2021 EUR'000
Supervisory Board	67	62
Management Board	748	777
Social contribution expenses	165	166
	980	**1 005**

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

(41) Related parties

Control relationships

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

Transactions with related parties

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

The Company has the following related party transactions in 2022 and 2021 and debtors/creditors' balances as at 31 December 2022 and 2021:

Transactions with related parties

Reinsurance

	2022 EUR'000	2021 EUR'000
Vienna Insurance Group AG Wiener Versicherung Gruppe		
Ceded reinsurance premiums	(41 243)	(34 650)
Change in reinsurers' share in unearned premium reserves	2 340	341
Reinsurers' share in claims paid	25 553	21 520
Change in reinsurers' share in outstanding claims reserves	3 868	1 183
Reinsurance commissions and profit participations	9 055	15 985
Interest expense for reinsurance deposit	(223)	-
Total	***(650)***	***4 379***
VIG Re zajišt'ovna, a.s.		
Ceded reinsurance premiums	(2 922)	(2 546)
Change in reinsurers' share in unearned premium reserves	148	130
Reinsurers' share in claims paid	1 290	513
Change in reinsurers' share in outstanding claims reserves	118	67
Reinsurance commissions and profit participations	355	203
Change in unearned reinsurance commission	(39)	(28)
Total	***(1 050)***	***(1 661)***
DONAU Versicherung AG Vienna Insurance Group		
Ceded reinsurance premiums	(4)	(6)
Reinsurance commissions and profit participations	1	1
Claim handling expenses	(65)	(67)
Total	***(68)***	***(72)***

Continued table

Other transactions	2022 EUR'000	2021 EUR'000
Vienna Insurance Group AG Wiener Versicherung Gruppe		
Interest expense for subordinated loans	(855)	(378)
Other expenses	(673)	(545)
Total	***(1 528)***	***(923)***
VIG FUND, a.s.		
Interest income from loan	3	4
Dividend income from investment in shares	94	50
Total	***97***	***54***
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
Dividend income from investment in shares	15	-
Other income	10	4
Total	***33***	***12***
Artilērijas 35 SIA		
Interest income from loan	9	8
Other income	1	1
Total	***10***	***9***
Ģertrūdes 121 SIA		
Interest income from loan	29	27
Dividend income from investment in shares	53	-
Other income	19	7
Total	***101***	***34***
KKB Real Estate SIA		
Interest income from loan	172	159
Total	***172***	***159***
NNC Real Estate Sp. Z O.O.		
Interest income from loan	105	4
Total	***105***	***4***
Bulstrad Public Ltd. Comp.		
Claim handling costs	(2)	(5)
Total	***(2)***	***(5)***
Compensa Life insurance SE Estonia filialas		
Other income	4	-
Total	***4***	***-***
Compensa Vienna Insurance Group UADB (Lithuania)		
Claim handling costs	(9)	(225)
Other income	6	255
Total	***(3)***	***30***
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group		
Claim handling costs	(128)	(346)
Total	***(128)***	***(346)***
Global Assistance Baltic SIA		
Claim handling costs	*(101)*	*(392)*
Other expenses	*(834)*	*(165)*
Other income	*108*	*284*
Total	***(827)***	***(273)***

Continued table

Kooperativa pojišťovna, a.s. (SK)		
Claim handling costs	(9)	(4)
Total	***(9)***	***(4)***
Kooperativa pojišťovna, a.s. (CZ)		
Claim handling costs	(38)	(22)
Total	***(38)***	***(22)***
Union Biztosító Zrt.		
Claim handling costs	*(3)*	*(3)*
Total	***(3)***	***(3)***
Urban Space SIA		
Dividends	*5*	*16*
Other income	*2*	*1*
Total	***7***	***17***
VIG Management Service SRL		
Claim handling costs	–	(5)
Total	***–***	***(5)***
Members of the Board		
Income from insurance premiums	4	3
Paid claims	(2)	(4)
Total	***2***	***(1)***

Balances with related parties

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

	31.12.2022 EUR'000	31.12.2021 EUR'000
Assets		
Vienna Insurance Group AG Wiener Versicherung Gruppe		
Reinsurers' share of insurance contract liabilities	*49 434*	*43 229*
Receivables from reinsurance activities	*1 343*	*2 082*
Total Vienna Insurance Group AG Wiener Versicherung Gruppe	**50 777**	**45 311**
VIG RE zajišt'ovna a.s.		
Reinsurers' share of insurance contract liabilities	*812*	*664*
Receivables from reinsurance activities	*382*	*98*
Total VIG RE zajišt'ovna a.s	**1 194**	**762**
VIG FUND, a.s.	4 803	4 809
Atrium Tower Sp. Z o.o.	1 350	1 350
KKB Real Estate SIA	6 589	6 755
Urban Space SIA, see Note 23	506	506
Global Assistance SIA	-	107
Alauksta 13/15 SIA	654	664
Artilērijas 35 SIA	691	701
Ģertrūdes 121 SIA	2 290	2 320
Hymel Sp.z.o.o.	4 396	4 504
LiveOn Paevalille OÜ	23	-
LiveOn Stirnu SIA	13	-
LiveOn Terbatas SIA	23	-
LiveOn Linkmenu UAB	40	14
	21 378	**21 730**
Liabilities		
Vienna Insurance Group AG Wiener Versicherung Gruppe		
Reinsurers' deposit	*49 434*	*43 229*
Subordinated loan	*22 000*	*7 000*
Payables from reinsurance activities	*722*	*83*
Other liabilities	*114*	*95*
Total Vienna Insurance Group AG Wiener VersicherungGruppes	**72 270**	**50 407**
VIG RE zajišt'ovna a.s.		
Payables from reinsurance activities	*1 082*	*639*
Total VIG RE zajišt'ovna a.s	**1 082**	**639**
Global Assistance SIA	182	-
	73 534	**51 046**

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 Paevalille OÜ, LiveOn Stirnu SIA, LiveOn Terbatas SIA, LiveOn Linkmenu UAB includes loans issued to these related parties. 31.12.2022 and 31.12.2021 figures are below.

	Loan amount 2022 EUR'000	Loan amount 2021 EUR'000	Accrued interest 2022 EUR'000	Accrued interest 2021 EUR'000	Due date	Interest rate
VIG FUND, a.s.	132	137	-	-	31.12.2030	2.50%
Atrium Tower Sp. Z o.o.	1 350	1 350	-	-	31.12.2030	2.50%
KKB Real Estate SIA	5 618	5 756	-	-	31.03.2030	2.55%
	971	1 000	-	-	31.09.2031	2.4%
Alauksta 13/15 SIA	351	359	-	-	31.12.2031	2.25%
Artilērijas 35 SIA	371	380	-	-	31.12.2031	2.25%
Ģertrūdes 121 SIA	1 232	1 261	-	-	31.12.2031	2.25%
Hymel Sp.z.o.o.	4 396	4 504	-	4	31.12.2031	2.35%
LiveOn Paevalille OÜ	23	-	-	-	27.08.2031	2.50%
LiveOn Stirnu SIA	13	-	-	-	27.08.2031	2.50%
LiveOn Terbatas SIA	23	-	-	-	27.08.2031	2.50%
LiveOn Linkmenu UAB	40	14	-	-	27.08.2031	2.50%
Total	**14 520**	**14 761**	**-**	**4**		

In addition, assets due from VIG FUND, a.s. include investment in the share capital of VIG FUND, a.s. in amount of EUR 4 671 thousand (2021: EUR 4 671 thousand), which is included in the Statement of Financial Position under Available-for-sale instruments caption, see Note 24.

Payables due to Vienna Insurance Group AG Wiener Versicherung Gruppe include:
- Subordinated loan in amount of EUR 1 500 thousand (2021: 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 2022 amounted to EUR 0 (2021: 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 2022 amounted to EUR 3 732 (2021: EUR 3 732).
- 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 2022 amounted to EUR 477 725 (2021: EUR 0).

(42) Remaining maturities of insurance liabilities

	2022 EUR'000			2021 EUR'000		
	Gross liabilities	Reinsu-rance	Net liabilities	Gross liabilities	Reinsu-rance	Net liabilities
Unearned premium and unexpired risk reserves	135 609	(27 048)	108 561	117 456	(24 315)	93 141
Outstanding claim reserves	144 186	(55 957)	88 229	149 616	(55 589)	94 027
Total	**279 795**	**(83 005)**	**196 790**	**267 072**	**(79 904)**	**187 168**

For maturity split, please refer to Note 4.

(43) Leases

(a) Leases as lessee (IFRS 16)

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

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

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

Right-of-use assets

	Land and buildings for own use (Note 21(a)) EUR'000	Property and equipment (Note 20) EUR'000	Total EUR'000
Balance at 31.12.2020	**4 706**	**187**	**4 893**
Additions	475	12	487
Depreciation charge for the year	(1 341)	(35)	(1 376)
Balance at 31.12.2021	**3 840**	**164**	**4 004**
Additions	778	154	932
Disposals	(1 578)	(29)	(1 607)
Depreciation charge for the year	(277)	(82)	(359)
Depreciation for disposed assets	-	28	28
Balance at 31.12.2022	**2 763**	**235**	**2 998**

Amounts recognised in profit or loss

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

	2021 EUR'000
2021 – Leases under IFRS 16	
Interest on lease liabilities	41
Expenses relating to short-term leases	1
	42

Amounts recognised in statement of cash flows

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

	2021 EUR'000
Total cash outflow for leases	**(1 896)**

(b) Leases as lessor (IFRS 16)

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

Rental income recognised by the Company during 2022 was EUR 135 thousand (2021: EUR 119 thousand).

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

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
Four to five years	-
More than five years	-
	78

2021 – Operating leases under IFRS 16	**31.12.2021 EUR'000**
Within one year	44
One to two years	31
Two to three years	20
Three to four years	20
Four to five years	7
More than five years	-
	122

(44) Contingent liabilities and commitments

General claims

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

(45) Fair value of financial instruments

(a) Fair values

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

	2022		2021	
Financial assets	**Carrying amount EUR'000**	**Fair value EUR'000**	**Carrying amount EUR'000**	**Fair value EUR'000**
Listed equity instruments	673	673	534	534
Non-listed equity instruments	4 671	4 889	4 671	4 819
Quoted debt instruments	197 089	196 773	184 700	184 552
Fund certificates	37 350	37 350	41 648	41 648
	239 783	**239 685**	**231 553**	**231 553**

(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 2022	**Level 1 EUR'000**	**Level 2 EUR'000**	**Level 3 EUR'000**	**Total EUR'000**
Financial assets				
Financial instruments at fair value through profit or loss	-	-	-	-
Available-for-sale instruments	154 923	53 694	29 402	**238 019**
	154 923	**53 694**	**29 402**	**238 019**

31 December 2021	**Level 1 EUR'000**	**Level 2 EUR'000**	**Level 3 EUR'000**	**Total EUR'000**
Financial assets				
Financial instruments at fair value through profit or loss	-	1 375	-	**1 375**
Available-for-sale instruments	134 726	66 123	27 562	**228 411**
	134 726	**67 498**	**27 562**	**229 786**

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

At 31 December 2021, AFS Fund certificate with a carrying amount of EUR 4 531 thousand were transferred from Level 2 to Level 3 because quoted prices in the market for such fund certificates were no longer regularly available. To determine the fair value offund certificates, management used a net asset value valuation technique, equity securities are calculated at cost, fair value cannot be determined reliably. There were no transfers between Levels during 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
Balance at 1 January 2021	**-**	**2 312**	**11 633**
Transfer from Level 2 to 3	-	-	4 531
Gain/ (loss) included in OCI			
- Net changes in fair value (unrealised)	-	-	1 019
Purchases	1 074	2 359	4 653
Disposals	-	-	(19)
Balance at 31 December 2021	**1 074**	**4 671**	**21 817**
Balance at 1 January 2022	1 074	4 671	21 817
Gain/(loss) included in OCI			
- Net changes in fair value (unrealised)	-	-	1 131
Received interest	(24)	-	-
Accrued interest	24	-	-
Purchases	-	-	1 557
Disposals	-	-	(848)
Balance at 31 December 2022	**1 074**	**4 671**	**23 657**

(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

2022	**OCI, net of tax**	
	Increase EUR'000	Decrease EUR'000
Equity securities		
Changes in real estate cash flows by 5% resulting in change of NAV by 5%	234	(234)
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%	15	(15)

2021	**OCI, net of tax**	
	Increase EUR'000	Decrease EUR'000
Equity securities		
Changes in RE cash flows by 5% resulting in change of NAV by 5%	234	(234)
Fund certificates		
Changes in RE cash flows by 5% resulting in change of NAV by 5%	1 091	(1 091)
Bonds		
Changes in bonds' yield by 1%	19	(19)

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

Financial instruments at fair value	31.12.2022 EUR'000	31.12.2021 EUR'000
Total gains and losses included in profit or loss:		
Net unrealised gain/(loss) on financial instruments at fair value through profit or loss	-	(3)
Net realised gain/(loss) on available for sale financial assets	158	701
Interest income	2 789	2 629
Total gains and losses included in other comprehensive income:		
Available-for-sale financial assets – net change in fair value	(26 993)	(4 412)

(c) Financial instruments not measured at fair value

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

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

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

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

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

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

31 December 2022	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	-	-	11 672	11 672	14 520
Held to maturity instruments	1 448	-	-	1 448	1 764
31 December 2021					
Financial assets					
Loans	-	-	15 123	15 123	14 761
Held to maturity instruments	2 019	-	-	2 019	1 375

(46) 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.

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

21 March 2023

bta

VIENNA INSURANCE GROUP

Independent Auditors' Report

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 86 of the accompanying Annual Report, which comprise:

- the separate statement of financial position as at 31 December 2022,
- 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 significant 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 2022, and of its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report.

Measurement of claims reserves

The Company’s gross outstanding claims reserves as at 31 December 2022 amounted to EUR 144 186 thousand (31 December 2021: EUR 149 616 thousand).

Reference to the separate financial statements: Note 2 (e) “Changes in accounting policies”, Note 10 “Gross outstanding claim reserves”, Note 42 “Remaining maturities of insurance liabilities”, Note 3 “Significant accounting policies” point 3.2 (e) “Outstanding claim reserves”, point 3.2 (i) “Outstanding claim reserves sensitivity”, point 3.17 “Significant accounting estimates and judgement in applying accounting policies”, and Note 4 “Risk management” point 4.2 “Insurance underwriting risks”.

Key audit matter

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

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

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

Our response

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

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

changes in the amount of future annuity payments, and the expected payment period. Due to the above factors, we considered measurement of the gross outstanding claims reserves to be our key audit matter.	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 gross outstanding claims reserves recognized at the end of prior year, comparing this analysis to the Company's current actuals and seeking Management Board's explanations for any significant differences. • For all significant insurance contract portfolios, evaluating the adequacy of Company's gross outstanding claims reserves at the end of the reporting period for a sample of claim cases and seeking Management Board's explanations for any significant differences. • For all significant insurance contract portfolios, such as, among others, mandatory motor third party liability, motor own damage, property and general third partly liability insurance, developing an independent estimate of the incurred but not reported reserves, comparing our amount to the Company's estimates and seeking Management Board's explanations for any significant differences. • Assessing the Company's gross outstanding claims technical reserves-related disclosures against the requirements of the applicable financial reporting standards, including the estimated impact of IFRS 17 that has not yet been adopted.

Reporting on Other Information

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

— Information about the Company, as set out on page 3 of the 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 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 Financial Statements

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

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

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

Auditors' Responsibility for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

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

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 August 2022 to audit the separate financial statements of BTA Baltic Insurance Company AAS for the year ended 31 December 2022. Our total uninterrupted period of engagement is 8 years, covering the periods ending 31 December 2015 to 31 December 2022.

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, which have not been disclosed in the Management Report or in the separate financial statements of the Company.

KPMG Baltics SIA
Licence No. 55

Rainers Vilāns
Member of the Board
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
21 March 2023

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