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Data: 2024-03-15 20:35:31

Gjensidige

GJENSIDIGE ADB

Independent Auditor‘s Report,
Annual Report and
Financial Statements for the
year ended 31 December 2023

Business name	ADB Gjensidige
Company code	110057869
Address	Žalgirio str. 90, Vilnius, Lithuania
Telephone	1626
E-mail	info@gjensidige.lt
Web page	www.gjensidige.lt
Main field of activity	Non-life insurance services
General Director	Bogdan Benczak
Chief Accountant	Jolanta Markelienė
Chief Actuary	Jurgis Navikas
Beginning of financial year:	1 January 2023
End of financial year:	31 December 2023
Auditor	UAB Deloitte Lietuva

Data is collected and stored in the Register of Legal Entities, Lithuania.

The Management Board of the Company:

The Chairperson	Janne Merethe Flessum
Member	Aysegül Cin
Member	Martin Danielsen
Member	Anita Gundersen
Member	Akshay Chandrakant Sankpal

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UAB „Deloitte Lietuva"
Jogailos g. 4
LT-01116 Vilnius
Lietuva

Juridinio asmens k.: 111525235
PVM mok. k.: LT115252314
Duomenys kaupiami ir saugomi
Juridinių asmenų registre

Tel.: +370 5 255 3000
www.deloitte.lt

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Gjensidige ADB

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gjensidige ADB (the Company), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities 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' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit:
Valuation of liabilities for incurred claims	
As at 31 December 2023 Company's insurance contract liabilities comprising liability for incurred claims in the amount of EUR 71,484 thousand. Note II MATERIAL ACCOUNTING POLICIES and note III USE OF ESTIMATES describes the accounting principles and the use of estimates for specified insurance obligations, note IV RISKS AND RISK MANAGEMENT describes insurance risks and Company's management activities of those risks, including claims development of liabilities for incurred claims over time. Note 8 Insurance Contract Liabilities	To conclude on the valuation of liabilities for incurred claims we performed audit procedures including the following: • assessed and tested key control activities in the claims handling process, evaluated design of key controls in the liability incurred claims estimation process. • assessed and tested general IT controls liked to relevant IT systems and applications important to the data used in valuation of liability incurred claims.

Deloitte yra vadinamos Deloitte Touche Tohmatsu Limited (DTTL) ir grupei priklausančios bendrovės narės bei susijusios įmonės (kartu – „Deloitte organization"). Kiekviena DTTL (dar vadinama „Deloitte Global") ir grupei priklausanti bendrovė narė bei susijusi įmonė yra atskiri ir nepriklausomi juridiniai asmenys, kurie vienas kitam negali nustatyti įsipareigojimų trečiųjų šalių atžvilgiu. DTTL ir kiekviena grupei priklausanti bendrovė narė bei susijusi įmonė yra atsakingos tik už savo, o ne už viena kitos veiksmus ar neveikimą. DTTL pati savaime paslaugų klientams neteikia. Daugiau informacijos galite rasti čia
http://www2.deloitte.com/lt/lt/pages/about-deloitte/articles/about-deloitte.html

Member of Deloitte Touche Tohmatsu Limited

Key audit matter	How the matter was addressed in the audit:
Valuation of liabilities for incurred claims	
provides movement of liabilities for incurred claims during 2023. Valuation of liabilities incurred claims depends on the management judgments related to the choice of methods, models and estimates with associated assumptions. The most significant estimates relate to: • Estimate of future claims payments, which among other things depend on historical claims payment patterns. • Risk adjustment for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk. We consider the valuation of liabilities for incurred claims to be a key audit matter due to significance of the balance to the financial statements, the use of significant assumptions and management judgments involved in the estimate.	• involved internal actuarial specialists to evaluate and challenge management's choice of method, models, use of assumptions and estimates in the valuation of liabilities for incurred claims in accordance with generally accepted standards and practices. • With assistance of internal actuarial specialists performed an independent analysis and recalculation of the selected significant line of business. In addition, performed analysis of discounting effect and risk adjustment for all business lines. • Performed test of details, reconciliations, and analytics to evaluate accuracy and completeness of the important data used within liability incurred claims valuation. Together with experts on IFRS 17 "Insurance Contracts" we assessed whether the disclosures related to liabilities for incurred claims are complete and accurate according to applied financial reporting framework.

Other Information

The other information comprises the information included in the Company's annual report, including Corporate Social Responsibility Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Company's annual report, for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's annual report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's annual report has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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

In accordance with the decision made by Shareholders on 12 April 2023 we have been chosen to carry out the audit of Company's financial statements. Our appointment to carry out the audit of Company's financial statements in accordance with the decision made by Shareholders has been renewed annually and the period of total uninterrupted engagement is seven.

We confirm that our opinion in the section 'Opinion' is consistent with the additional report which we have submitted on 15 March 2024 to the Company and Audit Committee.

We confirm that in light of our knowledge and belief, services provided to the Company are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.
In the course of audit, we have not provided any other services except for audit of financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Simonas Rimašauskas.

Deloitte Lietuva UAB
Audit Company License No 001275

Simonas Rimašauskas
Lithuanian Certified Auditor
License No 000466

Vilnius, Republic of Lithuania
15 March 2024

The auditor's electronic signature applies only to the Independent Auditor's Report.

ANNUAL REPORT

1. *Overview of the Company's Standing, Performance and Development*

General overview
The Company's share capital as of 31 December 2023 consisted of 7.623.384 ordinary registered shares with a nominal value of EUR 7,37 each (as of December 2022 – 7.623.384 ordinary registered shares with a nominal value of EUR 7,37 each).

99,97% of the Company's share capital was owned by Gjensidige Forsikring ASA, identification number (code) 995568217, registered address Schweigaards gate 21, 0191 Oslo, Norway (hereinafter referred to as Gjensidige Forsikring ASA and the Shareholder), and 0,03% by minority shareholders, private persons.

Shareholder	Number of shares, pcs.
Gjensidige Forsikring ASA	7.621.258
Private persons	2.126
Total	**7.623.384**

The growth of Baltics non-life insurance market was 18,0%. The Company had 6,8% of the market in the Baltics (6,9% in 2022).

Key achievements in 2023:
- Increased written premiums across all main product lines and segments,
- Significantly improved profitability of insurance activities driven by improved claims frequency ratio in motor and health insurance lines,
- Significantly improved financial result from investment activities,
- Increased efficiency of distribution channels, self-service functionality and customer retention while keeping good level of customer satisfaction,
- Implemented new data analysis and pricing solutions with new tariff engines and pricing models, renewal optimisation, new risk factors and forecast calibration,
- Strengthened UW discipline and risk management with industry analysis, portfolio management activities, new calculators, advanced segmentation and standardization,
- Improved average claims handling time, fraud identification and customer satisfaction in claims area,
- Successful transition to IFRS 17 and IFRS 9 financial reporting standards,
- Investments in employee engagement through regular town hall meetings with all employees, competence mapping, career development planning and activities to support emotional health,
- Gold in Sustainability Index and Respectable Employer award in Latvia, Equal Salary payer title and Remote Working Badge in Estonia.

As of 31 December 2023, the Company had 667 employees (220 of them in foreign branches), as of 31 December 2022 – 683 employees (224 in foreign branches).

Main types of risk

The main types of risk related to the Company's activities in 2023 were as follows:
- Business and strategic risk (inability to establish and implement business plans and strategies, arrive at decisions, allocate resources or respond to changes in the environment)
- Insurance risk (high loss ratio, inadequacy of technical provisions)
- Market risk (changes in interest rates, price volatility, portfolio diversification, currency exchange risk)
- Credit risk (default of the issuers of financial instruments, reinsurers' default, default of other partners, delayed settlements)
- Liquidity risk (inability to meet the urgent need for cash)
- Operational risk (inappropriate procedures, human error factor, management risk, failure of systems and processes)
- Compliance risk as a part of operational risk (failure to comply with external and internal regulations)
- Emerging risks (new or evolving risk that arise from either natural events-, socio – political-, legislative- or technological development, which may have an impact on the Company's financial situation)

- ESG (sustainability) risk (an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential negative impact on the value of the investment or on the value of the liability)
- Climate risk as a part of sustainability risk (physical risk, meaning risk related to physical damage as a result of climate change; transition risk, meaning economic risk associated with the transition to a low-carbon economy; liability risk, meaning the risk of litigation due to contribution to climate change or failure to properly manage climate risk)

More details on risk and risk management is provided in part IV of the Explanatory Notes to the financial statements.

The Management Board of the Company:

All members of the Management Board are employees of Gjensidige Forsikring ASA (Group).

Janne Merethe Flessum	Executive Vice President, Strategy and Group Development
Aysegül Cin	Executive Vice President, Claims
Martin Danielsen	Senior Vice President, Motor insurance
Anita Gundersen	Senior Vice President, Broker Commercial
Akshay Chandrakant Sankpal	Director, Group Development

2. *Analysis of financial and non-financial performance, information related to matters of environmental protection and personnel*

Sales

The Company's gross written premiums (GWP) in 2023 amounted to EUR 151.011 thousand. Compared to 2022, written premiums increased by 15,3%. Insurance service revenue amounted to EUR 143.384 thousand (EUR 128.400 thousand in 2022).

In 2023, the Company entered into 1.614 thousand insurance contracts (1.622 thousand in 2022). The number of signed contracts decreased by 0,5% in 2023. The number of insurance contracts in force decreased by 3,0% from 1.002 thousand at the end of year 2022 to 972 thousand at the end of 2023.

The results of insurance service revenue by line of business were as follows (EUR thousand):

Insurance group	2023 ADB Gjensidige Lithuania	2023 ADB Gjensidige branches	2022 ADB Gjensidige Lithuania	2022 ADB Gjensidige branches	Change, %
Obligatory motor third party liability	31.552	17.134	27.515	16.766	10,0
Property	14.522	11.784	11.672	9.553	23,9
Land vehicles other than railway transport	13.203	9.770	12.957	10.396	(1,6)
Personal accident and medical expenses	19.705	13.387	16.035	12.118	17,5
Third party liability	3.684	1.737	3.199	1.671	11,3
Bonds	1.545	871	1.410	789	9,8
Assistance	1.705	612	1.803	763	(9,7)
Financial losses	383	852	288	627	35,0
Goods in transit	582	210	524	180	12,5
Other	89	59	84	53	8,2
Total	**86.970**	**56.416**	**75.487**	**52.916**	**11,7**

Reinsurance result

In 2023 the net result from reinsurance activities amounted to a gain of EUR 12.283 thousand or minus 8,6% in the reinsurance ratio (in 2022 - a gain of EUR 421 thousand or minus 0,3%).

Insurance service expenses

Insurance service expenses amounted to EUR 115.609 thousand in 2023, an increase of 14,6% compared to insurance service expenses (in 2022 EUR 100.859 thousand).
The total number of reported claims, excluding health product, decreased from 59.205 in 2022 to 52.542 in 2023. Number of insurance indemnities decreased from 58.956 in 2022 to 52.989 in 2023.
The net loss ratio from insurance activities of the Company equalled to 72,1%, a decrease of 6.1 percentage points compared to 2022 (78,2%).

Operating expenses

In 2023, the Company's operating expense ratio decreased by 0,2 percentage point to 27,5%, compared to 2022 (27,7%). Other insurance service expenses totalled to EUR 39.490 thousand in 2023 (EUR 35.584 thousand in 2022).

Investment activities

The net result from investment activity in 2023 was a profit of EUR 5.452 thousand (in 2022 – a loss of EUR 8.587 thousand).

Net result for reporting year

In 2023 the Company earned a profit of EUR 4.046 thousand (in 2022 – incurred a loss of EUR 16.990 thousand).
The net combined ratio of the Company equalled to 99,6 per cent (in 2022 – 105,9%).

Information related to matters of environmental protection and personnel

Information related to environmental protection, personnel and other social responsibility matters is provided in the Social Responsibility Report available at the Company's website www.gjensidige.lt

3. Information about branches of the Company

As of 31 December 2023, the Company had 2 foreign branches – in Latvia (3 regions) and in Estonia as well as 8 sales units in Lithuania (as of 31 December 2022 – 2 foreign branches and 8 sales units in Lithuania). The head office of the Company is located at Zalgirio str. 90, Vilnius.

4. Key events of the Company after the end of the financial year 2023

In January 2024, Gjensidige Forsikring ASA acquired all the shares of minority shareholders and became the sole shareholder of the Company, holding 100% of the share capital. There were no other events in the Company from 31 December 2023 until the date of issue of the financial statements that might have a significant impact on the financial statements.

5. Main focus areas of the Company for 2024:

- Continued improvement in profitability, supported by UW and cost discipline, advanced analytical and forecasting tools and optimized price levels,
- Growing sales through targeted distribution, channel management, increased accessibility of products, automated renewals, improved customer loyalty and product bundle offerings
- Improving digital customer journey and self-service functionality with expanded digital offerings and best-in-class payment and claims solutions,
- Claims service excellence with increased speed, process automation, personalized communication and advanced fraud analytics,
- Increasing effectiveness of information security tools, developing controls and processes according to DORA regulations,
- Sustainability initiatives to obtain ISO 14001:2015 certification, reduce environmental impact reduction through digital solutions, damage prevention activities, developing sustainable products following EU Taxonomy requirements and improving ESG reporting,
- Process excellence, efficiency improvements, automation of manual tasks and scale utilisation,
- Strengthen trust in our brand with unique value proposals and reliable claims services,
- Continue to strengthen team competence, leadership culture and core values.

Full name	**Title**	**Signature**	**Date**
Bogdan Benczak	General Director		15 March 2024

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 December:

EUR'000	Note	2023	2022* restated
Insurance revenue	13	143.384	128.400
Insurance service expenses	13	-115.609	-100.859
Other insurance service expenses	13,16	-39.490	-35.584
Insurance service result before reinsurance	**13**	**-11.715**	**-8.043**
Net Gain/Expense from reinsurance activities	13	**12.283**	**421**
Insurance service result		**568**	**-7.622**
Net Interest income		490	596
Net changes in fair value of investments (incl. property)	17	5.302	-7.289
Net realised gains and losses on financial assets	17	-144	-1.721
Interest expenses and expenses related to investments	17	-196	-173
Investment result	17	**5.452**	**-8.587**
Insurance finance income or expenses	14	-2.194	-261
Reinsurance finance income or expenses	14	451	-98
Net financial insurance expenses/income	14	**-1.743**	**-359**
Other income	18	135	119
Other expenses	18	-152	-195
Profit/(loss) before corporate income tax		**4.260**	**-16.644**
Tax expense	19	-214	-346
Profit/ (loss) for the reporting year		**4.046**	**-16.990**
Other comprehensive income for the year **Items that will not be reclassified subsequently to profit or loss**		**-**	**-**
Total comprehensive income/loss for the year		**4.046**	**-16.990**

*Note 24.
Notes on pages 15 to 58 are an integral part of these financial statements.

Bogdan Benczak General Director	Jolanta Markelienė Chief Accountant	Jurgis Navikas Chief Actuary

15 March 2024

STATEMENT OF FINANCIAL POSITION

As at 31 December:

ASSETS EUR'000	Note	31.12.2023	31.12.2022* restated	01.01.2022* restated
Property and equipment	1	1.019	1.461	1.989
Intangible assets	1	3.737	4.100	4.765
Right-of-use assets	22	3.414	4.926	6.103
Non-financial assets		**8.170**	**10.487**	**12.857**
Financial assets designated at fair value through profit or loss	2	138.282	127.659	135.290
Other receivables	3	1.885	2.193	4.572
Cash and cash equivalents	4	6.988	6.554	2.717
Financial assets		**147.155**	**136.406**	**142.579**
Reinsurance contracts assets	7,9	24.412	12.098	10.194
Deferred tax asset	19	1.650	1.621	1.889
Other prepaid expenses and accrued income	5	570	566	475
Other assets		**26.632**	**14.285**	**12.558**
TOTAL ASSETS		**181.957**	**161.178**	**167.994**
LIABILITIES AND EQUITY EUR'000				
Share capital	6	56.184	56.184	47.184
Share premium	6	-	5.870	12.454
Revaluation reserve	6	22	22	61
Accumulated loss carried forward from previous years		-19.612	-8.492	-7.300
Profit (loss) of the reporting year		4.046	-16.990	-7.815
Total equity		**40.640**	**36.594**	**44.584**
Insurance contract liabilities	7,8	122.196	107.889	106.498
Reinsurance contract liabilities		2.990	896	552
Total insurance liabilities		**125.186**	**108.785**	**107.050**
Corporate income tax liabilities		283	96	118
Taxes and social contributions		822	794	800
Other liabilities	10	3.951	3.837	3.260
Lease liability	22	3.503	5.003	6.148
Total other liabilities		**8.559**	**9.730**	**10.326**
Provisions	11	1.670	1.169	1.224
Accrued expenses and deferred income	12	5.902	4.900	4.810
Total liabilities		**141.317**	**124.584**	**123.410**
TOTAL LIABILITIES AND EQUITY		**181.957**	**161.178**	**167.994**

*Note 24.

Notes on pages 15 to 58 are an integral part of these financial statements.

Bogdan Benczak General Director	Jolanta Markelienė Chief Accountant	Jurgis Navikas Chief Actuary

15 March 2024

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December:

EUR'000	Share capital	Share premium	Revaluation reserve	Retained earnings/ (accumulated loss)	Total
Balance on 31 December 2021	**47.184**	**12.454**	**57**	**-6.584**	**53.111**
Implementation effects 1.1.2022					
Effect of IFRS 17 Risk adjustment	-	-	-	-3.690	-3.690
Effect of IFRS 17 Discounting	-	-	-	461	461
Introduction of IFRS 17 Loss Component	-	-	-	807	807
IFRS 9	-	-	-	36	36
Other effects	-	-	-	-6.141	-6.141
Equity as at 1.1.2022 incl. IFRS 17 and IFRS 9 adjustments* restated	**47.184**	**12.454**	**57**	**-15.111**	**44.584**
Loss for the reporting year				-16.990	-16.990
Depreciation of the revalued assets	-	-	-35	35	-
Incurred losses coverage	-	-6.584	-	6.584	-
The capital increase	9.000	-	-	-	9.000
Balance on 31 December 2022* restated	**56.184**	**5.870**	**22**	**-25.482**	**36.594**
Profit for the reporting year	-	-	-	4.046	4.046
Incurred losses in prior years coverage	-	-5.870	-	5.870	-
Balance on 31 December 2023	**56.184**	**-**	**22**	**-15.566**	**40.640**

* Note 24.
Notes on pages 15 to 58 are an integral part of these financial statements.

Bogdan Benczak
General Director

Jolanta Markelienė
Chief accountant

Jurgis Navikas
Chief actuary

15 March 2024

STATEMENT OF CASH FLOWS

For year ended 31 December:

EUR'000	Note	2023	2022
Cash flows from operating activities			
Premiums received in direct insurance		145.247	125.350
Claims paid in direct insurance		-100.766	-91.576
Net receipts/payments from ceded reinsurance contracts		2.402	-963
Paid Corporate income tax		-27	-189
Operating expenses paid		-42.320	-36.907
Other payments made/received		2.811	2.052
Net cash flows from operating activities		**7.347**	**-2.233**
Cash flows from investing activities			
Net receipts/payments from financial assets		-5.116	-1.054
Acquisition of tangible assets		-758	-703
Net cash flows (used in) investing activities		**-5.874**	**-1.757**
Cash flows from financing activities			
Payments received on shares		-	9.000
Payments to cover lease liabilities		-955	-1.060
Interest of the lease liabilities	18	-84	-113
Net cash (used in) financing activities		**-1.039**	**7.827**
Net increase/(decrease) in cash and cash equivalents		434	3.837
Cash and cash equivalents at the beginning of the year		**6.554**	**2.717**
Cash and cash equivalents at the end of the year		**6.988**	**6.554**

Notes on pages 15 to 58 are an integral part of these financial statements.

Bogdan Benczak General Director	Jolanta Markelienė Chief accountant	Jurgis Navikas Chief actuary

15 March 2024

EXPLANATORY NOTES

I. GENERAL INFORMATION

General information

Gjensidige ADB (hereinafter referred to as the Company) was registered in the Register of Legal Entities of the Republic of Lithuania on 9 August 1993.

The Company is engaged in non-life insurance services. The licence for the insurance activity is No. 21.

The Company's share capital as of 31 December 2023 consisted of 7.623.384 ordinary registered shares with a nominal value of EUR 7,37 each (as of December 2022 – 7.623.384 ordinary registered shares with a nominal value of EUR 7,37 each).

99,97% of the Company's share capital is owned by Gjensidige Forsikring ASA (Group), identification number (code) 995568217, registered address Schweigaards gate 21, 0191 Oslo, 0301 Oslo, Norway (hereinafter referred to as Gjensidige Forsikring ASA and the Shareholder), and 0,03% by the minority shareholders, an individual.

Shareholder	Number of shares, pcs.
Gjensidige Forsikring ASA	7.621.258
Private persons	2.126
Total	**7.623.384**

As of 31 December 2023, Gjensidige Forsikring ASA group in the Baltics owned the following companies:

- Gjensidige ADB with branches in Latvia and Estonia;
- RedGo Estonia OÜ in Estonia who owns UAB RedGo Lithuania in Lithuania.

Employees of the Company

As of 31 December 2023, the Company employed 667 employees (as of 31 December 2022 – 683):

Country	31.12.2023	31.12.2022
Lithuania	447	459
Latvia	183	193
Estonia	37	31
Total	**667**	**683**

Company's activities

The Company has the license for the following groups of insurance or activities of voluntary insurance of separate risks:

- Land vehicles other than railway transport insurance;
- Land vehicles third party liability insurance;
- Aircraft third party liability insurance;
- Hull (sea and internal waters) third party liability insurance;
- Accident insurance;
- Aircraft insurance;
- CARGO insurance;
- Property insurance against other risks;
- General third party liability insurance;
- Sickness insurance;
- Hull (sea and internal waters) insurance;
- Property insurance against fire and natural disasters;
- Suretyship insurance;
- Financial losses insurance;
- Assistance insurance;
- Railway rolling stock transport insurance.

The Company's license for the insurance activity enables to provide such types of obligatory insurance:

- Compulsory motor third party liability insurance;

- Compulsory insurance of building construction, reconstruction, repair, renovation (modernization), demolition or cultural heritage management, construction and civil liability
- Compulsory liability insurance of major researchers and contractors of biomedical researches;
- Compulsory liability insurance of railway companies (carriers) and companies using public railway infrastructure;
- Professional liability insurance of bankruptcy administrator in performing company bankruptcy procedures;
- Insurance of guarantee of performance of travel organiser's liabilities.

Information about branches and agencies of the Company
As of 31 December 2023, the Company had 2 foreign branches – in Latvia (3 regions), in Estonia, and 8 sales units in Lithuania (as of 31 December 2022 – 2 foreign branches, 8 sales units). The head office of the Company is located at Zalgirio str. 90, Vilnius.

Information about subsidiaries and associated companies of the Company
As of 31 December 2023, and 2022, the Company had no subsidiaries and associated companies.

Financial year
The financial year of the Company starts on 1 January and ends on 31 December.

II. MATERIAL ACCOUNTING POLICIES

Basis for preparation of financial statements

Statement of compliance
The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The financial statements have been prepared on the historical cost basis except for the following items which are carried at fair value: financial assets carried at fair value through profit or loss and buildings which are measured at revalued amount, being fair value at date of valuation less subsequent accumulated amortization.
The financial statements have been prepared on the assumption that the Company will be able to continue as a going concern in the foreseeable future.

Functional and Presentation Currency
The financial statements are presented in thousands of Euro (EUR). The Company's functional currency is Euro (EUR).

New standards adopted
IFRS 9 "Financial instruments"
IFRS 9 "Financial instruments" was effective from 1 January 2018. Gjensidige used the option to postpone the effective date and implemented the standard with effect from 1 January 2023, at the same time that IFRS 17 Insurance contracts came into force. Please see "Financial assets and liabilities" in this chapter about accounting policy, see Notes 2, 24 for further information and transition effects with transition date as of January 2023, by applying retrospectively, restating 2022 comparatives.

IFRS 17" Insurance Contracts"
IFRS 17 "Insurance Contracts" was effective from 1 January 2023. Please see "Insurance liabilities" in this chapter about accounting policy, see Notes 7, 8, 9,13, 24 for further information and transition effects with transition date as of January 2023, by applying retrospectively, restating 2022 comparatives.

Initial application of new amendments to the existing standards effective for the current reporting period
The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023.

The adoption of amendments to the existing standards has not led to any material changes in the Company's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective:

- **Amendments to IFRS 16 "Leases"** - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024).

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at date of publication of financial statements (the effective dates stated below is for IFRS as issued by IASB):

- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures"**- Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates"** - Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

Gjensidige does not plan early implementation of these standards.

Foreign currency

Foreign exchange transactions are translated into the functional currency of the country of operation in accordance with the exchange rate set by the European Central Bank on the date of the respective transaction. Monetary assets and liabilities 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 are translated at the exchange rate as at the date fair value was determined. Non-monetary items that measured in terms of historical cost or revalued amount in foreign currency are translated using the exchange rate at the date of transaction or the date of revaluation.
Profit or loss relating to fluctuations in the exchange rate on assets and liabilities denominated in a foreign currency are recognized in the statement of comprehensive income in the period in which the fluctuation occurs. Foreign exchange rates for the key currencies at the end of the reporting period were the following:

	31.12.2023	31.12.2022
PLN	4,3395	4,6808
USD	1,1050	1,0666

Intangible assets

Intangible assets comprise software, goodwill and other intangible assets acquired in business combination. Intangible assets are carried at acquisition cost, less accumulated amortisation and impairment losses, if any. Amortisation is calculated on a straight-line basis over the estimated useful life of the asset.

The amortisation rates of intangible assets are the following:

Intangible asset group	Useful life (in years)
Software	4 - 7
Other assets	5

Property and equipment

a) Property

Property is carried at revalued value less any subsequent accumulated depreciation and accumulated impairment losses, if any.
In case real estate comprises important components with different useful lives, they are carried as separate units of real estate.
In cases where the value of a revalued asset unit increases, such an increase is accounted for as the asset value increase and revaluation reserve. When the asset unit value after revaluation decreases, such a decrease is registered as an impairment loss and is recognized as an accounting period loss due to asset impairment loss, if the asset was not revaluated previously by increasing its value. In cases where the value of an asset being revaluated was increased and the asset impairment loss is identified during the accounting period, at first the remaining non-depreciated revaluation reserve is written off, and where its balance is not sufficient – the asset impairment loss expenses are registered. In cases where the value of any previously revaluated asset increases, the previous impairment loss is reversed, and the remaining portion goes to the revaluation reserve. At the end of the accounting period, the building's revaluated portion depreciation is calculated, and the revaluation reserve is adjusted accordingly. Upon the sale or write-off of any revaluated asset, the respective non-depreciated balance of the revaluation reserve is reversed.
Depreciation is calculated on a straight-line basis over the estimated useful life of buildings. The estimated useful life of buildings is 15 to 40 years.
Subsequent repair works, which do not improve the useful features of the assets or do not extend the assets useful life period, are recognized as expenses immediately when incurred. Reconstruction costs and repair works, which extend the asset useful life period, or which increase the useful features are included in the cost of the asset and are depreciated over the newly determined useful life.
Gain or loss arising on the disposal of real estate is determined as the difference between the proceeds received and the carrying amount of the sold property as well as all disposal related costs. Upon the disposal of real estate, the transaction result is reflected in profit or loss.
At the end of every year, the Company reviews the estimated useful life, carrying amount and depreciation method of its real estate and the changes in accounting estimates, if any, are recognized on a prospective basis.

b) Plant and equipment (hereinafter referred to as non-current tangible assets)

Non-current tangible assets are stated at acquisition cost less any subsequent accumulated depreciation and accumulated impairment losses, if any. Calculation of depreciation is started from the month following the month of putting the asset into operation using the straight-line method over the estimated useful life of the tangible asset. Estimated useful lives of key groups of tangible assets are as follows:

Groups of non-current tangible assets	Useful life (in years)
Other non-current tangible assets	4–10

In case non-current tangible assets comprise important components with different useful lives, they are carried as separate units of non-current tangible assets.
Subsequent repair costs are added to the carrying amount of non-current tangible assets if they prolong the useful life of the asset or improve its useful features. All other repairs and maintenance are charged to profit or loss in the period in which they are incurred.
The costs of repairs of assets that are leased and/or used under loan-for-use agreements are attributed to non-current tangible assets and recognized as expenses over the lease period, provided the repairs extend the useful life of the asset or improve its useful features.
The gain or loss arising on the disposal of an item of non-current tangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset. Gain or loss from disposal of non-current tangible asset is recognized in profit or loss when incurred.
At the end of every year, the Company reviews the estimated useful life, carrying amount and depreciation method of the tangible assets and the changes in accounting estimates, if any, are recognized on a prospective basis.
Impairment losses, write-offs and depreciation expenses are allocated to operating expenses of the Company.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Company reviews the carrying amounts of its property, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the Company's assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease of revaluation reserve (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase of revaluation reserve.

Financial assets and liabilities

Measurement categories

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

The match portfolio in insurance is intended to correspond to the cash flows from the underwriting business. It is invested in debt instruments with a duration and currency that matches the duration and currency of the cash flows for the underwriting business. A major part of the investments would pass the SPPI-test and could be accounted for according to amortised cost. However, The Company has chosen to use the fair value through profit or loss option to reduce the accounting mismatch between investments and insurance liabilities.

Financial liabilities are measured at either fair value through profit or loss (e.g. derivatives) or at amortised cost (e.g. other liabilities).

Recognition and derecognition

Financial instruments are recognised when the Company becomes a party to the instrument's contractual terms. Initial recognition is at fair value. Except for financial assets and financial liabilities recognised at FVTPL, transaction expenses are added to this amount. For financial assets and liabilities measured at FVTPL transaction expenses are recognised in profit or loss when they incur. Normally initial recognition will be equal to the transaction price. Subsequent to initial recognition the instruments are measured as described below.

Financial assets are derecognised when the contractual rights to cash flows from the financial asset expire, or when the Company transfers the financial asset in a transaction where all or practically all the risk and rewards related to ownership of the assets are transferred.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are measured at fair value at the reporting date. Changes in fair value are recognised in the statement of profit or loss line Net changes in fair value of investments (incl. property).

The category at fair value through profit or loss comprise the classes shares with similar characteristics, bonds and other fixed-income securities, loans and receivables, other assets and receivables, cash and cash equivalents, and other financial assets.

Financial liabilities at amortised cost

Financial liabilities measured at amortised cost using the effective interest method. When the time horizon of the financial liability's due time is quite near in time the nominal interest rate is used when measuring amortised cost.

Definition of fair value

Subsequent to initial recognition, investments at fair value through profit or loss are measured at the amount each asset/liability can be settled at in an orderly transaction between market participants on the measurement date, based on the prevailing market conditions.

Different valuation techniques and methods are used to estimate fair value depending on the type of financial instruments and to what extent they are traded in active markets. Instruments are classified in their entirety in one of three valuation levels in a hierarchy based on the lowest level input that is significant to the fair value measurement in its entirety.

The different valuation levels and which financial assets/liabilities are included in the respective levels are accounted for below.

Quoted prices in active markets

Quoted prices in active markets are regarded as the best estimate of an asset/liability's fair value. A financial asset/liability is considered to be valued based on quoted prices in active markets if its fair value is estimated based on easily and regularly available prices and these prices represent actual and regularly occurring transactions based on the arm's length principle. Financial assets/liabilities valued based on quoted prices in active markets are classified as level one in the valuation hierarchy.

The following financial assets are classified as level one in the valuation hierarchy:

- Government backed bonds and other fixed income securities,
- Corporate bonds.

Valuation based on observable market data

When quoted prices in active markets are not available, the fair value of financial assets/liabilities is preferably estimated based on valuation techniques that are based on observable market data.

A financial asset/liability is deemed to be valued based on observable market data if its fair value is estimated with reference to prices that are not quoted but are observable either directly (as prices) or indirectly (derived from prices). Financial assets/liabilities valued based on observable market data are classified as level two in the valuation hierarchy.

The following financial assets/liabilities are classified as level two in the valuation hierarchy:

- Equity funds, bond funds, hedge funds and combination funds, in which fair value is estimated based on the fair value of the underlying investments of the funds.
- Bonds, certificates, or index bonds that are unlisted, or that are listed but where transactions do not occur regularly. The unlisted instruments in this category are valued based on observable yield curves and estimated credit spreads where applicable.

Valuation based on non-observable market data

When neither quoted prices in active markets nor observable market data are available, the fair value of financial assets/liabilities is estimated based on valuation techniques that are based on non-observable market data.

A financial asset/liability is deemed to be valued based on non-observable market data if its fair value is estimated without being based on quoted prices in active markets or observable market data. Financial assets/liabilities valued based on non-observable market data are classified as level three in the valuation hierarchy.

Cash and cash equivalents
Cash comprises cash on hand and cash in banks. Cash equivalents are short-term (with a maturity less than three months from the date of acquisition) liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.
Investments in equities are not attributed to cash equivalents.

Share capital and reserves
Share capital and reserves are accounted for at the nominal value thereof.

Legal reserve
Pursuant to the Law on Companies of the Republic of Lithuania, legal reserve is formed from the distributable profit. Companies must transfer to the legal reserve 5% of their net profit, until the total amount of the reserve reaches 10% of the Company's share capital. The legal reserve may be used only for covering losses of the Company. The share of legal reserve in excess of 10% of the share capital may be distributed when distributing the profit for the succeeding financial year. As of 31 December 2023, it is not formed due to accumulated losses of prior years.

Revaluation reserve
Revaluation reserve represents increase in value of Company's non-current tangible assets (real estate) resulting from revaluation. Revaluation reserve is reduced in line with write-downs on assets previously revalued upwards, when assets revalued is written off, depreciated or disposed to the ownership of other persons. The revaluation reserve in respect of revaluation of tangible assets might be used to increase share capital. Revaluation reserve cannot be transferred to cover accumulated losses.

Insurance liabilities
On initial recognition, for the measurement of insurance contracts the Company is using the premium allocation approach (PAA).
A group of insurance contract is recognized from the earliest of:

- The beginning of the coverage period of the group,
- The date when the first payment from a policyholder.
- Or if a group of contracts is or becomes loss-making, the loss will be recognised immediately.

The onerous test is performed at a granular level, ensuring that the group of contracts is homogenous and that profit-making contracts are not subsidising loss-making contracts. For profit-making contracts, the earnings are based on accrued services.

Liabilities for insurance contracts consist of liability for remaining coverage (LRC) and liability for incurred claims (LIC). LRC represents liabilities for remaining coverage, while LIC represents liabilities for claims that have already been incurred and other incurred insurance expenses.

Assets for reinsurance contracts consist of the asset for remaining coverage (ARC) and the asset for incurred claims (AIC) (reinsurers' share of claims that have already been incurred).

Reinsurance is presented separately from gross insurance.

Insurance finance income or expense are presented in profit or loss.

The Company does not discount the liability for remaining coverage to reflect the time value of money and financial risk for insurance policies with a coverage period of one year or less. For those claims that the Company expects to be paid within one year or less from the date of incurrence, the Company does not adjust future cash flows for the time value of money and the effects of financial risks. However, claims expected to take more than one year to settle are discounted applying the discount rate at the time the incurred claim is initially recognised. The Company disaggregates insurance finance income or expenses between profit or loss on the systematic allocation method over the duration of the contracts in the group.

General Insurance contracts: portfolios of insurance contracts

To determine the right level of aggregation, the following elements are taken into consideration:

- Where decisions are made
- At which level products are aggregated while still having similar risk
- The significance of each portfolio based on size

The Company groups insurance policies to the level on which management of profitability and determination takes place.

General Insurance contracts: grouping of contracts/onerous contracts

All insurance contracts are written according to an approved tariff or by underwriting. All premiums are set so that there is an expected profit, and no contracts are expected to be onerous at initial recognition. The actual outcome will be different for some contracts, but Gjensidige will supervise the actual outcome very closely for all contracts and if necessary, change the premium in order not to allow any contract to become onerous over time.

Since the premium are paid in advance, within the insurance period of normally one year, the measurement of a group of insurance contracts with respect of checking for onerous contracts, are done by looking into the expected combined ratio, adjusted for risk adjustment and eventually for discontinued loss provision (time value of money).

Consequently, the Company will for each portfolio have groups with contracts with either no significant possibility of becoming onerous or contracts that are onerous at initial recognition. The profitable and onerous contracts will be divided into groups based on the year the contract has been issued.

General Insurance contracts: measurement method

The Company has applied PAA model. Most of the Company's contracts have a coverage period of one year or less. For the contracts where the coverage period is more than one year, Gjensidige has determined that the LRC does not differ materially from the liability that would be arrived at by applying the general measurement model called the building block approach (BBA), and it therefore use PAA for those insurance contracts.

Applying the PAA model, The Company measures the carrying amount of the LRC on initial recognition as the premiums received upon initial recognition.

At the end of each subsequent reporting period, the carrying amount of the LRC is the carrying amount at the start of the period plus the premiums received during the period, minus the amount recognised as insurance revenue for services provided in that period. LRC corresponds to the provision for unearned premium deducted by premium receivables.

At the end of each subsequent reporting period, the carrying amount of the LIC, comprising the fulfilment cash flows related to past services, is measured according to best estimate of future payments for incurred claims and claims expenses. Future payments are based on historical payment pattern.

The Company has applied option to expense the insurance acquisition cash costs directly to the profit and loss as they are incurred.

General Insurance contracts: discounting

A major part of the LIC stems from long-tailed business with a duration of more than one year, and Gjensidige has therefore discounts LIC for all products. Future cash-flows are discounted using EIOPA risk -free rates without volatility adjustment, which have a long duration and are a fairly good hedge for the investments.

For LRC, most of the premiums are received in the same year as coverage is provided. In addition, a substantial part of the premium is paid monthly or quarterly. Hence, the financial component of LRC is very limited, and therefore discounting is not performed.

General Insurance contracts: risk adjustment

The risk adjustment (RA) represents the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts. The percentile approach is chosen and risk adjustment is chosen to represent a confidence level of 85 per cent for the ultimate probability distribution for the claim's provisions.

The confidence level of 85 per cent is aligned with Gjensidige's cost of capital until final run-off of the claim's provisions. Ultimate risk is chosen because the accounting balance shows the liabilities as estimated until final run-off.

The Company has developed their own model, based on the Solvency II risk margin, to determine the RA. The calculation of RA is adjusted to comply with the Group principle of a confidence level of 85 per cent and based on ultimate risk.

The confidence level of 85 per cent until final run-off corresponds to a level of 95 per cent for one-year risk.

Corporate income tax

Income tax expense comprises the expenses of the current income tax and deferred income tax.

Current income tax

Current income tax is calculated based on the applicable tax laws in each country, including foreign branches, based on the results of the country concerned.

In Lithuania the current income tax is paid based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Income tax is calculated using tax rates that have been enacted by the end of the reporting period. In Lithuania, the income tax applied to the Company is 15% (2022: 15%).

The corporate income tax in Latvia is paid on distributed profits, calculated 20/80 of the net payable amount, and other non-deductible expenses deemed as distributed profit, calculated by applying coefficient of 0.8. Tax rate in Latvia is 20% (2022: 20%).

Corporate income tax in Estonia is paid on the payment on distributed profits and other non-deductible expenses deemed as distributed profit. Tax rate in Estonia is 20% (2022: 20%).

Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred income tax assets is reviewed at each reporting date.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized as an expense in profit or loss, except when they relate to items credited or debited directly to Other comprehensive income (hereinafter referred to as OCI), in which case the tax is also recognized directly in OCI or if they emerged at the moment of initial recognition of a business combination.

Other provisions

Other provisions are recognized when the Company has a legal obligation as a result of the past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Employee benefits

Short-term employee benefits, including remuneration and social insurance contributions, bonuses and holiday pay, are included on an accrual basis into operating expenses over the entire employment period. Over the entire period of employment, the Company, on behalf of its employees, pays social insurance contributions to the State Social Insurance Fund Board; these contributions are made following local legal acts; the Company is not obligated to pay additional pension contributions for the years of service of its employees at the Company.

Leases

IFRS 16 requires all contracts that qualify under its definition as a lease to be reported on a lessee`s balance sheet as right of use assets and lease liabilities. Short-term leases (less than 12 months) and leases of low-value assets are exempt from right of use asset and liability recognition. A lessee shall recognise a right-of-

use asset and a lease liability. The interest effect of discounting the lease liability shall be presented separately from the depreciation charge for the right-of-use asset. The depreciation expense will be presented with the group's other depreciations, whereas the interest effect of discounting will be presented as a financial item.
The cost of the right-of-use asset consists of:

- The amount of the initial measurement of lease liability;
- Any lease payments made at the before commencement date, less any lease incentives received;
- Incurred initial direct costs;
- The expenses incurred in relation to dismantling or removing the lease assets.

The assets managed at the right of use are depreciated by the straight-line method throughout the entire period set by the lease obligation.
The assets managed according to the right of use are broken down into the following groups:

- Land and buildings;
- Vehicles;
- Office equipment.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

To determine whether a contract contains a lease, it is considered whether the contract conveys the right to control the use of an identified asset. This is for Gjensidige considered to be the case for rental contracts, leases for cars and other assets.
The rental period is calculated based on the duration of the agreement plus any option periods if these with reasonable certainty will be exercised. Joint expenses etc. are not recognised in the lease liability for the rental contracts.
The discount rate for the rental contracts is determined by looking at observable borrowing rates in the bond market for regions in which Gjensidige operates. The interest rates are adapted to the actual lease contracts duration etc. The discount rate for the leasing cars is determined based on an assessment of which loan interest Gjensidige would achieve for financing cars from a financing company.

Classification of insurance contracts
(i) Recognition and measurement of insurance contracts
The insurance contract signed by the insurer is only recognised as an insurance contract if under such contract the policyholder transfers significant insurance risks to the insurer. All of the Company's insurance contracts are classified as insurance contracts and they do not include any items linked to investment units or other investment items.
The classification of insurance contracts is based on the transfer of insurance risk, for example:

- Personal accident insurance,
- Travel insurance,
- Property insurance against damage or theft,
- Vehicle insurance,
- Liability insurance.

(ii) Insurance revenue and outward reinsurance premiums
The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of commencement of risk, over term of the insured period. Unearned premium is recognised in the insurance liability of the remaining coverage. Outward reinsurance premiums represent the share of premiums in the accounting period, which was subject to reinsurance and adjusted by the change in reinsurance premiums asset (ARC).

Insurance service expenses – claims incurred
Insurance service expenses - claims incurred comprise claims attributable to the accounting period, i.e. claims paid, claim handling costs, subtracting subrogation receivables and the liability of the incurred claims change during the accounting period.
The risk adjustment changes during the accounting period.
The loss component change of the liability for remaining coverage during the accounting period.

Subrogation received comprises the actually received amounts during the accounting period from third parties in cash or upon sale of transferred property, and the amounts receivable after the end of the accounting period which are related to the damages compensated prior to the end of the accounting period, taking into consideration the likely period of payment of such amounts and the likeliness of receipt of such amounts.

Motor Bureau fee calculated in Lithuania, Latvia and Estonia is accounted for as claims handling expenses.
Claims handling costs comprise the claims handling centre costs and certain portions of the costs incurred by the Company's headquarters and branch offices assigned in accordance with the methodology approved by the Company.
Operating expenses related to claims handling expenses are classified in claims incurred.
The reinsurers' share of the claims incurred comprises the amounts paid by reinsurers under reinsurance contracts or the amounts receivable from reinsurers for the claims payments made by the Company during the accounting period, adjusted by the reinsurance claims assets change during the accounting period, and the retrospective and external claims handling costs expenditure assigned to the reinsurers.

Other insurance service expense
Other insurance service expense includes expenses incurred concluding insurance contracts, commission payments to agents and intermediaries for the distribution of insurance policies, advertising and promotion expenses, operating expenses and employee payroll along with social security expenses..

Investment activity income and expenses
All investment income and expenses related to financial assets investment operations are attributed to investment income and expenses.
Interest income is included in the statement of comprehensive income for all cash generating financial instruments using the effective interest rate method. Interest income includes coupon payments earned on fixed-income securities, interest earned on investments in bank deposits and loans, current account balances and discount or premium amortization or other difference between the book value of an interest-bearing instrument and its value on the maturity date calculated based on the effective interest rate method.

Insurance finance income and expenses
Insurance finance income and expenses arising from insurance liabilities discounting and the risk adjustment for non-financial risk. Assumptions about inflation based on an index of prices or rates or on prices of assets with inflation-linked returns are assumptions that relate to financial risk; and Assumptions about inflation based on an entity's expectation of specific price changes are not assumptions that relate to financial risk.
Insurance finance income and costs are recognized in profit or loss.

Other income and expenses
Other income and respectively incurred expenses for the distribution of insurance products of other companies are reflected in other income and expenses upon selling the relevant policy of another insurance company.
Other income includes income earned on services other than insurance services: interest not related to investments such as interest on cash in bank; income from foreign currency conversion and currency rate translation not related to investments; gain on revaluation of the items of the statement of financial position not related to investments, and other similar income not included in other items.
Other expenses include various expenses such as changes in foreign currency exchange rates of outstanding balances, loss on revaluation of the items of the statement of financial position which do not relates to investments, fines and penalties for late payments, interest of the lease and other expenses not included into other items.
All other income and expenses are recognised on an accrual basis.

Statement of cash flows
The cash flow statement is prepared applying the direct method. Cash and cash equivalents comprise cash at banks.. The received interest is shown in investment activity.

Offsetting
While preparing the financial statements assets and liabilities, and income and expenses are not offset, except cases, when an individual international financial reporting standard requires such offset.

Related parties
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties are defined as

shareholders, its subsidiaries, members of the supervisory council and management board, their close relatives and companies that directly or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company.

Regulatory requirements
The Company is subject to the regulatory requirements of the Bank of Lithuania. These requirements include minimum capital, minimum solvency, restricted investments, accounting and provision setting policies.

Contingencies
Contingent liabilities are not recognized in the financial statements, except for contingent liabilities in business combinations. Contingent liabilities are disclosed unless the possibility of a material outflow of resources embodying economic benefits is remote.
A contingent asset is not recognized in the financial statements but disclosed when a material inflow or economic benefits are probable.

Events after the end of the reporting period
Events after the end of the reporting period that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the end of the reporting period that are not adjusting events are disclosed in the notes when material.

III. USE OF ESTIMATES

The preparation of the financial statements under IFRS adopted by EU and the application of the adopted accounting policies require that management make assessments, prepare estimates and apply assumptions that affect the carrying amounts of assets and liabilities, income and expenses. The estimates and the associated assumptions are based on experience and other factors that are considered to be justifiable based on the underlying conditions. Actual figures may deviate from these estimates. The estimates and associated assumptions are reviewed regularly. Changes in accounting estimates are recognised in the period the estimates are revised if the change only affects this period, or both in the period the estimates change and in future periods if the changes affect both the existing and future periods.
Assumptions and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of insurance liabilities within the next financial year are discussed below.

<u>Liabilities for remaining coverage (LRC)</u>
Onerous groups of contracts
For groups of contracts that are onerous, the liability for the remaining coverage period is determined based on estimated cash flows for expenses minus income.

<u>Liabilities for incurred claims (LIC)</u>
Insurance products are generally divided into two main categories; products with a short or long settlement period. The settlement period is defined as the length of time that elapses after a loss or damage occurs (date of loss) until the damage is reported and then paid and settled. Short-tailed products are, for example, property insurance, while long-tailed products primarily involve personal injury related to motor, occupational injury and other personal insurance. The uncertainty in short-tailed industries is primarily linked to the size of the loss. For long-tailed products, the risk is linked to the fact that the final loss costs must be estimated based on experience and empiricism. For certain lines of business' within accident and health insurance, it can take ten to 15 years before all claims that have incurred in a calendar year are reported to the company. In addition, there will be many cases where information reported in a claim is insufficient to calculate a correct provision. This may be due to the lack of clarity around causation and uncertainty about the injured party's future ability to work etc. Many personal injury claims are tried in the legal system, and over time the level of compensation for such claims has increased. This will also have consequences for claims that have incurred in previous years and that have not yet been settled. The risk associated with provisions for industries with personal injuries is thus affected by external conditions. To reduce this risk, Gjensidige calculates its claim liability based on various methods and ensures that the registered provisions relating to ongoing claims are updated at all times based on the applicable calculation rules. See chapter's IV, part "Insurance risks" and notes 7,8,9.

Risk adjustment
The risk adjustment for non-financial risk (RA) reflects the compensation required by the insurer to bear the uncertainty of the amount and timing of cash flows arising from non-financial risk. Sources of the uncertainty about the amount and timing of the cash flows are linked to the determination of the LIC, stated above, and the estimation of the future cash flows; i.e. when the claims payments take place. Gjensidige uses extensive data material and recognized statistical methods to reduce this uncertainty.

RA is calculated for the Company, and represents the final probability distribution for the claim's provisions. Ultimate risk is chosen as the accounting balance shows the liabilities as estimated up to final liquidation.

For Gjensidige Forsikring ASA, the partial internal model (PIM) with its own calibration must be used to determine RA. The percentile can be derived from the probability distribution for reserve risk. Insurance companies in the group, apart from Gjensidige Forsikring ASA, develop their own models, based on the Solvency II risk margin, to determine RA. The calculation of RA has been adjusted to follow the group principle of a percentile of 85 per cent and based on ultimate risk.

Discount rates
Insurance contract liabilities are calculated by discounting expected future cash flows with a risk-free interest rate (swap interest), the illiquidity premium is set equal to zero. The yield curve reflects expected future payments. The discounting effects are mainly linked to long-tailed products, such as motor traffic insurance, occupational injury insurance and other personal insurance.
Discount rates used when discounting future cash flows are shown in the table below:

	1 year	5 year	10 year	20 year	50 year
EIOPA	3,357%	2,323%	2,393%	2,406%	2,847%

Sensitivity analysis of carrying amounts to changes in assumptions

31.12.2023, EUR'000	Change in assumptions	Insurance contracts liabilities	Insurance contracts assets	Reinsurance contracts liabilities	Reinsurance contracts assets
Mortality	5%	-131	131	-58	58
Mortality	-5%	137	-137	57	-57
Expenses	10%	4.336	-4.336	40	-40
Expenses	-10%	-4.323	4.323	-40	40
Lapse rate*	10%	N/A	N/A	N/A	N/A
Lapse rate*	-10%	N/A	N/A	N/A	N/A
Gross loss rate	10%	14.338	-14.338	2.569	-2.569
Gross loss rate	-10%	-14.338	14.338	-2.569	2.569
Parallel shift in discount rates in EUR	1%	-2.665	2.665	-854	854
Parallel shift in discount rates in EUR	-1%	3.274	-3.274	1.125	-1.125

*Lapse rate is not used in liabilities calculation

31.12.2022, EUR'000	Change in assumptions	Insurance contracts liabilities	Insurance contracts assets	Reinsurance contracts liabilities	Reinsurance contracts assets
Expenses	10%	3.966	-3.966	83	-83
Expenses	-10%	-3.957	3.957	-83	83
Lapse rate*	10%	N/A	N/A	N/A	N/A
Lapse rate*	-10%	N/A	N/A	N/A	N/A
Gross loss rate	10%	12.840	-12.840	517	-517
Gross loss rate	-10%	-12.840	12.840	-517	517
Parallel shift in discount rates in EUR	1%	-1.718	1.718	-626	626
Parallel shift in discount rates in EUR	-1%	2.101	-2.101	821	-821

*Lapse rate is not used in liabilities calculation

IV. RISKS AND RISK MANAGEMENT

The Company's risk management is centralised at all Company's levels and includes the development, implementation and control of risk management activities related to the Company's goals. Given the level of competence and responsibility, risk management functions are distributed from the Company's Board to employees, defining them in the approved Company's Board's and the administration's work regulations, as well as in the job descriptions of employees.
The Company's risk management strategy is based on capital adequacy assessment principles, the aggregation of the types of risks faced into the overall assessment, and the assurance of solvency needs to cover them, in accordance with the principles of precaution, conservatism and prudence.
The main objectives of capital management strategy are to ensure continuous capital management and capital adequacy, timely response to the changes in capital size and assessment of the effect on capital of important decisions. The Company measures solvency capital requirement under Solvency II using a standard formula.
The Company, according to the requirements of the Solvency II Directive and overall risk management strategy of Gjensidige group, ensures the Company's risk management system on the implementation of the three level protection principles.
Risk is limited by the legislation regulating the operations of insurance companies and internal regulations, as well as by Solvency II Directive and its implementing documents. The Company's risk appetite and risk limits are approved by the Company's Board in order to determine the maximum level of the risk to be tolerated. When this limit is exceeded, the Company takes actions to manage and prevent further increases in risks.
The Company applies risk management measures having assessed the significance of identified risks to achieving the Company's goals taking account of the costs and effectiveness of risk reduction measures:

1. Risk avoidance – motivated decision not to take risky activities.
2. Risk mitigation – process whereby the Company applies internal controls to reduce the probability of the risk of the Company's processes and operations and/or their potential effect to the tolerated level.
3. Risk transfer – risk sharing/transfer to the third party.
4. Risk accepting – assuming of possible gains or losses from certain risks.

Detailed rules of management of specific risk types (identification, measurement, key indicators, monitoring, control, reporting and management measures) are set in the internal governing documents detailing the management of a specific risk type.
The Company is exposed to various risks which can be categorized as, underwriting (insurance) risk, financial risks (market risk, credit risk, liquidity risk), operational (including compliance) risk and business and strategic risk, emerging and sustainability risks. The Company assumes a different level of risk of each risk category and establishes risk assessment methodology individually for each risk category.

Capital risk management

The core function of insurance is the transfer of risk, and the Company is exposed to risk in both its insurance and investment operations. Identification, measurement and management of risk are essential parts of the operations. Risk and capital are and must be interlinked. Any insurance company must adapt its risk exposure to its capital base. On the other hand, solvency capital, or equity, has a cost. A key objective of capital management is to balance these two aspects. Company's overall capital management objectives are firstly to ensure that the capitalization of the Company can sustain an adverse outcome without creating a financially distressed situation and secondly that the Company's capital is used in the most efficient way.
The Company defines capital as equity which is disclosed in the statement of financial position.
Pursuant to the Law on Insurance the authorised share capital of a joint stock company must be not less than EUR 1,000,000, and pursuant to the Lithuanian Law on Companies the shareholders' equity should not be lower than 50% of the company's registered share capital. As at 31 December 2023 and 2022 the Company complied with these requirements.
The Company is in compliance with both the Minimum Capital Requirement and the Solvency Capital Requirement as at 31 December 2023 and 2022.

Insurance risks

The risk under any insurance contract is the probability that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and must therefore be estimated.
The Company operates in Lithuania, Latvia and Estonia. The core business of the Company is acceptance and management of insurance risks. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency and/or severity of claims and benefits are greater than estimated. Insurance

events are random, and the actual number and amount of claims and benefits will vary from year to year from the level calculated using statistical techniques.
Calculation of the tariffs and prices on insurance product reflects current market conditions and covers the most probable assumptions necessary for the adjustment of future results, aiming to significantly mitigate financial risks.
Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability around the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio.
The Company has an overall underwriting policy, approved by the Board, with more detailed underwriting guidelines for each of the product segments, supported by strictly defined authorisation rules. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

General insurance
Frequency and severity of claims
The frequency and severity of claims can be affected by several factors. The different factors will depend on the products, or lines of business (LOB) considered.
An increase in the frequency of claims can be due to seasonal effects and more sustainable effects. During the winter season snow and cold weather will cause an increase in the frequency of claims in Motor insurance. In Property insurance cold winter will cause an increase in the frequency of claims due to frozen water pipes and increased use of electrical power and open fire places for heating of the houses. More permanent shifts in the level of frequency of claims may occur due to e.g. change of customer behaviour and new types of claims. The effect on the profitability of a permanent change in the level of the frequency of claims will be significant.
The severity of claims is affected by several factors. In some LOBs, with relatively few claims, the severity may be heavily influenced by large claims. The number of incurred large claims during a year varies significantly from one year to another. This is typically for the commercial market. In most LOBs the underlying development of the severity of claims is influenced by inflation.
Growth in severity of claims may be driven by the development of consumer price index (CPI), salary increases, social inflation and the price for material and services purchased with claims settlement. In Property insurance the inflation will consist of CPI and an increase in building costs. For accident and health the insurance policies are divided into two main groups, one with fixed sum insured and another part were the compensation is adjusted by CPI in health care sector.
The Company manages these risks mainly through close supervision of the development for each LOB, underwriting guidelines and proactive claims handling. The monthly supervision of the results for each LOB contains an overview of both premium and loss development. If there is an adverse development of the profitability, sufficient measures will be put in place. This includes necessary premium increases to ensure that the profitability is within the accepted level. The analysis of the profitability can be tracked further to different groups of customers and portfolios. The underwriting guidelines attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and location of the risks. Underwriting limits are in place to enforce appropriate risk selection criteria and to ensure that accepted risks are within the limits of the reinsurance contracts.

Premiums, deductibles and elements in the conditions may be changed at the yearly renewal of policies. Insurance companies have the right to reject the payment of a fraudulent claim. The Company has the right not to renew individual policies in cases of insurance fraud, and in some instances legislation or policy conditions give the Company the right to terminate or not to renew individual policies in cases where special reasons indicate that such termination is reasonable. In cases where a claim has been paid, the Company is entitled to pursue any third parties liable for the damage, for payment of some or all costs (recourse claim).
The claims handling procedures also include a clear strategy and routines for purchasing material and services in an optimal manner. The routines are to use purchase agreements to ensure the quality of our benefits to our customers and to reduce the inflation risk.

(i) Basic product features
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.

Property insurance
This insurance covers losses incurred as a result of damage to the property of the insured if the cause is one of the following insured risks:

- Fire
- Natural disasters (storm, flood)
- Theft
- Water
- Other

The risk inherent under property insurance is the rapid increase in prices for construction and renovation, as a result of which the policy holder may not be able to fully restore the property using the claim proceeds. This has an indirect impact on the relationship between the Company and policy holders.
Risk management is carried out by precisely defined assessment of the insured property to determine which property should be insured, which should be insured on special terms and which should not be accepted for insurance at all in line with the authority of the underwriter in the respective line of insurance.
In terms of loss adjustment, the Company is exposed to the risk of unfair actions on the part of policy holders. In order to reduce this risk the Company has set claim settlement administration limits for separate units and introduced high requirements for review of claim supporting documents.
The claim will usually be notified promptly and can be settled in the short term. Property business is therefore classified as 'short-tail', contrasted with the 'long-tail' classes where the ultimate claim cost takes longer to determine.
The key risks associated with this product are underwriting risk and claims experience risk.
Underwriting risk is the risk that the Company does not charge premiums appropriate for the insurance contracts. The pricing processes for the different insurance products involve estimates of future frequency and severity of claims, based on statistics from internal and external sources. Even if the underwriting criteria are adequate and the premium calculations are performed on a good statistical basis, the claims cost may deviate from the expected level, due to large claims, natural catastrophes etc. 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 subjective, and hence risky.
Property classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. Insurance risk is managed primarily through pricing, independent assessment of property under international standards, product design, risk selection and reinsurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

Motor own damage insurance (CASCO)
This insurance covers losses incurred as a result of damage to the vehicle if the cause is one of the following insured risks:
- road accident
- weather claims
- fire
- falling of various objects
- illegal activities of third parties
- theft and/or robbery

Various extensions of cover are possible.
Insurance premiums are set in line with applicable insurance methodology.
The largest losses are incurred in the event of complete destruction and theft of the vehicle, but such cases are infrequent.
In order to prevent unfair dealing of policy holders, the Company performs detailed review of claim supporting documents, and ask competent institutions to perform additional investigation if necessary.
The claim will usually be notified promptly and can be settled in the short term. Casco is therefore classified as 'short-tail', contrasted with the 'long-tail' classes where the ultimate claim cost takes longer to determine.

Motor compulsory third party liability (MTPL)
Motor compulsory third party liability insures the vehicle owner's or authorised user's liability for damages caused to third parties as a result of a road accident. The objective of this line of insurance is to protect the interests of third parties who have suffered in road accidents and this line of insurance is regulated by the laws on motor third party liability compulsory insurance that regulate the legal relationship between vehicle owners, authorised users and insurers in relation to the compulsory insurance of third party liability of the vehicle owners and authorised users.

In view of the risk of inflation which impacts the amount of claims paid, the Company performs tariff analyses for this line of insurance and the assessment of the impact on the financial ratios on a regular basis.
Even if statistics reflect that previous claims have been notified promptly and can be settled without undue delay, Motor third party liability insurance is classified as ‘long-tail’ classes where the ultimate claim cost takes longer to determine.

Health insurance
Health insurance is developing into a stable line of business. The Company’s identified risk in this line of business is the weak health care system and the obscure government policy in this area as well as changes in economic environment.
The Company monitors and reacts to changes in prices for medical services, monitors the claim ratios on employer’s bases and adjust prices accordingly each year when renewal takes place.
Health insurance is short-tail business with regular short-term reporting delays.

(ii) Concentration of insurance risks
The concentration of insurance risks is one of the key risk factors in insurance which may have an adverse impact on the Company’s liabilities under insurance contracts. The concentration of insurance risks may be caused by the occurrence of a single insurance event involving large liabilities or a number of separate insurance events which results in significant liabilities for the company towards the policy holders.
Since insurance risks will never be totally independent from each other, then irrespective of the portfolio size there is always a so-called non-diversified risk when the insurer generally pays more claims than planned. Non-diversified risk is related to changes in the external environmental factors such as stages of the country economic development which have a systematic impact on the frequency and amount of claims in certain lines of business. For example, the increase of the inflation rate will increase the amounts of claims in the majority of the portfolio while government amendments relating to one of the type of the compulsory insurance may suddenly increase the insurer’s liabilities.
The Company has two key methods in managing these risks.
First, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed (refer to Insurance risk management).
Second, the residual risk is managed through the use of reinsurance. The Company purchases reinsurance coverage for various classes of its liability and property business. Management reviews the reinsurance program at least on an annual basis and determines the required changes. The Company assesses the costs and benefits associated with the reinsurance programme on an ongoing basis. The Company monitors risk per insurance lines:

2023, EUR thousands	**Motor**	**Property**	**Accident and Health**	**Other**	**Total**
Insurance contract liabilities	70.603	32.117	10.420	9.056	**122.196**
Reinsurance contract assets	7.532	14.548	-	2.332	**24.412**
Net,	**78.135**	**46.665**	**10.420**	**11.388**	**146.608**

2022, EUR thousands	**Motor**	**Property**	**Accident and Health**	**Other**	**Total**
Insurance contract liabilities	71.439	18.921	9.419	8.110	**107.889**
Reinsurance contract assets	7.356	2.841	-81	1.982	**12.098**
Net,	**78.795**	**21.762**	**9.338**	**10.092**	**119.987**

Geographic and other type of concentration
The Company’s insured risks are mainly located in Lithuania, Latvia and Estonia except for travel policies being effective only outside the residence country of the insured. However, there are numerous products covering insurance accidents in Baltics and abroad. The risk concentration in motor and property insurance is in the largest cities of Lithuania, Latvia and Estonia. The risk concentration in motor insurance is increasing due to the growing number of vehicles and traffic intensity, resulting in an indirect impact on claim amounts in

this line of insurance. Insurance regulations and methodology determines the necessary risk assessment for property, claim amount limits and reinsurance regulations which ensure risk management in the respective insurance lines.

(iii) Potential impact of catastrophic events
A significant insurance risk that the Company believes is necessary to evaluate and include in insurance methodologies is the risk of nature or man-made catastrophes which creates the likelihood of the risk of large liabilities. The Baltic market is characterized by a low risk of catastrophes. The most common natural catastrophes are storms and storm ravage, snow pressure, flood and spring inundation. Storm and flood exposed territories include forests, seashore lines and territories adjacent to rivers.

(iv) Potential impact of individual events
The biggest possible losses resulting from single events relate to motor third party liability insurance and property insurance. In order to limit possible losses resulting from single events the Company has bought non-proportional reinsurance cover.

Insurance risk management
(i) Underwriting policy
The management of insurance risks is performed by the Company by underwriting risks in accordance with policy. In accordance with the underwriting policy, each line of insurance has a set methodology and rules regulating the risk assessment methods to be applied, thus decreasing the likelihood of accepting liabilities with respect to risks that are in conflict with the Company's risk insurance policy and internal regulations.

The insurance methodology and rules define criteria and additional information for risk assessment by ensuring a systematic approach to risk assessment. As a result, the Company obtains consistent information in line with its requirements, for regular risk underwriting and introducing the required changes in the documents regulating risk underwriting.

The Company has set insurance limits based on operational experience, market requirements and risk assessment for each line of insurance.

Insurance tariffs are analysed and reviewed based on insurance events and claims paid on a regular basis, and changes are made to the tariffs using actuarial methods which help ensure the ability to meet liabilities. The reinsurance rules regulate the transfer of insurance risks to reinsurers. The Company's insurance type methodology and rules help insurance intermediaries and agents observe the Company's insurance guidelines on all insurance products offered on the Baltic market. The methodology for calculating technical reserves determines that appropriate reserves be created for incurred claims.

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

Excesses or deficits indicated in each column should be evaluated separately by ignoring other columns because such corrections made in the prior years may be included as part of corrections made during the prior years. The recalculated technical reserves and the cumulative deficit or excess, which is indicated in the enclosed table, may subsequently vary due to change in different factors.

Although the information provided in the table reflects the estimates of historical unpaid claims made in the prior years, the users of these financial statements should avoid extrapolation of past surpluses or deficits in respect to the balance of unpaid claims of the current period.

	Year of insured occurrence									
	2015	**2016***	**2017***	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Cumulative incurred claims at the end of accident year	34.635	48.615	85.723	74.923	80.629	74.706	93.420	104.416	118.753	
- one year later	34.831	47.907	85.619	74.060	80.156	73.538	92.534	103.974		

- two years later	34.081	46.538	85.896	73.137	79.588	73.695	91.143			
- three years later	34.364	45.654	85.684	72.083	80.349	75.854				
- four years later	34.147	45.570	84.931	71.035	78.763					
- five years later	33.297	45.029	84.654	71.091						
- six years later	32.507	44.538	85.657							
- seven years later	32.378	44.580								
-eight years later	32.509									
Current estimate	**32.509**	**44.580**	**85.657**	**71.091**	**78.763**	**75.854**	**91.143**	**103.974**	**118.753**	
Total disbursed	**30.979**	**43.812**	**82.378**	**69.953**	**76.020**	**70.885**	**88.595**	**95.254**	**86.132**	**47.864**
Loss provision	**1.530**	**768**	**3.279**	**1.138**	**2.743**	**4.969**	**2.548**	**8.720**	**32.621**	**58.317**
Prior-year provision										18.398
Claims handling expenses										2.623
Discounting										-9.929
Total										**66.786**

*Due to the companies legal merger the claims amounts has increased in 2016 and 2017.

(iii) Liability adequacy test

The estimation of technical provisions for an insurance portfolio represents an approximation of future cash flows for the claims payments, and there will always be an element of uncertainty in such calculations. Provision risks relate to this kind of uncertainty. The uncertainty depends on the nature of the risk. Risk with a short duration is less exposed to changes that will affect the future payments. Inflation is an underlying risk in most insurance products. The effect will be different, depending on the characteristics of each product and the terms and conditions that apply for the claims settlement.

On each reporting date, the Company prepares a liability adequacy test by assessing whether the insurance liabilities recognized during the reporting year for valid policies are adequate by comparing the insurance provisions established to the present value of the estimated future cash flows arising on existing insurance policies.

If the liability adequacy test shows a deficiency in the carrying amount of liabilities, the deficiency is recognised as a loss for the financial year by setting additional unexpired risk reserve.

The test is performed on a line of business basis in each country separately and test is applied to the gross amounts of provisions, i.e., the effect of reinsurance is not taken into account.

(iv) Sources of uncertainty in the estimation of future claims payments

The Company is liable for insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term, and claims are paid according to the policy conditions valid at the time of occurrence. As a result, claims are settled over a long period of time, and there is an element of the claims provision that relates to incurred but not reported claims (IBNR).

There are several variables that affect the amount and timing of cash flows from the insurance contracts. These variables mainly relate to the characteristics of the different types of risks covered and the applied risk management procedures. The compensation paid is according to the terms specified in the insurance contract. Compensation for claims with respect of bodily injuries are calculated as the present value of lost earnings, rehabilitation expenses and other expenses that the injured party will incur as a result of the accident or disease.

The estimated cost of claims includes expenses to be incurred in settling claims, net of the expected recourse amount and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liabilities established. The liabilities in the financial statements related to these contracts comprise a provision for IBNR, a provision for reported claims not yet paid (RBNS) and a provision for unearned premiums and unexpired risks at the reporting date. The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified (RBNS), where information about the claim is available. There may be cases where certain claims may not be apparent to the insured until many years after the event that gave rise to the claims.

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In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from loss adjusters, claims handlers and information about the costs of settling claims with similar characteristics in previous periods. All claims are assessed on a case-by-case basis by a claims handler. Claims with potential for distortive effects of their development are handled separately and projected to their ultimate by an additional provision. Where possible, the Company adopts multiple techniques to estimate the required level of provision. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.
Insurance contracts are often classified as risks that are short-tail and risks that are long-tail. Short-tail risk is characterized by that the period between the occurrences, reporting and final settlement of claims is short. Long-tail risk is the opposite; the period between the occurrence, reporting and settlement of claims is long. In Property and Motor hull insurance the claims are reported soon after occurrence, while bodily injury claims may be reported several years after the occurrence and settled several years after they were reported. The provisions for IBNR for short-tail risks are relatively small, while for long-tail risks the provisions for IBNR may constitute a substantial part of the total loss provision.

Financial risks and risk management

Financial risk is a collective term for various types of risk related to financial assets. The Company's financial assets and liabilities, including investments, insurance receivables and reinsurance assets, may be exposed to financial risk as follows:

- *Market risk*: changes to the market situation may adversely impact the insurer's assets and/or liabilities, investments may be impaired, and return on assets decreased. Market risk includes interest rate, equity, property, currency, spread and concentration risk.
- *Counterparty (credit) risk:* loss arising from an issuer defaulting on its obligations or because of increased risk premiums for bonds with credit risk, and failure of a counterparty to meet contractual obligations;
- *Liquidity risk*: under certain adverse conditions, the insurer may be forced to sell *assets at a l*ower price than their fair value in order to be able to settle liabilities.

Below is a description of each of these financial risks and a summary of methods used by the Company to manage these risks. Exposure to those risks arises in the normal course of business.

Market Risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Company's income or the value of its portfolios.
Market risks comprise:

- interest rate risk;
- foreign exchange risk;
- price risk.

Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

i) 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 centralized and based on the assessment of the impact of the interest rate risk on the Company's financial indices.
The Company does not have significant interest-bearing liabilities and the largest share of interest-bearing assets are at a fixed interest rate. The overall exposure to interest rate risk is reduced by matching a portfolio of fixed income instruments to the overall duration and pay-out pattern of insurance liabilities. While an increase in interest rates decreases market values of fixed income securities in the portfolio, it also decreases the value of insurance liabilities through discounting effect. Therefore, the Company normally is not exposed to significant interest rate risk and to the effects of fluctuations in interest rates resulting from different maturity or interest re-pricing profile of the Company's interest-bearing assets and liabilities.

ii) *Foreign exchange risk*
The Company holds assets and liabilities denominated in foreign currency. Foreign exchange risk is the risk of financial losses resulting from fluctuations in foreign exchange.
Part of insurance risks is denominated in foreign currencies. Based on the Company's policies, foreign exchange risk is limited to known or expected transactions in foreign currencies. The management of foreign exchange risk is based on investments into respective currencies. Therefore, profit and loss are most sensitive to fluctuations in PLN exchange rates which are considered insignificant. The Company is not engaged in any speculative transactions that may increase the foreign exchange risk.

The tables below present the analysis of the Company's financial assets and liabilities based on currencies as of 31 December 2023 and 2022 (in brackets determined their category according to IFRS9: FVTPL – at fair value through profit or loss):

Company's currency portfolio as of 31 December 2023:

Financial assets EUR'000	**EUR**	**PLN**	**Total**
Financial assets designated at fair value through profit or loss (FVTPL)	136.914	1.368	138.282
Other Receivables	1.885	-	1.885
Cash and cash equivalents	6.976	12	6.988
Total	**145.775**	**1.380**	**147.155**
Financial liabilities			
Liabilities (at amortized cost)	7.454	-	7.454
Total	7.454	**-**	7.454
Open foreign exchange position	**138.321**	**1.380**	**139.701**

Company's currency portfolio as of 31 December 2022:

Financial assets EUR'000	**EUR**	**PLN**	**Total**
Financial assets designated at fair value through profit or loss (FVTPL)	126.533	1.126	127.659
Other Receivables	2.193	-	2.193
Cash and cash equivalents	6.546	8	6.554
Total	**135.272**	**1.134**	**136.406**
Financial liabilities			
Liabilities (at amortized cost)	8.840	-	8.840
Total	8.840	-	8.840
Open foreign exchange position	**126.432**	**1.134**	**127.566**

iii) Price risk
Price risk refers to the risk of fluctuations in the value of financial instruments resulting from changes in market prices; the changes might impact the factors of an individual financial instrument or of all financial instruments traded on the market. The price risk occurs when the Company chooses a long-term or short-term position of a financial instrument.

A sensitivity analysis is presented below of the Company's annual revenue to the changes in the prices of securities based on positions as of 31 December 2023 and 2022, a simplified scenario, expecting a 5% change in the price of all securities:

Item, EUR'000	**Net revenue, 2023**	**Net revenue, 2022**
Increase in price of securities by 5%	6.914	6.383
Decrease in price of securities by 5%	(6.914)	(6.383)

Credit risk
Credit risk is the risk of losses or adverse changes in financial position resulting from changes in the standing of issuers of securities, business partners or debtors as a default of counter party or increase in credit margin.

The credit risk is managed by imposing loan restrictions on one entity, a group of entities, a sector or a country, by diversification of assets and the portfolio of financial instruments, by reinsurance of the financial insurance portfolio and other measures.

(i) Management of financial investments
To manage its credit risk, the Company mostly invests in markets and investments having high ratings.

The Company's investments (Financial instruments at fair value through profit or loss) by ratings (determined by S&P):

Country	Rating	2023.12.31	2022.12.31
Estonia	BBB	1.009	1.149
Finland	AA+	11.638	4.366
Latvia	A+	11.946	28.298
Lithuania	A+	41.231	63.261
Luxembourg	BBB+	24.463	14.702
Poland	A	1368	1.126
France	AA	18326	8.271
Germany	AAA	28.301	6.486
Total		**138.282**	**127.659**

(ii) Reinsurance
The Company acquires reinsurance in order to secure the Company's share capital; therefore, reinsurance is to be considered as a tool for both risk and capital management. The same models and methodology are used to analyse and acquire reinsurance as to the assessment of internal capital allocation based on risks.

In order to manage risks, the Company has approved the reinsurance programme which determines the reinsurance principles and the selection criteria of reinsurers. At least once a year the reinsurance programme is reviewed by the administration which also makes the necessary changes. The Company's reinsurance programme firstly comprises non-proportional reinsurance. The decisions on the reinsurance programme are taken based on the analysis of position, payments archive, and possibility to implement the model and the Company's capitalisation. The Company cooperates with the leading reinsurance companies as well as its parent company Gjensidige Forsikring.

Concentration risk is the pooling of risks which might lead to losses threatening the Company's solvency and financial position, the possibility of major losses due to excessive positions exceeding the limits set by the Company. Concentration risk is considered a composite of main risk and as a separate risk category is managed within the main risk types (insurance, market and credit).

Liquidity risk is the risk that the Company will be unable to meet its financial obligations on time and/or that it may be forced to sell financial assets in order to fulfil its obligations and will suffer a loss due to a lack of liquidity in the market. In managing liquidity risk, the Company seeks to ensure the timely execution of the Company's financial liabilities and the effective use of liquid funds. For managing liquidity risk, the Company uses the cash flows method, which is reasoned by planning and forecasting the cash flows.

Allocation of the Company's financial assets and financial liabilities based on the maturity and time remaining from the date of the financial statements until maturity as of 31 December 2023 and 2022:

Maturity of the financial instruments as well as non-financial items as of 31 December 2023:

EUR'000	Within 6 months	6–12 months	1–2 years	2–5 years	Without specific maturity	Total
Financial assets						
Financial assets designated at fair value through profit or loss	31.520	45.986	14.695	21.618	24.463	138.282
Other Receivables	1.885	-	-	-	-	1.885
Cash and cash equivalents	6.988	-	-	-	-	6.988
Total financial assets	40.393	45.986	**14.695**	**21.618**	**24.463**	**147.155**
Non-financial assets					34.802	34.802
Financial liabilities	4.399	449	811	1.795	-	7.454

Insurance liabilities	63.053	30.981	15.976	15.176	-	125.186
Non-financial liabilities	8.677	-	-	-	-	8.677
Difference in maturities	**-35.736**	**14.556**	**-2.092**	**4.647**	**59.265**	**40.640**

The Company is able to carry out its financial obligations, because its financial assets are held till the maturity and without specific maturity.

Maturity of the financial instruments as well as non-financial items as of 31 December 2022:

EUR'000	Within 6 months	6–12 months	1–2 years	2–5 years	Without specific maturity	Total
Financial assets						
Financial assets designated at fair value through profit or loss	20.394	39.597	19.400	33.567	14.701	127.659
Other Receivables	2.193	-	-	-	-	2.193
Cash and cash equivalents	6.554	-	-	-	-	6.554
Total financial assets	29.141	39.597	19.400	33.567	14.701	136.406
Non-financial assets					24.772	24.772
Financial liabilities	4.347	509	927	3.057	-	8.840
Insurance liabilities	66.008	15.588	6.437	20.752	-	108.785
Non-financial liabilities	6.959	-	-	-	-	6.959
Difference in maturities	**-48.173**	**23.500**	**12.036**	**9.758**	**39.473**	**36.594**

The Company is able to carry out its financial obligations, because its financial assets are held till the maturity and without specific maturity.

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, systems, technologies, employees' actions or external factors. Operational risk management is a continuous process for operational risk management, which is typical to all Company's products, operations, processes and systems, which are important to the Company, including such areas as transfer of essential or important Company's functions or operations to a service provider based on a contract, implementation of new product of service, and functioning of the Company's IT systems. The Company, managing its operational risk, considers both internal and external factors which might lead to operational risks. The Company's measures of operational risk management focus on the risk aversion, mitigation, transfer and/or assuming considering their effect on the achievement of the Company's goals, business continuity, considering the costs of risk mitigating measures and their effectiveness. The main goal of operational risk management is improvement of the Company's processes seeking to minimise the possible effect of operational risk to the tolerated level. The Company applies the following measures to mitigate the operational risk: implementation of control procedures, limitation of authorizations, four-eye principle, segregation of functions/duties, automation and other organisational and technical measures.
Operational risk incidents are registered in the register of the Operational risk incidents when the Company's employee notices such an incident.
The effectiveness of risk management system is regularly assessed by an independent Internal Audit Service, which performs an audit of the effectiveness of risk management system.

Sustainability including climate related risks means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential negative impact on the value of the investment or on the value of the liability (ref. Solvency II)
In line with the ESG, climate related - risks for sustainable economic activities, we will work on adapting relevant products and services to meet the criteria for sustainable general insurance. By 2025, 80 per cent of the products and services that fall within the scope of the taxonomy shall meet the criteria for sustainable general insurance. The taxonomy regulations also require us to report on customer relationships relating to activities that produce or distribute fossil energy.
We are covered by the following criteria in the EU taxonomy, and will further develop measures to accommodate them:
Gjensidige uses a forward-looking modelling of climate risk as the basis for pricing.

In cooperation with Gjensidige Group we aim to further develop the use of such models and scenarios to achieve the best possible basis for pricing.
Some of our insurance products contain incentives for damage prevention measures.
Gjensidige already offers discounts to customers who carry out risk reduction and damage prevention measures. It is our ambition to offer more damage-reducing products and services going forward.
We will develop innovative insurance coverage that meets climate adaptation requirements.
We look forward to established systems for sharing data and know-how with public authorities in the areas we operate in. That would include claims data and knowledge about the consequences of climate change, and we will accommodate any requests for additional sharing of claims data, in line with the taxonomy's specifications.
The climate related risks is also relevant to our investments. The requirement for sustainability in our investment activities has been key, and we will reshape our portfolio towards net zero emissions by 2050.

V. NOTES

1. Property and equipment, Intangible assets

The movement of intangible assets, property and equipment for the period ended 31 December 2023, was:

Items, EUR'000	Intangible assets	Property	Other fixed assets	Total
Acquisition cost				
Balance on 1 January 2022	15.011	131	4.328	19.470
Assets acquired	716	-	140	856
Assets disposed (-)	-4.323	-35	-266	-4.624
Balance on 31 December 2022	**11.404**	**96**	**4.202**	**15.702**
Assets acquired	648	-	123	771
Assets disposed (-)	72	-6	-123	-57
Balance on 31 December 2023	**12.124**	**90**	**4.202**	**16.416**
Revaluation				
Balance on 1 January 2022	**-**	**57**	**-**	**57**
Change in revaluation result on disposals +/(-)	-	-35	-	-35
Balance on 31 December 2022	**-**	**22**	**-**	**22**
Balance on 31 December 2023	**-**	**22**	**-**	**22**
Impairment				
Balance on 1 January 2022	**351**	**-**	-	**351**
Impairment recognized (released)	-351	-	-	**-351**
Balance on 31 December 2022	**-**	**-**	**-**	**-**
Balance on 31 December 2023	**-**	**-**	**-**	**-**
Accumulated depreciation				
Balance on 1 January 2022	**9.895**	**87**	**2.440**	**12.422**
Charge for the year	1.206	1	604	1.811
Reversals of depreciation after write-off (-)	-3.797	-34	-239	-4.070
Balance on 31 December 2022	**7.304**	**54**	**2.805**	**10.163**
Charge for the year	1.083	-	544	1.627
Reversals of depreciation after write-off (-)	-	-6	-102	-108
Balance on 31 December 2023	**8.387**	**48**	**3.247**	**11.682**
Net book value				
Balance on 31 December 2022	**4.100**	**64**	**1.397**	**5.561**
Balance on 31 December 2023	**3.737**	**64**	**955**	**4.756**

The amortization/depreciation charge of the Company's intangible/tangible assets for the year 2023 amounting to EUR 1.123 thousand was included into other insurance service expenses (Note 16), amount of EUR 505 thousands was included into insurance services claims expenses (Note 16) (in 2022 – EUR 1.149 thousand into other insurance service expenses, EUR 514 thousands insurance services claims expenses, the intangible assets amortization expenses of EUR 149 thousand netted off with the release of impairment, which is formed for impaired intangible asset and written off result is EUR 202 thousand).

2. **Financial assets designated at fair value through profit or loss**

EUR'000	Fair value, 31.12.2023	Cost, 31.12.2023	Fair value, 31.12.2022	Cost, 31.12.2022
Government bonds of Lithuania	41.232	43.964	63.262	67.969
Government bonds of France	18.326	18.060	8.271	8.258
Government bonds of Latvia	11.946	12.741	28.298	29.616
Government bonds of Estonia	1.009	1.100	1.149	1.305
Government bonds of Germany	28.300	27.947	6.485	6.490
Goverment bonds of Finland	11.638	11.592	4.366	4.374
Luxembourg funds	24.463	24.003	14.702	15.954
Government bonds of Poland	1.368	1.354	1.126	1.255
Total	**138.282**	**140.761**	**127.659**	**135.221**

EUR'000	Financial instruments at fair value through profit or loss (FVTPL)	Held-to-maturity investments (HTM)	Total
Balance at 31 December 2021	**129.291**	**5.963**	**135.254**
IFRS 9 effect (Note 24)	-	36	**36**
Balance at 31 December 2021 after IFRS 9 effect	**129.291**	**5.999**	**135.290**
Assets acquired	38.969	-	38.969
Assets disposed	-36.108	-1.980	-38.088
Increase(decrease) Value	-8.462	-50	-8.512
Balance at 31 December 2022	**123.690**	**3.969**	**127.659**
Assets acquired	66.586	-	66.586
Assets disposed	-61.608	-	-61.608
Increase(decrease) Value	5.636	9	5.645
Reclassification	3.978	-3.978	-
Balance at 31 December 2023	**138.282**	**-**	**138.282**

Valuation hierarchy 2023

EUR'000	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments designated at fair value through profit or loss	113.819	24.463	-	**138.282**

Valuation hierarchy 2022

EUR'000	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments designated at fair value through profit or loss	112.957	14.702	-	**127.659**

3. Other receivable

As of 31 December 2023, other receivable comprised:

Items, EUR'000	Total amount	Doubtful amounts receivable	Carrying amount
Intermediaries' debts	1.575	-	1.575
Other receivables	360	-50	310
Total	**1.935**	**-50**	**1.885**

As of 31 December 2023, other receivables consisted of recoveries for claims paid amounting to EUR 206 thousand (31 December 2022: EUR 90 thousand) and other amounts receivable in the amount of EUR 10 thousand (31 December 2022: EUR 156 thousand), the corporate income tax in the amount of EUR 94 thousand (31 December 2022: EUR 239 thousand).

As of 31 December 2022, other receivable comprised:

Items, EUR'000	Total amount	Doubtful amounts receivable	Carrying amount
Intermediaries' debts	1.708	-	1.708
Other receivables	543	-58	485
Total	**2.251**	**-58**	**2.193**

4. Cash and cash equivalents

Items, EUR'000	31.12.2023	31.12.2022
Current accounts at banks	6.988	6.554
Total	**6.988**	**6.554**

As of 31 December 2023, cash deposited in SEB bank AB for issued guarantees amounted to EUR 77 thousand (31 December 2022: EUR 60 thousand).

5. Other prepaid expenses and accrued income

Items, EUR'000	31.12.2023	31.12.2022
Prepayments	239	201
Other prepaid expenses	331	365
Total	**570**	**566**

6. Share capital, premium and reserves

Share capital

The share capital of the Company is divided into 7.623.384 ordinary registered shares with the nominal value of EUR 7,37 each. All shares were fully paid as of 31 December 2023 and 31 December 2022.

	31.12.2023		31.12.2022	
	Amount	**EUR'000**	**Amount**	**EUR'000**
Ordinary shares with voting rights	7.623.384	56.184	7.623.384	56.184

Company's shareholders	**31.12.2023**		**31.12.2022**	
	Number of shares	**% Of share capital**	**Number of shares**	**% Of share capital**
Gjensidige Forsikring	7.621.258	99,97	7.621.258	99,97
Private persons	2.126	0,03	2.126	0,03
Total	**7.623.384**	**100**	**7.623.384**	**100**

According to the Law on Insurance of the Republic of Lithuania, the share capital of an insurance company should be not less than EUR 1 million. As of 31 December 2023, and 31 December 2022, the Company complied with the requirement.

Share premium

The share premiums decreased in amount of EUR 5.870 thousand during 2023 due to cover accumulated losses of prior periods. The share premiums balance on 31.12.2023 is zero EUR.

Legal reserve

Pursuant to the Law on Companies of the Republic of Lithuania, legal reserve is formed from the distributable profit. Companies must transfer to the legal reserve 5% of their net profit, until the total amount of the reserve reaches 10% of the Company's share capital. The legal reserve may be used only for covering losses of the Company. The share of legal reserve in excess of 10% of the share capital may be distributed when distributing the profit for the succeeding financial year. As of 31 December 2023, it is not formed due to accumulated losses of prior years.

Revaluation reserve

Revaluation reserve represents increase in value of Company's non-current tangible assets (real estate) resulting from revaluation.

7. Insurance and reinsurance contract assets and liabilities

2023, EUR thousands	Motor	Property	Accident and Health	Other	Total
Insurance contract liabilities	70.603	32.117	10.420	9.056	**122.196**
Reinsurance contract assets	7.532	14.548	-	2.332	**24.412**

2022, EUR thousands	Motor	Property	Accident and Health	Other	Total
Insurance contract liabilities	71.439	18.921	9.419	8.110	**107.889**
Reinsurance contract assets	7.356	2.841	-81	1.982	**12.098**

8. Insurance contract liabilities

Reconciliation of the liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims 2023:

	Liabilities for remaining coverage (LRC)		Liabilities for incurred claims (LIC)		
EUR thousands	**Excluding loss component**	**Loss component**	**Estimates of the present value of future cash flows**	**Risk adjustment**	**Total**
Insurance contract liabilities as at opening balance	**44.082**	**2.654**	**57.041**	**4.112**	**107.889**
Insurance revenue	-143.384	-	-	-	-143.384
Incurred claims	-	-	118.076	2.438	120.514
Incurred other insurance service expenses	-	-	39.490	-	39.490
Changes that relate to past service - adjustments to LIC	-	-	-2.104	-1.983	-4.087
Losses on onerous contracts	-	-818	-	-	-818
Insurance finance expenses through profit or loss	-	-	2.062	132	2.194
Total changes in the statement of profit or loss	**-143.384**	**-818**	**157.524**	**587**	**13.909**
Premiums received	148.178	-	-	-	148.178
Claims paid	-	-	-108.290	-	-108.290
Expenses paid	-	-	-39.490	-	-39.490
Total cash flows	**148.178**	**-**	**-147.780**	**-**	**398**
Insurance contract liabilities as at closing balance	**48.876**	**1.836**	**66.785**	**4.699**	**122.196**

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Reconciliation of the liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims 2022:

	Liabilities for remaining coverage (LRC)		Liabilities for incurred claims (LIC)		
EUR thousands	**Excluding loss component**	**Loss component**	**Estimates of the present value of future cash flows**	**Risk adjustment**	**Total**
Insurance contract liabilities as at opening balance	**43.083**	**2.558**	**56.516**	**4.341**	**106.498**
Insurance revenue	-128.400	-	-	-	-128.400
Incurred claims	-	-	103.369	1.931	105.300
Incurred other insurance service expenses	-	-	35.584	-	35.584
Changes that relate to past service - adjustments to LIC	-	-	-2.377	-2.160	-4.537
Losses on onerous contracts	-	96	-	-	96
Insurance finance expenses through profit or loss	-	-	261	-	261
Total changes in the statement of profit or loss	**-128.400**	**96**	**136.837**	**-229**	**8.304**
Premiums received	129.399	-	-	-	129.399
Claims paid	-	-	-100.728	-	-100.728
Other insurance service expenses	-	-	-35.584	-	-35.584
Total cash flows	**129.399**	**-**	**-136.312**	**-**	**-6.913**
Insurance contract liabilities as at closing balance	**44.082**	**2.654**	**57.041**	**4.112**	**107.889**

9. Reinsurance contracts assets

Reconciliation of the assets for reinsurance contracts issued showing the assets for remaining coverage in reinsurance share and the assets for incurred claims in reinsurance share 2023:

	Liabilities for remaining coverage (LRC)		Liabilities for incurred claims (LIC)		
EUR thousands	**Excluding loss component**	**Loss component**	**Estimates of the present value of future cash flows**	**Risk adjustment**	**Total**
Reinsurance contract assets as at opening balance	**1.088**	**-**	**10.321**	**689**	**12.098**
Reinsurance premiums paid	-8.828	-	-	-	**-8.828**
Amounts recovered from reinsurers for incurred claims	-		17.052	844	**17.896**
Reinsurance commissions	-	-	399	-	**399**
Changes in amounts recoverable that relate to past service - adjustments to LIC	-	-	2.827	-11	**2.816**
Reinsurance finance expenses through profit or loss	-	-	426	25	**451**
Total changes in the statement of profit or loss	**-8.828**	**-**	**20.704**	**858**	**12.734**
Premiums paid	9.063	-	-	-	9.063
Recoverable claims	-	-	-9.084	-	-9.084
Received reinsurance commissions	-	-	-399	-	-399
Total cash flows	**9.063**	**-**	**-9.483**	**-**	**-420**
Reinsurance contract assets as at closing balance	**1.323**	**-**	**21.542**	**1.547**	**24.412**

Reconciliation of the assets for reinsurance contracts issued showing the assets for remaining coverage in reinsurance share and the assets for incurred claims in reinsurance share 2022:

	Liabilities for remaining coverage (LRC)		Liabilities for incurred claims (LIC)		
EUR thousands	**Excluding loss component**	**Loss component**	**Estimates of the present value of future cash flows**	**Risk adjustment**	**Total**
Reinsurance contract assets as at opening balance	**960**	**-**	**8.583**	**651**	**10.194**
Reinsurance premiums	-4.463	-	-	-	-4.463
Amounts recovered from reinsurers for incurred claims	-	-	4.047	171	4.218
Reinsurance commissions	-	-	829	-	829
Changes in amounts recoverable that relate to past service - adjustments to LIC	-	-	-30	-133	-163
Reinsurance finance expenses through profit or loss	-	-	-98	-	-98

Total changes in the statement of profit or loss	**-4.463**	**-**	**4.748**	**38**	**323**
Premiums paid	4.591	-	-	-	4.591
Recoverable claims	-	-	-2.181	-	-2.181
Received reinsurance commissions	-	-	-829	-	-829
Total cash flows	**4.591**	**-**	**-3.010**	**-**	**1.581**
Reinsurance contract assets as at closing balance	**1.088**	**-**	**10.321**	**689**	**12.098**

10. Other liabilities

Items, EUR'000	31.12.2023	31.12.2022
Liabilities to customers	3.485	3.404
Salaries and other	466	433
Total	**3.951**	**3.837**

11. Provisions

Items, EUR'000	Restructuring	Bonuses of employees	Total
Balance on 31 December 2021	**249**	**975**	**1.224**
New provisions	397	1262	1659
Provisions used during the year	-469	-1.245	-1.714
Balance on 31 December 2022	**177**	**992**	**1.169**
New provisions	390	1.438	1.828
Provisions used during the year	-228	-1.099	-1.327
Balance on 31 December 2023	**339**	**1.331**	**1.670**

Restructuring reserve
During 2023 and 2022 years, the Company committed to a plan to restructure the Company's activities to improve the efficiency. Following the announcement of the plan, the Company recognised a provision of EUR 390 thousand (2022: EUR 397) for expected restructuring costs, including employees' termination benefits. Estimated costs were based on the terms of the relevant contracts. The provision of EUR 228 (2022: EUR 469) thousand was used during the year. The restructuring is expected to be completed by December 2024.

Bonuses of employees
Bonuses of employees are accrued according to the valid motivation system in the Company.

12. Accrued expenses and deferred income

Items, EUR'000	31.12.2023	31.12.2022
Accrued commissions expenses	3.338	2.800
Accrued expenses for invoices not received	897	509
Annual leave reserve	1.396	1.341
Annual bonus for intermediaries	271	250
Total	**5.902**	**4.900**

13. Results of insurance activities

Country, where insurance agreement was concluded	Insurance revenue, EUR'000	
	2023	**2022**
Republic of Lithuania	86.970	75.485
Other EU countries	56.414	52.915
Total	**143.384**	**128.400**

The detailed results of insurance activity in 2023 are presented below:

Items, EUR'000	Insurance revenue	Insurance claims expenses	Insurance operating expenses	Insurance service result	Result of reinsurance activities
Direct insurance	143.384	-115.609	-39.490	-11.715	12.283
Total	143.384	-115.609	-39.490	-11.715	12.283

The insurance results in 2023 by groups of insurance are as follows:

- Insurance revenue

EUR'000	Motor	Property	Accident and Health	Other	Total
Contracts measured under PAA	74.090	28.732	33.733	6.829	143.384
Total	74.090	28.732	33.733	6.829	143.384

- Insurance service expenses

EUR'000	Motor	Property	Accident and Health	Other	Total
Incurred claims	-52.097	-34.623	-26.865	-4.491	-118.076
Other insurance services expenses (Note 16)	-19.060	-10.467	-7.495	-2.468	-39.490
Changes that relate to past service - adjustments to LIC	530	9	136	1.429	2.104
Change in risk adjustments	372	-825	2	-4	-455
Losses on onerous contracts	870	-131	276	-197	818
Total	**-69.385**	**-46.037**	**-33.946**	**-5.731**	**-155.099**

- Income or (expenses) from reinsurance contracts ceded:

EUR'000	Motor	Property	Accident and Health	Other	Total
Reinsurance premiums	-2.049	-5.333	-43	-1.403	-8.828
Amounts recovered from reinsurers for incurred claims	383	15.750	65	854	17.052
Changes in amounts recoverable that relate to past service - adjustments to LIC	1.189	1.934	-	-296	2.827
Change in risk adjustments	-14	840	-	7	833
Reinsurance commissions	-	-	-	399	399
Net expenses from reinsurance contracts	**-491**	**13.191**	**22**	**-439**	**12.283**

The detailed results of insurance activity in 2022 are presented below:

Items, EUR'000	Insurance revenue	Insurance claims expenses	Insurance operating expenses	Insurance service result t	Result of reinsurance activities
Direct insurance	128.400	-100.859	-35.584	-8.043	421

Total	128.400	-100.859	-35.584	-8.043	421

The insurance results in 2022 by groups of insurance are as follows:

- Insurance revenue

EUR'000	Motor	Property	Accident and Health	Other	Total
Contracts measured under PAA	70.203	23.248	29.017	5.932	128.400
Total	**70.203**	**23.248**	**29.017**	**5.932**	**128.400**

-Insurance service expenses

EUR'000	Motor	Property	Accident and Health	Other	Total
Incurred claims	-56.276	-18.985	-24.234	-3.874	-103.369
Insurance operating costs (Note 16)	-17.544	-8.874	-6.857	-2.309	-35.584
Changes that relate to past service - adjustments to LIC	-537	1.283	3	1.628	2.377
Change in risk adjustments	453	-165	-8	-51	229
Losses on onerous contracts	722	-39	-687	-92	-96
Total	**-73.182**	**-26.780**	**-31.783**	**-4.698**	**-136.443**

- Income or (expenses) from reinsurance contracts ceded:

EUR'000	Motor	Property	Accident and Health	Other	Total
Reinsurance premiums	-1.911	-1.386	-41	-1.126	-4.464
Amounts recovered from reinsurers for incurred claims	136	3.138	-	774	4.048
Changes in amounts recoverable that relate to past service - adjustments to LIC	1.032	-900	-	-162	-30
Change in risk adjustments	-70	66	-	42	38
Reinsurance commissions	-	-	-	829	829
Net expenses from reinsurance contracts	**-813**	**918**	**-41**	**357**	**421**

14. Insurance finance income/expenses

2023, EUR'000	Motor	Property	Accident and Health	Other	Total
Insurance finance income/expenses					
Insurance finance income or expense - unwinding	-1.037	-127	-23	-81	-1.268
Insurance finance income or expense - change in financial assumptions	-918	-2	-	-6	-926
Total, recognized in P&L	**-1.955**	**-129**	**-23**	**-87**	**-2.194**
Reinsurance finance income/expenses					
Reinsurance finance income or expense - unwinding	164	39	-	16	219
Reinsurance finance income or expense - change in financial assumptions	230	2	-	-	232
Total, recognized in P&	**394**	**41**	**-**	**16**	**451**
Net, recognized in P&L	**-1.561**	**-88**	**-23**	**-71**	**-1.743**

2022, EUR'000	Motor	Property	Accident and Health	Other	Total
Insurance finance income/expenses					
Insurance finance income or expense - unwinding	-1.003	-211	-53	-107	-1.374
Insurance finance income or expense - change in financial assumptions	948	67	9	89	1.113
Total, recognized in P&L	**-55**	**-144**	**-44**	**-18**	**-261**
Reinsurance finance income/expenses					
Reinsurance finance income or expense - unwinding	-34	68	-	15	49
Reinsurance finance income or expense - change in financial assumptions	-121	-18	-	-8	-147
Total, recognized in P&L	**-155**	**50**	**-**	**7**	**-98**
Net, recognized in P&L	**-210**	**-94**	**-44**	**-11**	**-359**

15. Remuneration expenses

The remuneration expenses for employees and agents including social security expenses in 2023 and 2022 are presented below:

Items, EUR'000	2023	2022
Management	1.369	1.430
Other employees	20.070	18.163
Total	**21.439**	**19.593**

As of 31 December 2023, the management consisted of the General Director and 5 second level managers (as of 31 December 2022: General Director and 7 second level managers).

16. Other insurance service expenses

Types of expenses by nature, EUR'000	2023	2022
Commission expense to organisations	15.424	12.745
Wages, salaries and social security tax	15.970	14.578
Commission to agents and employees	442	643
Advertising and marketing expenses	1.083	1.035
Repair and maintenance of premises	779	731
Purchase of blanks and other expenses related to contracts	92	85
Maintenance of vehicles	272	299
Representative expenses	413	249
Other taxes and fees, including bank fees	292	309
Communication expenses (post, telephone, internet)	209	236
Trainings and business trips	203	156
Depreciation and amortisation (Note 1)	1.123	1.149
Depreciation by "Right-of-use" of underlying asset"	822	933
Information technologies expenses	1.158	1.121
Expenses for stationery and office maintenance	42	29
Professional service expenses	613	488
Member fees and fee for Insurance Supervisory Commission	222	175
Audit expenses*	83	70
Other	248	553
Total expenses	**39.490**	**35.584**

*During 2023 UAB "Deloitte Lietuva" has provided statutory audit services.

Expenses included in Insurance service claims expenses

Types of expenses by nature, EUR'000	2023	2022
Wages, salaries and social security tax	5.469	5.015
Services of experts, lawyers, and other specialists	1.464	1.172
Repair and maintenance of premises	134	103
Other taxes	117	142
Information technologies expenses	575	563
Maintenance of vehicles	46	53
Communication expenses (post, telephone, internet)	75	88
Depreciation and amortisation (Note 1)	505	514
Depreciation costs by "Right-of-use" of underlying asset"	148	162
Trainings and business trips	85	63
Professional service expenses	194	187
Expenses for stationery and office maintenance	16	11
Motor Bureau fee	1.267	1.120
Other	465	465
Total	**10.560**	**9.658**

17. Investment result

EUR'000	2023	2022
Income from property	2	2
Net changes in fair value of investments	5.300	-7.289
Net realised gains and losses on investments	-144	-1.781
Net realised gains and losses on property	-	58
Interest expenses and expenses related to investments	-196	-173
Total	**4.962**	**-9.183**

18. Other income and expenses

Items, EUR'000	2023	2022
Other income		
Other income	135	119
Total	**135**	**119**
Other expenses		
Interest of lease liability (Note 22)	-84	-113
Other expenses	-68	-82
Total	**-152**	**-195**

19. Tax expense and deferred tax asset

Items, EUR'000		2023	2022
Current year income tax, from which:		-242	-78
	Lithuania	-179	-76
	Latvia[1]	-63	-2
	Estonia[2]	-	-
Change in deferred taxes		28	-268
Total		**-214**	**-346**

[1] In Latvia current tax is related to non-deductible expenses deemed as profit distribution, no tax expense from profit distribution due to carried loss occurred.
[2] In Estonia no tax expense from profit distribution due to carried loss occurred.
In 2023, the Company accounted for deferred tax assets of EUR 1.650 thousand, which was calculated on accumulated tax losses and temporary differences provisions.

Deferred income tax asset in Lithuania are attributable to the following items:

Items, EUR'000	31.12.2023	31.12.2022
Effect from different provisions	458	336
Tax losses carried forward	1.192	1.285
Deferred tax asset, net	**1.650**	**1.621**

According to the financial forecast approved by the management, the Company expects to earn taxable profit in 2024 and further years with consistently saving costs. Based on this plan, it is expected to have sufficient profits required to utilise the recognised deferred tax asset. The planned GWP growth is 8%, COR – 93,8% on average during the next 3 years.
The deferred tax asset estimated on 31 December 2023 was calculated as 70% of planned net profits estimating the balance of unused taxes losses in Lithuania in the next 3 years based on the management assumption that the deferred tax asset will be utilized during the next 3 years.

Financial year income year tax reconciliation:

Items, EUR'000	31.12.2023	31.12.2022
Profit/ (loss) before income tax[1,2,3]	4.260	-17.412
Non-taxable income[1,2,3]	-6.019	-3.103
Non-deductible expenses[1,2]	5.754	20.440
Result of investments[1]	144	1.781
Utilization of taxable loss[1]	-2.523	-1.183
Taxable profit for the financial year[1,2]	1.616	523
Income tax for the financial year in profit or loss	**242**	**78**

1 Lithuania 2 Latvia 3 Estonia

20. Transactions with related parties

Related parties are defined as shareholder of the Company, its subsidiaries, members of the Board and Council, their close relatives and companies in which they have a significant influence or control.

During the financial year the Company had transactions with the following related parties:
Gjensidige Forskring ASA
Gjensidige Business Services ASA
UAB Redgo Lithuania

The transactions with related parties during 2023 and 2022 are as follows:

Items, EUR'000	31.12.2023	31.12.2022
Reinsurance premiums written to Gjensidige Forsikring ASA	-7.612	-3.526
Reinsurance claims paid by Gjensidige Forsikring ASA	8.000	2.629
Investment expenses paid to Gjensidige Forsikring ASA	-9	-10
Amount payable to Gjensidige Forsikring ASA (reinsurance)	2.593	320
Other income – Gjensidige Forsikring ASA	1.039	1.313
Other income – Gjensidige Business Services ASA	606	-
Other expenses – Gjensidige Forsikring ASA	-11	-10
Amount receivable from Gjensidige Forsikring ASA	3	115
Amount receivable from Gjensidige Business Services ASA	5	-
Expenses - Gjensidige Business Services ASA	-336	-383
Expenses – UAB RedGo Lithuania	-855	-706

21. Compliance with legal regulations

During 2023 and as of 31 December 2023, the Company complied with the legal requirements of the Republic of Lithuania that are applied to the insurance companies for investment structure.

During 2023 and as of 31 December 2023, the Company complied with capital requirements, including solvency and share capital requirements.

Gjensidige

22. Right-of-use assets and lease liability

Gjensidige recognise its lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application, as well as the recognition of related right-of-use assets to an amount corresponding to the lease liability.

Right-of-use assets

EUR'000	Land and buildings	Total
Costs on 1 January 2022	**9.023**	**9.023**
Changes contracts conditions (+-)	-438	-438
Costs on 31 December 2022	**8.585**	**8.585**
Changes contracts conditions (+-)	-878	-878
Costs on 31 December 2023	**7.707**	**7.707**
Depreciation on 1 January 2022	**-2.920**	**-2.920**
Depreciation expenses per period	-1.095	-1.095
Changes contracts conditions (+-)	356	356
Depreciation on 31 January 2022	**-3.659**	**-3.659**
Depreciation expenses per period	-969	-969
Changes contracts conditions (+-)	335	335
Depreciation on 31 December 2023	**-4.293**	**-4.293**
Balance on 31 December 2022	**4.926**	**4.926**
Balance on 31 December 2023	**3.414**	**3.414**

Lease liability

EUR'000	Land and buildings	Total
Balance on 1 January 2022	**6.148**	**6.148**
Changes contracts conditions (+-)	-84	-84
Payments	-1.174	-1.174
Interests' expenses (Note 18)	113	113
Balance on 31 December 2022	**5.003**	**5.003**
Changes contracts conditions (+-)	-545	-545
Payments	-1.039	-1.039
Interests' expenses (Note 18)	84	84
Balance on 31 December 2023	**3.503**	**3.503**

The future discounted lease payments agreements are as follows:

	31.12.2023	31.12.2022
Less than one year	897	1.019
Between one and five years	2.175	3.033
More than five years	431	951
Total	**3.503**	**5.003**

23. Contingencies and commitments

Legal disputes – during 2023 and as of 31 December 2023 the Company did not participate in any legal dispute cases that, in the opinion of the management, would have significant impact on these financial statements.

24. Transition note IFRS 9 and IFRS 17

Equity reconciliation

The tables below present the equity of changed accounting policies according to IFRS 17 and IFRS 9 compared with the previously applied IFRS 4 and IAS 39, and provides explanation to the changes of transition effects. Therefore, implementation effects from accounting policy changes results in lower equity as of the transition date on 1 January 2022, and as of 1 January 2023.

As of transition date 1 January 2022

EUR'000	**Equity**
Balance 31.12.2021, IFRS 4	53.111
Insurance liabilities[1]	-2.421
IFRS 9[3]	36
Deferred client acquisition costs[2]	-5.875
Other	-267
Balance 1.1.2022, IFRS 17	**44.584**

As of initial application date 1 January 2023

EUR'000	**Equity**
Balance 31.12.2022, IFRS 4	44.353
Insurance liabilities[1]	-1.427
IFRS 9[3]	-35
Deferred client acquisition costs[2]	-5.718
Other	-579
Balance 1.1.2023, IFRS 17	**36.594**

[1]All reserves are discounted under IFRS 17, which entails a positive effect in General Insurance, offset by a negative effect in Risk adjustments. Risk adjustment is added to reserves, to compensate uncertainty.
[2]Insurance acquisition cash costs, including Motor Bureau fees in Lithuania, are not deferred, instead recognized as an expense.
[3]The increase/decrease in the carrying amount of bonds and other fixed instruments, relate to certain instruments, such as bonds held to maturity, which were previously measured at amortized cost, and due to transition to IFRS 9, measured at fair value through profit or loss.

The table below presents the original measurement category and carrying amount determined in accordance with previous accounting policy IAS 39 compared to the measurement category and carrying amount in accordance with IFRS 9, changed accounting policy.

EUR'000	**IAS 39 as at 31.12.2021**			**IFRS 9 as at 1.1.2022**		
	At fair value through profit or loss, designated upon initial recognition	**At amortised cost**	**Total**	**At fair value through profit or loss, designated upon initial recognition**	**At amortised cost**	**Total**
Financial assets						
Bonds and other fixed-income securities	129.291	-	129.291	135.290	-	135.290
Bonds held to maturity[1]	-	5.963	5.963	-	-	-
Receivables related to direct operations and reinsurance[2]	-	18.523	18.523	-	-	-
Other assets and receivables[3]	-	1.805	1.805	-	4.572	4.572
Cash and cash equivalents		2.717	2.717		2.717	2.717
Total financial assets	**129.291**	**29.008**	**158.299**	**135.290**	**7.289**	**142.579**
Financial liabilities						
Other financial liabilities	-	9.408	9.408	-	9.408	9.408
Liabilities related to direct insurance and reinsurance	-	3.189	3.189	-		-
Total financial liabilities		**12.597**	**12.597**		**9.408**	**9.408**
Total effect on equity of implementation of IFRS 9	-	-	-	-	-	**36**

EUR'000	IAS 39 as at 31.12.2022			IFRS 9 as at 1.1.2023		
	At fair value through profit or loss, designated upon initial recognition	**At amortised cost**	**Total**	**At fair value through profit or loss, designated upon initial recognition**	**At amortised cost**	**Total**
Financial assets						
Bonds and other fixed-income securities	129.291	-	129.291	135.290	-	135.290
Bonds held to maturity[1]	-	5.963	5.963	-	-	-
Receivables related to direct operations and reinsurance[2]	-	18.523	18.523	-	-	-
Other assets and receivables[3]	-	1.805	1.805	-	4.572	4.572
Cash and cash equivalents	-	2.717	2.717	-	2.717	2.717
Total financial assets	**129.291**	**29.008**	**158.299**	**135.290**	**7.289**	**142.579**
Financial liabilities						
Other financial liabilities	-	9.408	9.408	-	9.408	9.408
Liabilities related to direct insurance and reinsurance	-	3.189	3.189	-		-
Total financial liabilities	-	**12.597**	**12.597**	-	**9.408**	**9.408**
Total effect on equity of implementation of IFRS 9	**-**	**-**	**-**	**-**	**-**	**-35**

[1]Bonds held to maturity, bonds and other fixed-income securities are classified to" Financial assets designated at fair value through profit and loss" and measured at fair value according to IFRS 9.
[2]Receivables related to direct operations and reinsurance are no longer an asset according to IFRS 17 are classified in the "Liability for remaining coverage (LRC)". Receivables and liabilities within the Group are intercompany receivables and liabilities related to reinsurance, which are also classified in the "Asset or liability for remaining coverage" according to IFRS 17.
[3]The increase in other assets and receivables are due to parts of the receivables are containing other insurance-related elements that are not solely receivables from customers, such as claims handling services, intermediaries' debts, as such are classified in "Other receivables".

<u>Statement of financial position reconciliation</u>
The tables below present the statement of financial position of changed accounting policies according to IFRS 9 and IFRS 17 compared with the previously applied IAS 39 and IFRS 4 and provides explanation to the changes of transition effects.

As of transition date 1 January 2022

EUR'000		**IFRS 4 and IAS 39**	**IFRS 17 and IFRS 9**	
Title by IFRS 4 and IAS 39	**Title by IFRS 17 and IFRS 9**	**31.12.2021**	**01.01.2022**	**Change**
Assets				
Property and equipment	Property and equipment	1.989	1.989	-
Intangible assets	Intangible assets	4.765	4.765	-
Right-of-use assets	Right-of-use assets	6.103	6.103	-
Total non-financial assets	**Non-financial assets**	**12.857**	**12.857**	**-**
Financial investments[1]	Financial assets designated at fair value through profit or loss	135.254	135.290	36
Receivables related to direct operations and reinsurance[2]	-	16.487		-16.487
Other receivables and corporate income tax asset[2]	Other receivables	3.841	4.572	731
Cash and cash equivalents	Cash and cash equivalents	2.717	2.717	-
Financial assets	**Financial assets**	**158.299**	**142.579**	**-15.720**
Reinsurance assets[3]	Reinsurance contracts assets	8.948	10.194	1.246

Deferred tax asset	Deferred tax asset	1.889	1.889	-
Deferred client acquisition costs[4]	-	5.875		-5.875
Other prepaid expenses and advance payments[3]	Other prepaid expenses and accrued income	1.079	475	-604
Other assets	**Other assets**	**17.791**	**12.558**	**-5.233**
TOTAL ASSETS	**TOTAL ASSETS**	**188.947**	**167.994**	**-20.953**

As of transition date 1 January 2022

EUR'000		**IFRS 4 and IAS 39**	**IFRS 17 and IFRS 9**	
Title by IFRS 4 and IAS 39	**Title by IFRS 17 and IFRS 9**	**31.12.2021**	**01.01.2022**	**Change**
Equity and liabilities				
		-		
Equity				
Share capital	Share capital	47.184	47.184	-
Share premium	Share premium	12.454	12.454	-
Other equity[5]	Other equity	-6.527	-15.054	-8.527
Total equity	**Total equity**	**53.111**	**44.584**	**-8.527**
Insurance liabilities[6]	Insurance contracts liabilities	116.204	106.498	-9.706
Reinsurance liabilities[3]	Reinsurance contracts liabilities	175	552	377
Direct insurance liabilities[2]	-	3.013		-3.013
Total insurance liabilities	**Total insurance liabilities**	**119.392**	**107.050**	**-12.342**
Corporate income tax liabilities	Corporate income tax liabilities	118	118	-
Taxes and social contributions	Taxes and social contributions	800	800	-
Other liabilities	Other liabilities	3.260	3.260	-
Lease liability	Lease liability	6.148	6.148	-
Total other liabilities	**Total other liabilities**	**10.326**	**10.326**	**-**
				-
Provisions	Provisions	1.224	1.224	-
Accrued expenses and deferred income[3]	Accrued expenses and deferred income	4.894	4.810	-84
Total liabilities	**Total liabilities**	**135.836**	**123.410**	**-12.426**
TOTAL LIABILITIES AND EQUITY	**TOTAL LIABILITIES AND EQUITY**	**188.947**	**167.994**	**-20.953**

As of initial application date 1 January 2023

EUR'000		**IFRS 4 and IAS 39**	**IFRS 17 and IFRS 9**	
Title by IFRS 4 and IAS 39	**Title by IFRS 17 and IFRS 9**	**31.12.2022**	**01.01.2023**	**Change**
Assets				
Property and equipment	Property and equipment	1.461	1.461	-
Intangible assets	Intangible assets	4.100	4.100	-
Right-of-use assets	Right-of-use assets	4.926	4.926	-
Total non-financial assets	**Non-financial assets**	**10.487**	**10.487**	**-**
Financial investments[1]	Financial assets designated at fair value through profit or loss	127.694	127.659	-35
Receivables related to direct operations and reinsurance[2]	-	19.592		-19.592
Other receivables and corporate income tax asset[2]	Other receivables	3.169	2.193	-976
Cash and cash equivalents	Cash and cash equivalents	6.554	6.554	-
Financial assets	**Financial assets**	**157.009**	**136.406**	**-20.603**
Reinsurance assets[3]	Reinsurance contracts assets	10.440	12.098	1.658
Deferred tax asset	Deferred tax asset	1.621	1.621	0
Deferred client acquisition costs[4]	-	5.718		-5.718

Gjensidige

Other prepaid expenses and advance payments[3]	Other prepaid expenses and accrued income	1.225	566	-659
Other assets	**Other assets**	**19.004**	**14.285**	**-4.719**
TOTAL ASSETS	**TOTAL ASSETS**	**186.500**	**161.178**	**-25.322**

As of initial application date 1 January 2023

EUR'000		**IFRS 4 and IAS 39**	**IFRS 17 and IFRS 9**	
Title by IFRS 4 and IAS 39	**Title by IFRS 17 and IFRS 9**	**31.12.2022**	**01.01.2023**	**Change**
Equity and liabilities				
Equity		-		
Share capital	Share capital	56.184	56.184	-
Share premium	Share premium	5.870	5.870	-
Other equity[5]	Other equity	-17.701	-25.460	-7.759
Total equity	**Total equity**	**44.353**	**36.594**	**-7.759**
Insurance liabilities[6]	Insurance contracts liabilities	121.897	107.889	-14.008
Reinsurance liabilities[3]	Reinsurance contracts liabilities	320	896	576
Direct insurance liabilities[2]	-	3.996		-3.996
Total insurance liabilities	**Total insurance liabilities**	**126.213**	**108.785**	**-17.428**
Corporate income tax liabilities	Corporate income tax liabilities	96	96	-
Taxes and social contributions	Taxes and social contributions	794	794	-
Other liabilities	Other liabilities	3.837	3.837	-
Lease liability	Lease liability	5.003	5.003	-
Total other liabilities	**Total other liabilities**	9.730	9.730	-
				-
Provisions	Provisions	1.169	1.169	-
Accrued expenses and deferred income[3]	Accrued expenses and deferred income	5.035	4.900	-135
Total liabilities	**Total liabilities**	**142.147**	**124.584**	**-17.563**
TOTAL LIABILITIES AND EQUITY	**TOTAL LIABILITIES AND EQUITY**	**186.500**	**161.178**	**-25.322**

[1] The increase/decrease in the carrying amount of "Financial assets designated at fair value through profit or loss", relate to certain financial instruments, such as bonds held to maturity, which were previously measured at amortized cost, and due to transition to IFRS 9, measured at fair value through profit or loss.

[2] Receivables related to direct operations and reinsurance were presented as an asset under IFRS 4, while according to new accounting policy, IFRS 17 they are reclassified to the "LRC". The increase in "Other receivables" are due to parts of the receivables containing other insurance-related elements that are not solely receivables from customers. Those elements are classified as "Other receivables". The decrease in Liabilities related to direct insurance are due to advance payments for insurance contracts which according to new account policy are classified in "LRC".

[3] The increase in "Reinsurance contract assets" consists of several elements. The amount increases due to risk adjustment and decreases due to net presentation (liabilities related to reinsurance are classified to the reinsurance contract assets). Reinsurance contract liabilities consist of reinstatement premiums that cannot be classified as reinsurance contract assets. The decrease in "Other prepaid expenses and accrued income" is due to different classification when applied IFRS 17.

[4] Insurance acquisition cash flows and related items, are not deferred, recognized as expense according to IFRS 17.

[5] The decrease in equity is explained above under Equity reconciliation paragraph.

[6] Insurance liabilities decrease is due to the new measurement model of insurance contracts in accordance with IFRS 17 (Note II). The transition effects are described under Equity reconciliation paragraph above. In

addition, considered changes resulted from reclassification of Receivables related to direct operations and reinsurance described above. The risk adjustment and loss component increase the liabilities, while the discounting decreases the liabilities.

Statement of profit and loss and other comprehensive income reconciliation

As of initial application date 1 January 2023

EUR'000	**2022 IFRS4 and IAS39**	**2022 IFRS17 and IFRS9**	**Change**
Insurance revenue	128.400	128.400	-
Insurance service expenses[1]	-102.079	-100.859	1.220
Other insurance service expenses[1]	-36.204	-35.584	620
Insurance service result before reinsurance	**-9.883**	**-8.043**	**1.840**
Net Gain/Expense from reinsurance activities[1]	**601**	**421**	**-180**
Insurance service result	**-9.282**	**-7.622**	**1.660**
Net Interest income	596	596	-
Net changes in fair value of investments (incl. property)[2]	-7.219	-7.289	-70
Net realised gains and losses on financial assets	-1.721	-1.721	-
Interest expenses and expenses related to investments	-173	-173	-
Investment result[2]	**-8.517**	**-8.587**	**-70**
Insurance finance income or expenses[3]	-	-261	-261
Reinsurance finance income or expenses[3]	-	-98	-98
Net financial insurance expenses/income[3]	**-**	**-359**	**-359**
Other income[1]	569	119	-450
Other expenses[1]	-182	-195	-13
Profit/ (loss) before corporate income tax	**-17.412**	**-16.644**	**768**
Tax expense	-346	-346	-
Profit/ (loss) for the reporting year	**-17.758**	**-16.990**	**768**
Other comprehensive income for the year Items that will not be reclassified subsequently to profit or loss	-	-	**-**
Total comprehensive income/ (loss) for the year	**-17.758**	**-16.990**	**768**

[1]Insurance service expenses decrease due to the discounting effect to insurance liabilities.
Other insurance services expenses decrease due to the category “reinsurance commissions” reclassification in the Net Gain/Expense from reinsurance services activities line; Insurance acquisition cash costs are not deferred, instead recognized as an expense; the technical income reclassification to Other insurance services expenses line. Net Gain/Expense from reinsurance services activities decrease due to the discounting effect.

[2]Investment result decreases due to changed measurement to fair value for certain financial instruments.

[3]Net financial insurance expenses/income increase due to overall changes of insurance contracts measurement in accordance with IFRS 17 (Note II). Assumptions about inflation based on an index of prices or rates or on prices of assets with inflation-linked returns are assumptions that relate to financial risk; and assumptions about inflation based on an entity’s expectation of specific price changes are not assumptions that relate to financial risk.

25. Events after the date of the statement of financial position

In January 2024, Gjensidige Forsikring ASA acquired all the shares of minority shareholders and became the sole shareholder of the Company, holding 100% of the share capital. There were no other events in the Company from 31 December 2023 until the date of issue of the financial statements that might have a significant impact on the financial statements.

Financial statements were signed on behalf of the Company's management on 15 March 2024.

General Director	Bogdan Benczak
Chief Accountant	Jolanta Markelienė
Chief Actuary	Jurgis Navikas

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pasirašė BOGDAN,BENCZAK
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