GJENSIDIGE ADB

Independent Auditor‘s Report,
Annual Report and
Financial Statements for the
year ended 31 December 2022

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
Acting General Director	Akshay Chandrakant Sankpal
Chief Accountant	Jolanta Markelienė
Chief Actuary	Jurgis Navikas
Beginning of financial year:	1 January 2022
End of financial year:	31 December 2022
Auditor	UAB Deloitte Lietuva

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

The Management Board of the Company:

The Chairperson	Aysegül Cin
Member	Mats Christian Gottschalk
Member	Martin Danielsen
Member	Anita Gundersen
Member	Lars Goeran Bjerklund

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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 of the Company as at 31 December 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with 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, but we do not provide a separate opinion on these matters.

Key audit matter	**How the matter was addressed in the audit:**
Valuation of insurance liabilities	
Refer to pages 48-50 of the financial statements As disclosed in Note 8 to the financial statements, insurance liabilities amount to EUR 121,897 thousand as at 31 December 2022 and comprise unearned premiums technical reserve, technical reserve for outstanding claims and unexpired risk technical reserve.	In auditing the insurance liabilities, we evaluated and tested the key controls around the claims handling process and evaluated the key controls around the case reserve setting process. To test accuracy of insurance liabilities we evaluated on a sample basis claims reserve cases by comparing the estimated amount of the case reserve to appropriate

Key audit matter	How the matter was addressed in the audit:
Valuation of insurance liabilities	
The valuation of actuarially determined insurance liabilities, which amount to 86% of the Entity's total liabilities, is complex as it involves high degree of judgement. The calculation of technical reserves takes into account the claims experience, claims development, market conditions, as well as matters that are sensitive to the legal, economic and various other factors and uncertainties, in order to arrive at the estimation of the ultimate losses. We consider the valuation of insurance liabilities to be a key audit matter due to the size of liabilities balance and the significant assumptions and estimates involved in the valuation by the management.	documentation. To test completeness of insurance liabilities we evaluated on a sample basis that claims paid after the end of the reporting period were appropriately recorded as insurance liability at the end of the reporting period. We recalculated the unearned premium reserve based on the earning period on insurance contracts existing as of 31 December 2022. In addition, with the assistance of actuarial specialists, we: • Evaluated the actuarial report compiled by the Company and calculations underlying technical reserves, particularly the following areas: - Appropriateness of the calculation methods and approaches (actuarial best practice); - Reliability of assumptions; - Consistency between valuation periods; - General application of financial and mathematical rules. • Performed an independent analysis and recalculation of the technical balances of selected line of business. We also compared our independent analysis to those performed by the management and obtained explanations of significant differences noted, if any; • Performed reconciliation of data used in actuarial report to financial data. • Evaluated that the history of claims paid and premiums received, which is used in the estimate of technical provision, agrees with the audited data.

Other Information

The other information comprises the information included in the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with 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 International Standards on Auditing 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 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 21 April 2017 we have been chosen for the first time 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 six years.

We confirm that our opinion in the section 'Opinion' is consistent with the additional report which we have submitted 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 addition to services provided to the Company in the course of audit and disclosed in the annual report, we have provided translation of the financial statements from English into Lithuanian language.

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
2 March 2023

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 2022 consisted of 7.623.384 ordinary registered shares with a nominal value of EUR 7,37 each (as of December 2021 – 6.402.217 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, 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 a minority shareholder, an individual.

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 21,4% (assessing three quarters of 2022 versus the same period of 2021). The Company had 7,0% of the market in Baltics (8,2% in Q1-Q3 2021).

Key achievements in 2022:

- ✓ Streamlined organizational structure aiming to have a flexible and efficient organization which is close to the customers and focuses on their needs
- ✓ Improved efficiency through distribution and infrastructure optimisation
- ✓ Tested and implemented new forms of work such as Agile with enhanced understanding of customer needs and cooperation between different business functions
- ✓ Implemented new data analysis solutions with expanded analytical platform, new tariff engine and data infrastructure for pricing calculations
- ✓ Improved digital and automated process with revised customer journey, optimised digital offerings and self-service functionality
- ✓ Investments in employee engagement, training and development for improved employee engagement and customer focus.

As of 31 December 2022, the Company had 683 employees (224 of them in foreign branches), as of 31 December 2021 – 707 employees (234 in foreign branches).

Main types of risk

The main types of risk related to the Company's activities in 2022 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)

The Management Board of the Company:

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

Aysegül Cin (Chairperson)	Executive Vice President, Sweeden
Mats Christian Gottschalk	Executive Vice President, Denmark
Martin Danielsen	Chief Operating Officer Forsikring / UW
Anita Gundersen	Head of corporate and broker customers Norway
Lars Goeran Bjerklund	Executive Vice President, Commercial Norway

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

Sales

The Company's gross insurance written premiums in 2022 amounted to EUR 131.025 thousand. Compared to 2021, written premiums increased by 6,1%.
In 2022, the Company entered into 1.622 thousand insurance contracts (1.740 thousand in 2021). The number of contracts decreased by 6,8% in 2022. The number of insurance contracts in force decreased by 13,0% from 1.152 thousand at the end of year 2021 to 1.002 thousand at the end of 2022.

The results of gross written premium by line of business were as follows (EUR thousand):

Insurance group	2022 ADB Gjensidige Lithuania	2022 ADB Gjensidige branches	2021 ADB Gjensidige Lithuania	2021 ADB Gjensidige branches	Change, %
Obligatory motor third party liability	28.055	16.440	27.507	16.523	1,5
Property	12.776	10.567	10.868	8.603	19,9
Land vehicles other than railway transport	12.625	9.230	12.880	11.057	(8,7)
Personal accident and medical expenses	16.736	12.834	13.721	11.821	15,8
Third party liability	3.391	1.688	3.045	1.655	8,1
Bonds	1.436	783	1.394	838	(0,6)
Assistance	1.830	678	1.377	693	21,2
Financial losses	322	753	248	419	61,1
Goods in transit	564	174	592	152	(0,8)
Other	87	56	88	52	2,1
Total	**77.822**	**53.203**	**71.720**	**51.813**	**6,1**

Reinsurance

The reinsurers' share in premiums written amounted to 3,4% in 2022 (in 2021 – 3,2%).

Claims expenses

Claims expenses amounted to EUR 98.321 thousand in 2022, an increase of 12,4% compared to claims expenses in 2021 (EUR 87.444 thousand).
The total number of reported claims increased from 749.957 in 2021 to 830.536 in 2022. Number of insurance indemnities increased from 764.468 in 2021 to 855.291 in 2022.
The net loss ratio from insurance activities of the Company equalled to 79,3%, an increase of 2 percentage points compared to 2021 (77,3%).

Operating expenses

In 2022, the Company's operating expense ratio decreased by 0,4 percentage point to 28,6%, compared to 2021 (29,0%). The net operating expenses including reinsurance commission totalled to EUR 35.419 thousand in 2022 (EUR 32.759 thousand in 2021). Operating expenses excluding reinsurance commission amounted to EUR 36.204 thousand in 2022, an increase of 9,6% compared to 2021 (EUR 33.046 thousand).

Investment activities
The net result from investment activity in 2022 was a loss of EUR 8.517 thousand (in 2021 – a loss of EUR 850 thousand).

Net financial result
In 2022 the Company incurred a net loss of EUR 17.758 thousand (in 2021 – incurred a net loss of EUR 7.815 thousand).

The actual combined ratio of the Company equalled to 107,9 per cent (in 2021 – 106,3%).

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. *References and additional explanations on the data in annual financial statements*
Additional explanations are not given herein. All additional information related to compilation of annual financial statements is given in the explanatory notes to the financial statements.

4. *Information about subsidiaries and associated companies*
In 2022, the Company did not control subsidiaries and associated companies.

5. *Information about acquired or transferred own shares*
In 2022, the Company neither acquired nor transferred any of its own shares.

6. *Information about acquired or transferred shares of other companies*
In 2022, the Company neither acquired nor transferred any share portfolio of other companies higher than 10 per cent of share capital.

7. *Information about branches of the Company*
As of 31 December 2022, 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 2021 – 2 foreign branches and 9 sales units in Lithuania). The head office of the Company is located at Zalgirio str. 90, Vilnius.

8. *Key events of the Company after the end of the financial year 2022*
There were no events in the Company from 31 December 2022 until the date of issue of the financial statements that might have a significant impact on the financial statements.

9. *Main focus areas of the Company for 2023:*
- ✓ Customer centric sales actions to improve customer loyalty and grow sales through targeted distribution, automated renewals, monthly subscription and product cross/sell offerings
- ✓ Strengthened underwriting and pricing analytics to optimise price levels, improve risk management and support profitable growth
- ✓ Growing digital channel through standardized self-service platform, automated sales processes and best-in-class payment and claims solutions
- ✓ Sustainability initiatives to decrease harmful impact to the environment through digitalization, loss preventions incentives, as well as development of sustainable products following EU Taxonomy requirements
- ✓ Cost efficiency improvements, automation of manual tasks and GWP scale effects
- ✓ Continue to strengthen team competence, leadership culture and core values
- ✓ Improve employee engagement through monthly town-hall meetings with all employees & weekly info sharing from management team.

Full name	**Title**	**Signature**	**Date**
Akshay Chandrakant Sankpal	Acting General Director		02.03.2023

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December:

EUR'000	Note	2022	2021
Earned premiums	12	**123.937**	**113.080**
Gross written premiums		131.025	123.533
Reinsurer's share in written premiums		(4.471)	(3.994)
Change in gross unearned premium technical reserves		(2.625)	(6.507)
Change in the unearned premium technical reserves, reinsurer's share		8	48
Claims incurred, net	12	**(98.321)**	**(87.444)**
Claims paid		(94.870)	(79.228)
Claims handling expenses	13	(9.649)	(9.161)
Recovered losses		5.506	4.533
Reinsurer's share in claims paid		2.795	956
Change in claim technical reserves		(3.587)	(4.719)
Change in claim technical reserves, reinsurer's share		1.484	175
Change in unexpired risk technical reserves		**521**	**(507)**
Net operating expenses		**(35.419)**	**(32.759)**
Client acquisition costs	15	(26.452)	(24.967)
Change in deferred client acquisition costs	15	(157)	569
Administrative expenses	16	(9.595)	(8.648)
Reinsurance commission income and profit share	12	785	287
Investment management expenses		(173)	(227)
Net interest income		42	113
Net gain/(losses) from financial assets classified at fair value through profit and loss		(8.438)	(675)
Realised investment result from investment activity		(8)	(63)
Property sale income		60	2
Foreign exchange revaluation loss		(51)	(39)
Other income	17	569	577
Other expenses	17	(131)	(169)
(Loss)/Profit before corporate income tax		**(17.412)**	**(8.111)**
Income tax	18	(346)	296
(Loss)/ Profit for the reporting year		**(17.758)**	**(7.815)**
Other comprehensive income for the year Items that will not be reclassified subsequently to profit or loss		**-**	**-**
Total comprehensive (loss)/ income for the year		**(17.758)**	**(7.815)**

Notes on pages 16 to 60 are an integral part of these financial statements.

Akshay Chandrakant Sankpal	Jolanta Markelienė	Jurgis Navikas
Acting General Director	Chief Accountant	Chief Actuary

02 March 2023

STATEMENT OF FINANCIAL POSITION

As at 31 December:

ASSETS EUR'000	Note	2022	2021
Property and equipment	1	1.461	1.989
Intangible assets	1	4.100	4.765
Right-of-use assets	21	4.926	6.103
Total non-financial assets		**10.487**	**12.857**
Financial assets designated at fair value through profit or loss	2	123.690	129.291
Held-to-maturity investments	3	4.004	5.963
Total financial investments		**127.694**	**135.254**
Direct insurance receivables from policy holders and intermediaries	4	20.696	17.947
Reinsurance receivables	4	595	576
Other receivables	4	1.231	1.414
Loans and Receivables		**22.522**	**19.937**
Deferred client acquisition costs		5.718	5.875
Other prepaid expenses and accrued income		1.024	907
Total accrued income and deferred expenses	6	**6.742**	**6.782**
Deferred tax asset	18	1.621	1.889
Corporate income tax asset		239	391
Advance payments		201	172
Reinsurer's share in technical reserves for unearned premium	8	390	382
Reinsurer's share in technical reserves for outstanding claims	8	10.050	8.566
Total reinsurance assets		**10.440**	**8.948**
Cash and cash equivalents	5	**6.554**	**2.717**
TOTAL ASSETS		**186.500**	**188.947**

Notes on pages 16 to 60 are an integral part of these financial statements.

Akshay Chandrakant Sankpal	Jolanta Markelienė	Jurgis Navikas
Acting General Director	Chief Accountant	Chief Actuary

02 March 2023

Gjensidige

STATEMENT OF FINANCIAL POSITION

As at 31 December:

LIABILITIES AND EQUITY EUR'000	Note	2022	2021
Equity			
Share capital	7	56.184	47.184
Share premium	7	5.870	12.454
Revaluation reserve	7	22	57
Retained earnings carried forward from previous years		35	1.231
Profit of the reporting year		(17.758)	(7.815)
Total equity		**44.353**	**53.111**
Liabilities			
Insurance liabilities			
Unearned premium technical reserve		59.082	56.457
Technical reserves for outstanding claims		59.970	56.382
Unexpired risk technical reserve		2.845	3.365
Total insurance liabilities	8	**121.897**	**116.204**
Creditors			
Direct insurance liabilities			
Policyholders		2.625	1.697
Intermediaries		20	1
Other insurance liabilities	9	4.754	4.118
Reinsurance liabilities		320	176
Corporate income tax liabilities		96	118
Taxes and social contributions	9	794	800
Other creditors	9	434	456
Lease liability	21	5.003	6.148
Total creditors		**14.046**	**13.514**
Provisions	10	1.169	1.224
Accrued expenses and deferred income	11	5.035	4.894
Total liabilities		**142.147**	**135.836**
TOTAL LIABILITIES AND EQUITY		**186.500**	**188.947**

Notes on pages 16 to 60 are an integral part of these financial statements.

Akshay Chandrakant Sankpal	Jolanta Markelienė	Jurgis Navikas
Acting General Director	Chief Accountant	Chief Actuary

02 March 2023

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December:

EUR'000	Share capital	Share premium	Revaluation reserve	Retained earnings/ (loss)	Total
Balance on 1 January 2021	**47.184**	**12.454**	**60**	**1.228**	**60.926**
Loss for the reporting year	-	-		(7.815)	(7.815)
Depreciation of the revalued assets	-	-	(3)	3	-
Balance on 31 December 2021	**47.184**	**12.454**	**57**	**(6.584)**	**53.111**
Loss for the reporting year	-	-	-	(17.758)	(17.758)
Depreciation of the revalued assets	-	-	(1)	1	-
Disposals of the revalued assets	-	-	(34)	34	-
The coverage of the incurred losses		(6.584)	-	6.584	-
Share capital increase	9.000	-	-	-	9.000
Balance on 31 December 2022	**56.184**	**5.870**	**22**	**(17.723)**	**44.353**

Notes on pages 16 to 60are an integral part of these financial statements.

Akshay Chandrakant Sankpal	Jolanta Markelienė	Jurgis Navikas
Acting General Director	Chief accountant	Chief actuary

02 March 2023

STATEMENT OF CASH FLOWS

For year ended 31 December:

EUR'000	2022	2021
Cash flows from operating activities		
Premiums received in direct insurance	125.350	116.885
Claims paid in direct insurance	(91.576)	(76.699)
Payments received from reinsurers	2.870	747
Payments made to reinsurers	(3.834)	(3.421)
Paid Corporate income tax	(189)	(336)
Payments to employees	(13.006)	(11.736)
Payments to intermediaries	(8.601)	(7.976)
Paid operating taxes	(9.148)	(8.485)
Other payments made	(8.467)	(9.245)
Other payments received	4.420	4.110
Net cash flows from operating activities	**(2.181)**	**3.844**
Cash flows from investing activities		
Acquisition of investments:		
Debt securities and other fixed income securities	(38.969)	(36.732)
Total acquisition of investments:	**(38.969)**	**(36.732)**
Acquisition of tangible assets	**(703)**	**(1.550)**
Disposal of investments:		
Debt securities and other fixed income securities	38.087	24.634
Total disposal of investments:	**38.087**	**24.634**
Investment management expenses and commission fee payments	**(173)**	**(227)**
Net cash flows (used in) investing activities	**(1.758)**	**(13.875)**
Financing activities		
Other payments on financial activities	(51)	(39)
Funds for share capital increase	9.000	-
Payments to cover lease liabilities	(1.060)	(1.120)
Interest of the lease liabilities	(113)	(141)
Net cash (used in) financing activities	**7.776**	**(1.300)**
Net (decrease)/increase in cash and cash equivalents	**3.837**	**(11.331)**
Cash and cash equivalents at the beginning of the year	**2.717**	**14.048**
Cash and cash equivalents at the end of the year	**6.554**	**2.717**

Notes on pages 16 to 60 are an integral part of these financial statements.

Akshay Chandrakant Sankpal	Jolanta Markelienė	Jurgis Navikas
Acting General Director	Chief accountant	Chief actuary

02 March 2023

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 2022 consisted of 7.623.384 ordinary registered shares with a nominal value of EUR 7,37 each (as of December 2021 – 6.402.217 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, 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 2022, 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 2022, the Company employed 683 employees (as of 31 December 2021 – 707):

Country	31.12.2022	31.12.2021
Lithuania	459	473
Latvia	193	195
Estonia	31	39
Total	**683**	**707**

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 2022, the Company had 2 foreign branches – in Latvia (3 regions), in Estonia, and 8 sales units in Lithuania (as of 31 December 2021 – 2 foreign branches, 9 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 2022, and 2021, 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. SIGNIFICANT 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.

Going concern

The Company for the year ended 31 December 2022 incurred a net loss of EUR 17.758 thousand (in 2021, the Company incurred a loss of EUR 7.815 thousand). At the end of 2022, the total equity of the Company amounted to EUR 44.353 thousand (EUR 53.111 thousand as at the end of 2021).

2022 financial result was impacted by large claims expenses in the major business lines driven by claims inflation and several large loss events. In addition, the Company incurred a large negative result from the investment activities due to the market conditions, but it is expected to be a temporary unrealised loss partly reversible in coming periods.

To correct the situation, a transformation program was started in Q1 2022 aiming to improve underwriting profitability in a short/medium-term and to achieve profitable growth in a long-term. The program has already delivered good results in financial year 2022 by improving frequency losses and operational efficiency and will continue in 2023 to set the foundation for profitable growth going forward.

To strengthen the capital base, the management board has taken a decision to increase the Company's authorized share capital by EUR 9.000 thousand. The capital increase was registered on 21 October 2022. The solvency ratio reached 127% as at the end of the 2022 and was in the target zone.

The latest financial forecast prepared by the management of the Company expects to achieve a breakeven in financial year 2023 and to earn profits in 2024-2026 from both underwriting and investment activities with the solvency ratio staying above 125% in 2023-2026.

Based on the forecasts and activities described above, the financial statements are prepared on the going concern basis.

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

New standards and interpretations, reclassification of balances in the financial statements

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 16 "Property, Plant and Equipment"** - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

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:

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 "Insurance contracts"** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023),
- **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).

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 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),

- **Amendments to IFRS 16 "Leases"** - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),

- **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).

The Company anticipates that the adoption of IFRS 17 and IFRS 9 will have material impact on the financial statements of the Company in the period of initial application.

Gjensidige does not plan early implementation of these standards.

IFRS 9 Financial instruments (2014) in the insurance operations

IFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1 January 2018. See also the section below about delayed implementation. The standard introduces new requirements for the classification and measurement of financial assets, including a new expected loss model for the recognition of impairment losses, and changed requirements for hedge accounting.

IFRS 9 contains three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income, and fair value through profit or loss. Financial assets will be classified as either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss, depending on how they are managed and which contractual cash flow properties they have. IFRS 9 introduces a new requirement in connection with financial liabilities earmarked at fair value, where changes in fair value that can be attributed to the liabilities' credit risk are presented in other comprehensive income rather than over profit or loss.

Impairment provisions according to IFRS 9 shall be measured using an expected loss model, instead of an incurred loss model as in IAS 39. The impairment rules in IFRS 9 will be applicable to all financial assets measured at amortised cost and interest rate instruments at fair value through other comprehensive income. In addition, loan commitments, financial guarantee contracts and lease receivables are within the scope of the standard. The measurement of the provision for expected credit losses on financial assets depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and if the credit risk has not increased significantly, the provision shall equal 12-month expected credit losses. If the credit risk has increased significantly, the provision shall equal lifetime expected credit losses. This dual approach replaces today's collective impairment model.

Preliminary assessments indicate that the financial assets will be measured according to fair value through profit or loss. Surplus/deficit values in portfolios measured at amortised cost will have a positive/negative effect on the opening balance when implementing IFRS 9. Please see to note 23.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance contracts. The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts.
Gjensidige's choice of portfolios of insurance contracts is based on the following:

- where decisions are made,
- how high up in the product structure the products can be aggregated and still be considered to carry equal risk,
- the materiality of individual portfolios based on size.

On this basis, it has been decided that the level of aggregation for portfolios of insurance contracts will be based on a combination of Gjensidige's product and segment structure. Management reporting takes place at segment level, while the product structure is the risk assessment level.
Each portfolio of insurance contracts will either be placed in a group of contracts that at initial recognition are unlikely to become onerous at a later stage or with contracts that are onerous at initial recognition. Contracts issued more than one year apart will not be placed in the same group.

Insurance contracts in Gjensidige's general insurance operations mainly have a coverage period of one year or less and will therefore qualify for the use of a simplified method called the Premium Allocation Approach (PAA), to measure the liability for remaining coverage and liability for incurred claims. Under PAA liabilities for incurred claims are discounted.

Insurance income, insurance expenses and financial insurance income or expenses will be presented separately in the income statement. Reinsurance will be presented on separate lines.
Please see to note 23.

Significant accounting policies

Estimates
Based on the International Financial Reporting Standards EU, the management, when preparing the financial statements, has to make certain estimates and assumptions that affect the disclosure of assets, liabilities, income, expenses and contingencies.
Estimates and key assumptions are reviewed on an ongoing basis and the effects of revisions are recognized in the period in which revised if the revision itself only affects that period, or also in the future periods if the revision affects both the current and future periods.
The estimates relate mainly to the definition of the useful lives of tangible and intangible assets, impairment of doubtful insurance debts and investments, technical provisions, receivable subrogations and recoveries and recognition of deferred tax asset, lease liability.
The result of changes in the mentioned estimates will be accounted for in the financial statements when determined.

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:

	31.12.2022	31.12.2021
PLN	4,6808	4,596
USD	1,0666	1,1334

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

Business acquisitions
Business acquisitions are accounted for using the purchase method. Paid amount in a business combination process is measured at fair value.

Business combinations between companies under common control
Business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. The assets and liabilities of the acquiree are recognised at their previous carrying amounts. No adjustments are made to reflect fair values and no new assets and liabilities of the acquiree are recognised at the date of the business combination. No new goodwill is recognised and the difference between the acquired net assets and the consideration is recognised directly in equity.

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 instruments
Financial instruments are classified in one of the following categories
- at fair value through profit or loss
- available for sale
- investments held to maturity
- financial derivatives
- financial liabilities at amortised cost

Recognition and derecognition
Financial assets and liabilities are recognized when Gjensidige becomes a party to the instrument's contractual terms. Initial recognition is at fair value. For instruments that are not derivatives or measured at fair value through profit or loss, transaction expenses that are directly attributable to the acquisition or issuance of the financial asset or the financial liability, are included. Normally initial recognition will be equal to the transaction price. Subsequent to initial recognition the instruments are measured as described below.

Financial assets are derecognized 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.

At fair value through profit or loss
Financial assets and liabilities are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. All financial assets and liabilities can be designated at fair value through profit or loss if

- the classification reduces a mismatch in measurement or recognition that would have arisen otherwise as a result of different rules for the measurement of assets and liabilities,
- the financial assets are included in a portfolio that is measured and evaluated regularly at fair value.

Gjensidige holds an investment portfolio that is designated at fair value at initial recognition, and that is managed and evaluated regularly at fair value. This is according to the Board of Directors' approved risk management and investment strategy, and information based on fair value is provided regularly to the Company Management and the Board of Directors.
Transaction expenses are recognized in profit or loss when they incur. Financial assets at fair value through profit or loss are measured at fair value at the reporting date. Changes in fair value are recognized in profit or loss.
The category at fair value through profit or loss comprises the class shares and similar interests and bonds and other fixed income assets.

Available for sale
Financial assets available for sale are non-derivative financial assets that have been recognized initially in this category or are not recognized initially in any other category. Subsequent to initial recognition financial assets in this category are measured at fair value and gain or loss is recognized in other comprehensive income except for impairment losses, which are recognized in profit or loss.
The Company has no financial assets in this category.

Investments held to maturity
Investments held to maturity are non-derivative financial assets with payments that are fixed or which can be determined in addition to a fixed maturity date, in which a business has intentions and ability to hold to maturity with the exception of

- those that the business designates as at fair value through profit or loss at initial recognition,
- those that meet the definition of loans and receivables.

Investments held to maturity are measured at amortised cost using the effective interest method, less any impairment losses. The category investments held to maturity comprises the class bonds held to maturity.

Loans and Receivables
Receivables are non-derivative financial assets with payments that are fixed or determinable. Receivables are measured at amortised cost using the effective interest method, less any impairment losses.
The category Receivables comprises, receivables related to direct operations and reinsurance, other receivables, prepaid expenses and earned, not received income and cash and cash equivalents and obligations classified as receivables.

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.

Deposits in credit institutions
All term deposits irrespective of the length of term are classified as term deposits in credit institutions (except for overnight deposits that are classified as cash at bank and on hand). Deposits in credit institutions are measured at amortised cost less impairment losses. Impairment loss is calculated as soon as it is determined that the deposit repayment is doubtful. Interest revenue is accrued applying the effective interest rate during the entire deposit term. The accrued deposit interest is stated together with the deposit's carrying value.

Financial liabilities at amortised cost
Financial liabilities are 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.
The category financial liabilities at amortised cost comprises the classes subordinated loan, deposits from and liabilities to customers, other liabilities, liabilities related to direct insurance and accrued expenses and deferred income.

Definition of fair value
Financial assets and liabilities measured at fair value are carried at the amount each asset/liability can be settled to in an orderly transaction between market participants at the measurements date.
Different valuation techniques and methods are used to estimate fair value depending on the type of financial instruments and to which extent they are traded in active markets. Instruments are classified in their entirety in one of three valuation levels in a hierarchy on the basis of the lowest level input that is significant to the fair value measurement in its entirety.
Quoted prices in active markets are considered the best estimate of an asset/liability's fair value. When quoted prices in active markets are not available, the fair value of financial assets/ liabilities is preferably estimated on the basis of valuation techniques based on observable market data. When neither quoted prices in active markets nor observable market data is available, the fair value of financial assets/liabilities is estimated based on valuation techniques which are based on non-observable market data.

Definition of amortised cost
Subsequent to initial recognition, investments held to maturity, loans and receivables and financial liabilities that are not measured at fair value are measured at amortised cost using the effective interest method. When calculating effective interest rate, future cash flows are estimated, and all contractual terms of the financial instrument are taken into consideration. Fees paid or received between the parties in the contract and transaction costs that are directly attributable to the transaction, are included as an integral component of determining the effective interest rate.

Impairment of financial assets

Investments held to maturity and Loans and receivables
For financial assets that are not measured at fair value, an assessment of whether there is objective evidence that there has been a reduction in the value of a financial asset or group of assets is made on each reporting date. Objective evidence might be information about credit report alerts, defaults, issuer or borrower suffering significant financial difficulties, bankruptcy or observable data indicating that there is a measurable reduction in future cash flows from a group of financial assets, even though the reduction cannot yet be linked to an individual asset.
An assessment is first made to whether objective evidence of impairment of financial assets that are individually significant exists. Financial assets that are not individually significant or that are assessed individually, but not impaired, are assessed in groups with respect to impairment. Assets with similar credit risk characteristics are grouped together.
If there is objective evidence that the asset is impaired, impairment loss are calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the original effective interest rate.
Impairment losses are reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Available for sale
For financial assets available for sale, an assessment to whether the assets are impaired is carried out quarterly.
If a decline in fair value of an available-for-sale financial asset, compared to cost, is significant or has lasted longer than nine months, the cumulative loss, measured as the difference between the historical cost and current fair value, less impairment loss on that financial asset that previously has been recognized in profit or loss, is removed from equity and recognized in profit or loss even though the financial asset has not been derecognized.
Impairment losses recognized in profit or loss are not reversed through profit or loss, but in other comprehensive income.

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. It is not formed.

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 decreased to cover losses.

Technical provisions
Technical provisions are computed under IFRS EU with reference to the characteristics of the insurance risks assumed and the data available. The used assumptions are evaluated after prudent period of time since formation of provisions and may be subject to adjustment in case they are not reaffirmed.
a) The unearned premiums technical provision (hereinafter referred to as UPTP) is intended to cover insurance operating expenses according to all valid insurance risks. This provision is calculated as a part of premiums written attributable to income of the Company for future accounting periods. Unearned premiums technical provision is calculated separately for each insurance policy, proportionally allocating insurance premium written to the period of risk validity. For the calculation of unearned premiums technical provision the day method is used, when the period of insurance risk validity and the period of insurance risk validity until the end of policy is expressed in days.
b) Unexpired risk technical provision (hereinafter referred to as URTP) is intended to cover the insufficiency of technical provisions under valid insurance risks, for which technical provisions are concluded. The provision is calculated individually for every insurance group by subtracting from unearned premiums technical provision the forecasted claims according to the valid agreements, forecasted claims handling expenses related to these claims, deferred acquisition and administrative expenses and by adding the forecasted subrogation amounts to be recovered.
Forecasted claims are calculated as the product of the remaining annual risk assumed, annual risk frequency and average claim. The related forecasted claims handling expenses are calculated as a product of forecasted claims amount and the claims handling coefficient. The forecasted subrogation amounts are calculated as a product of forecasted claims amount and subrogation recovery coefficient. Annual claims frequency and the average claim are calculated individually for every insurance subgroup according to the Company's statistics.
c) Outstanding claims technical provision (hereinafter referred to as OCTP) is intended to cover all outstanding claims, including amounts required for claims handling according to all claims already occurred as well as claims occurred but not reported, and excluding the outstanding amounts receivable from subrogation or regress rights and outstanding amounts receivable for realised residual assets. The calculation base of outstanding claims technical provision (excluding provision for incurred but not reported claims) represents the individual evaluation of every claim reported considering all available information at the moment of formation of this provision.
The estimate of claims incurred but not reported for all insurance groups with insufficient statistical data is calculated using the "Loss ratio" method and for the insurance groups with sufficient statistical data using the "Bornhuetter-Fergusson" or "Chain-Ladder" method.

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

Current tax
The tax currently payable is 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 or substantively enacted by the end of the reporting period. In 2022 and 2021, the income tax applied to the Company is 15%.
The corporate income tax in Latvia is paid on the payment of dividends or other non-deductible expenses.
Corporate income tax in Estonia is calculated based on the legislation effective in Estonia. The corporate income tax is paid on the payment of dividends or other non-deductible expenses.

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 for the period
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 the requirements. 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 premiums written and outward reinsurance premiums

Insurance premiums written comprise the premiums under the contracts signed during the accounting period which last for no longer than one year, the premiums under the contracts signed during the accounting period which last for more than one year and are allocated to one year of insurance, and the premiums under the contracts signed during the prior financial year which last for more than one year and allocated for the accounting year, deducting any premiums under cancelled or terminated insurance policies. Earned premiums comprise the premiums attributable to the accounting period – premiums written during the year adjusted by change in unearned premiums reserve for the relative period.

Outward reinsurance premiums represent the share of premiums written in the accounting period, which was subject to reinsurance and adjusted by the change in unearned premiums technical provision.

Insurance claims

Insurance claims incurred comprise claims attributable to the accounting period, i.e. claims paid, claim handling costs, subtracting subrogation receivables and the outstanding claims technical provision change 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.

From administrative expenses to indirect claims handling expenses are reclassified by the approved instruction.

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 outstanding claims technical provision reinsurers' share change during the accounting period, and the retrospective and external claims handling costs expenditure assigned to the reinsurers.

Investment activity income and expenses

All investment income and expenses related to insurance and equity capital 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.

Acquisition expenses

Acquisition expenses include expenses incurred concluding insurance contracts. Acquisition expenses represent 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 of sales departments.

Commission expenses related to future periods are accounted for in the statement of financial position as deferred acquisition expenses. Deferred acquisition expenses are calculated on a pro-rata basis in respect of each insurance policy.

Commission charges are allocated directly to each insurance policy and respective type of insurance, whereas other acquisition expenses are allocated to respective types of insurance based on the number of agreements signed.

Administrative expenses

Administrative expenses include expenses that are not directly related to insurance contract conclusion, claims handling, and investment activity. These expenses are assigned to insurance groups in accordance with the methodology approved by the Company.

From administrative expenses to indirect claims handling expenses are reclassified by the approved instruction. Administrative expenses are accounted for on accrual basis.

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 right away, 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 not related 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 on hand and at banks. The received dividends are assigned in the cash flow statement to investment activities, and the paid dividends – to financial activities. 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, 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 an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an 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. 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 2022 and 2021 the Company complied with these requirements.

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.

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									
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**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	34.936	34.635	48.615	85.723	74.923	80.629	74.706	93.420	104.416	
- one year later	37.714	34.831	47.907	85.619	74.060	80.156	73.538	92.534		
- two years later	36.054	34.081	46.538	85.896	73.137	79.588	73.695			
- three years later	36.121	34.364	45.654	85.684	72.083	80.349				
- four years later	35.978	34.147	45.570	84.931	71.035					
- five years later	35.653	33.297	45.029	84.654						
- six years later	36.108	32.507	44.538							
- seven years later	36.005	32.378								
-eight years later	35.940									
Cumulative payments to date	36.358	35.048	52.792	82.610	69.781	76.077	70.471	87.239	76.822	
Outstanding claims reserve	2.227	1.253	700	2.044	1.254	4.272	3.224	5.295	27.594	**47.864**
Outstanding claims reserve for accidents before 2014										**12.106**
Total outstanding claim reserves as at 2022.12.31										**59.970**

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.

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, therefore, the Company is not exposed to a 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.
The overall exposure to interest rate risk is being reduced by matching a portfolio of fixed income instruments to the overall duration and the payout pattern of the insurance liabilities. Since the insurance liabilities are generally not discounted in the balance sheet, this implies that from an accounting perspective, insurance liabilities will be exposed to changes in inflation (but not directly to interest rates). An economic perspective, however, argues for hedging interest rate risk, because the present value of the provisions will be exposed to changes in the real interest rate. From an accounting perspective, the risk from choosing this hedging strategy is reduced, because a major part of the bond portfolio is classified as held to maturity (hereafter only referred to as the amortized cost portfolio).

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 2022 and 2021 (in brackets determined their category according to IAS39: FVTPL – at fair value through profit or loss; HTM – held to maturity; LnR – loans and receivables):

Company's currency portfolio as of 31 December 2022:

Financial assets EUR'000	EUR	PLN	Other	Total
Financial assets designated at fair value through profit or loss (FVTPL)	122.564	1.126	-	123.690
Held-to-maturity investments (HTM)	4.004	-	-	4.004
Loans and Receivables (LnR)	22.522	-	-	22.522
Cash and cash equivalents (LnR)	6.546	8	-	6.554
Total	**155.636**	**1.134**	**-**	**156.770**
Financial liabilities				
Liabilities (at amortized cost)	9.085	-	-	9.085
Total	**9.085**	**-**	**-**	**9.085**
Open foreign exchange position	**146.551**	**1.134**	**-**	**147.685**

Company's currency portfolio as of 31 December 2021:

Financial assets EUR'000	EUR	PLN	Other	Total
Financial assets designated at fair value through profit or loss (FVTPL)	128.060	1.231	-	129.291
Held-to-maturity investments (HTM)	5.963		-	5.963
Loans and Receivables (LnR)	19.937	-	-	19.937
Cash and cash equivalents (LnR)	2.712	5	-	2.717
Total	**156.672**	**1.236**	**-**	**157.908**
Financial liabilities				
Liabilities (at amortized cost)	9.530	-	1	9.531
Total	**9.530**	**-**	**1**	**9.531**
Open foreign exchange position	**147.142**	**1.236**	**(1)**	**148.377**

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 2022 and 2021, a simplified scenario, expecting a 5% change in the price of all securities:

Item, EUR'000	Net revenue, 2022	Net revenue, 2021
Increase in price of securities by 5%	6.185	6.465
Decrease in price of securities by 5%	(6.185)	(6.465)

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 by ratings as of 31 December 2022 (determined by S&P):

Country	Rating	Financial instruments at fair value through profit or loss	Held-to-maturity debt securities issued or guaranteed by the central government or municipalities
Estonia	BBB	1.149	
Finland	BBB	-	
Finland	AA+	4.366	
Latvia	A+	24.329	4.004
Lithuania	A+	63.261	-
Luxembourg	BBB+	14.702	-
Norway	A-	-	-
Poland	A	1.126	-
France	AA	8.271	-
Germany	AAA	6.486	-
Total		**123.690**	**4.004**

The Company's investments by ratings as of 31 December 2021 (determined by S&P):

Country	Rating	Financial instruments at fair value through profit or loss	Held-to-maturity debt securities issued or guaranteed by the central government or municipalities
Estonia	BBB	1.308	-
Finland	BBB	1.025	-
Latvia	A+	24.796	4.962
Lithuania	A+	77.181	1.001
Luxembourg	BBB	20.750	-
Norway	A-	2.999	-
Poland	A-	1.232	-
Total		**129.291**	**5.963**

ii) Insurance amounts receivable from direct insurance activities
Credit risk related to client balances due to failure to pay insurance premiums only exists in relation to payment schedule set in insurance certificate when the certificate is paid or terminated.

The rules and conditions for insurance cover are presented in insurance methodology.

Amounts receivable from direct insurance activities (debts of policyholders and intermediaries) as of 31 December 2022:

EUR'000	Gross receivables	%	Allowance	Net receivables
Receivables, overdue:				
More than 3 months	141	1	(141)	-
Less than 3 months	643	3	(43)	600
Not overdue receivables	20.096	96	-	20.096
Total	**20.880**	**100**	**(184)**	**20.696**

Amounts receivable from direct insurance activities (debts of policyholders and intermediaries) as of 31 December 2021:

EUR'000	Gross receivables	%	Allowance	Net receivables
Receivables, overdue:				
More than 3 months	101	1	(101)	-
Less than 3 months	556	3	(65)	491
Not overdue receivables	17.456	96	-	17.456
Total	**18.113**	**100**	**(166)**	**17.947**

The Company treats overdue but not impaired receivables those which are less than 60 days past due; those that are overdue more than 60 days are impaired 100%.

(iii) 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.

Reinsurers' share of the Company's insurance premiums written, technical provisions and receivables based on ratings as of 31 December 2022:

Rating, EUR'000	Reinsurers' share of claims paid	Reinsurers' share of premiums written	Reinsurers' share of unpaid payments reserve	Reinsurers' share of claims provisions	Recei-vables
A	2.600	3.644	47	8.168	-
A+	47	236	100	390	-
AA	1	-	-	79	214
AA-	83	378	156	808	314
AA+	9	-	-	46	-
not rated	55	213	87	559	67
Total	**2.795**	**4.471**	**390**	**10.050**	**595**

Reinsurers' share of the Company's insurance premiums written, technical provisions and receivables based on ratings as of 31 December 2021:

Rating, EUR'000	Reinsurers' share of claims paid	Reinsurers' share of premiums written	Reinsurers' share of unpaid payments reserve	Reinsurers' share of claims provision	Recei-vables
A	853	2.981	49	7.117	84
A-	3	-	-	45	-
A+	13	289	100	135	-
AA	5	-	-	82	34
AA-	58	463	149	748	312
AA+	8	-	-	55	-
BBB-	-	-	-	67	-
Not rated	16	261	84	317	146
Total	**956**	**3.994**	**382**	**8.566**	**576**

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 2022 and 2021:

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	16.425	39.597	19.400	33.567	14.701	123.690
Held-to-maturity investments	4.004	-	-	-	-	4.004
Loans and Receivables	22.522	-	-	-	-	22.522
Cash and cash equivalents	6.554	-	-	-	-	6.554
Total financial assets	49.505	39.597	19.400	33.567	14.701	156.770
Non-financial assets	-				29.730	29.730
Financial liabilities	4.592	509	927	3.057		9.085
Technical reserves	72.212	22.496	6.437	20.752	-	121.897
Non-financial liabilities	11.165	-	-	-	-	11.165
Difference in maturities	**(38.464)**	**16.592**	**12.036**	**9.758**	**44.431**	**44.353**

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 2021:

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	17.996	2706	38.908	48.931	20.750	129.291
Held-to-maturity investments	966	1.001	3.996	-	-	5.963
Loans and Receivables	19.937	-	-	-	-	19.937
Cash and cash equivalents	2.717	-	-	-	-	2.717
Total financial assets	41.616	3.707	42.904	48.931	20.750	157.908
Non-financial assets	-				31.039	31.039
Financial liabilities	3.932	550	1.029	4.020		9.531
Technical reserves	69.117	20.908	5.940	20.239		116.204
Non-financial liabilities	10.101					10.101
Difference in maturities	**(41.534)**	**(17.751)**	**35.935**	**24.672**	**51.789**	**53.111**

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.

IV. EXPLANATORY NOTES

1. Property and equipment, Intangible assets

The movement of intangible assets, property and equipment for the period ended 31 December 2022, was:

Items, EUR'000	Intangible assets	Property	Other fixed assets	Total
Acquisition cost				
Balance on 1 January 2021	**14.043**	**173**	**4.257**	**18.473**
Assets acquired	1.223	-	530	1.753
Assets disposed (-)	(255)	(42)	(459)	(756)
Balance on 31 December 2021	**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**
Revaluation				
Balance on 1 January 2021	**-**	**59**	**-**	**59**
Decrease in value (-)	-	(3)	-	(3)
Change in revaluation result on disposals +/(-)	-	1	-	1
Balance on 31 December 2021	**-**	**57**	**-**	**57**
Decrease in value (-)	-	(1)	-	(1)
Change in revaluation result on disposals +/(-)	-	(34)	-	(34)
Balance on 31 December 2022	**-**	**22**	**-**	**22**
Impairment				
Balance on 1 January 2021	**716**	-	-	**716**
Impairment recognized (released)	(365)	-	-	(365)
Balance on 31 December 2021	**351**	**-**	-	**351**
Impairment recognized (released)	(351)	-	-	**(351)**
Balance on 31 December 2022	**-**	**-**	**-**	**-**
Accumulated depreciation				
Balance on 1 January 2021	**8.717**	**100**	**2.290**	**11.107**
Charge for the year	1.433	2	579	2.014
Reversals of depreciation after write-off (-)	(255)	(15)	(429)	(699)
Balance on 31 December 2021	**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**
Net book value				
Balance on 31 December 2021	**4.765**	**101**	**1.888**	**6.754**
Balance on 31 December 2022	**4.100**	**64**	**1.397**	**5.561**

The amortization/depreciation charge of the Company's intangible/tangible assets for the year 2022 amounting to EUR 1.122 thousand was included into administrative expenses, EUR 514 thousand into claim handling expenses, EUR 27 thousand – into acquisition 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 its written off result is EUR 202 thousand (in 2021 – EUR 1.114 thousand, EUR 512 thousand, EUR 26 thousand, EUR 365 thousand, respectively).
Impairment of the intangible assets has been written off.

2. **Securities and other fixed income securities at fair value through profit or loss**

EUR'000	Fair value, 31.12.2022	Cost, 31.12.2022	Fair value, 31.12.2021	Cost, 31.12.2021
Government bonds of Lithuania	63.261	67.969	77.181	77.654
Government bonds of France	8.271	8.258	-	-
Government bonds of Latvia	24.329	25.655	24.796	24.792
Government bonds of Estonia	1.149	1.305	1.308	1.305
Government bonds of Germany	6485	6.490	-	-
Corporate bonds of Finland	-	-	1.025	1.056
Goverment bonds of Finland	4.366	4.374		
Luxembourg funds	14.702	15.954	20.750	20.319
Corporate bonds of Norway	-	-	2.999	3.172
Government bonds of Poland	1.127	1.255	1.232	1.278
Total	**123.690**	**131.260**	**129.291**	**129.576**

All securities are attributed to Level 1 of fair value hierarchy. Maximum exposure to credit risk is total amount of securities, except for Luxembourg funds.

Movement of assets in 2022 and 2021:

Items	Amounts, EUR'000
Balance on 01 January 2021	**109.274**
Assets acquired	36.732
Assets disposed	(16.040)
Increase(decrease) Value	(675)
Balance on 31 December 2021	**129.291**
Assets acquired	38.969
Assets disposed	(36.108)
Increase(decrease) Value	(8.462)
Balance on 31 December 2022	**123.690**

3. **Debt securities and other fixed-income securities classified as held-to-maturity**

EUR'000	Amortised cost, 31.12.2022	Fair value, 31.12.2022	Amortised cost, 31.12.2021	Fair value, 31.12.2021
Government bonds of Lithuania	-	-	1.001	1.004
Government bonds of Latvia	4.004	3.969	4.962	4.995
Total	**4.004**	**3.969**	**5.963**	**5.999**

All securities are attributed to Level 1 of fair value hierarchy. Maximum exposure to credit risk is total amount of securities.

Movement of assets in 2022 and 2021:

Items	Amounts, EUR'000
Balance on 01 January 2021	**14.504**
Assets acquired	-
Assets matured	(8.594)
Accrued interest	53
Balance on 31 December 2021	**5.963**
Assets acquired	-
Assets matured	(1.979)
Accrued interest	20
Balance on 31 December 2022	**4.004**

4. **Amounts receivable**

As of 31 December 2022, amounts receivable comprised:

Amounts receivable, EUR'000	Total amount	Doubtful amounts receivable	Carrying amount
Receivables from insurance operations:	20.880	(184)	20.696
from policyholders	19.172	(184)	18.988
from intermediaries	1.708	-	1.708
Receivables from reinsurance operations	997	(402)	595
Other receivables	313	(57)	256
Receivable subrogation and recoveries	975	-	975
Total	**23.165**	**(643)**	**22.522**

As of 31 December 2022, other receivables consisted of receivables for claims paid amounting to EUR 90 thousand and other amounts receivable in the amount of EUR 165 thousand.
Receivable subrogations and recoveries are estimated based on historical amounts of recovered payment statistics for MOD and MTPL business.

Expected cumulative receivable payment pattern was estimated from recoveries triangles based on the Company's 6 years empirical data. Recovery factors calculated from these triangles were used to estimate receivable amounts.

For present value calculation the risk-free interest rate by EIOPA on the 31st of December 2022, and the prudence coefficient of 75% (precautionary principle) were applied.

As of 31 December 2021, amounts receivable comprised:

Amounts receivable, EUR'000	Total amount	Doubtful amounts receivable	Carrying amount
Receivables from insurance operations:	18.113	(166)	17.947
from policyholders	16.584	(166)	16.418
from intermediaries	1.529	-	1.529
Receivables from reinsurance operations	778	(202)	576
Other receivables	266	(43)	223
Receivable subrogations and recoveries	1.191	-	1.191
Total	**20.348**	**(411)**	**19.937**

As of 31st December 2021, other receivables consisted of receivables for claims paid amounting to EUR 145 thousand and other amounts receivable in the amount of EUR 78 thousand.
Receivable subrogations and recoveries are estimated based on historical amounts of recovered payment statistics for MOD and MTPL business.

Expected cumulative receivable payment pattern was estimated from recoveries triangles based on the Company's 6 years empirical data. Recovery factors calculated from these triangles were used to estimate receivable amounts.

For present value calculation the risk-free interest rate by EIOPA on the 31st of December 2021, and the prudence coefficient of 75% (precautionary principle) were applied.

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Doubtful amounts	EUR'000
Allowance on 1 January 2021	**(401)**
Decrease of allowance	(10)
Allowance on 31 December 2021	**(411)**
Increase of allowance	(232)
Allowance on 31 December 2022	**(643)**

5. Current accounts and cash on hand

Items, EUR'000	31.12.2022	31.12.2021
Current accounts at banks	6.554	2.717
Total	**6.554**	**2.717**

As of 31 December 2022, and 2021, the Company had no term deposits with maturity less than 3 months. As of 31 December 2022, cash deposited in SEB bank AB for issued guarantees amounted to EUR 60 thousand (as of 31 December 2021 – EUR 52 thousand).

6. Accrued income and deferred expenses

Items, EUR'000	31.12.2022	31.12.2021
Deferred client acquisition costs:		
Commissions of direct insurance	5.718	5.875
Total deferred client acquisition costs	**5.718**	**5.875**
Other prepaid expenses and accrued income:		
Deferred expenses of admission fee to Motor Insurers' Bureau of the Republic of Lithuania	218	208
Deferred commission	441	396
Other deferred expenses	365	303
Total other prepaid expenses and accrued income	**1.024**	**907**
Total accrued income and deferred expenses	**6.742**	**6.782**

Deferred commissions consist of advance paid commissions from the warranty extension insurance contracts, which were not valid at the end of the financial period, however, they had been paid.

Movement of deferred client acquisition costs:

Items	EUR'000
Balance on 1 January 2021	**5.306**
Written commissions (note 16)	12.815
Amortisation of deferred client acquisition costs	(12.246)
Balance on 31 December 2021	**5.875**
Written commissions (note 16)	13.388
Amortisation of deferred acquisition costs	(13.545)
Balance on 31 December 2022	**5.718**

As of 31 December 2022, and 2021, deferred acquisition expenses by the types of insurance comprise:

Insurance groups, EUR'000	31.12.2022	31.12.2021
1. Medical expenses insurance	788	796
2. Income protection insurance	159	171
3. Working accident insurance	-	-
4. Insurance against civil liability in respect of the use of motor vehicles	1.381	1.421
5. Other vehicle insurance	1.180	1.535
6. Marine, air and land vehicle insurance	32	23
7. Insurance against fire and other damage to property	1.612	1.413
8. General liability insurance	257	244
9. Credit and suretyship insurance	132	128
10. Legal expenses insurance	-	-
11. Assistance insurance	77	95
12. Financial losses insurance	100	49
Total	**5.718**	**5.875**

7. Share capital and reserves

Share capital

As of 31 December 2022, the share capital of the Company amounted to EUR 56.184 thousand (31 December 2021: EUR 47.184 thousand). The share capital of the Company is divided into 7.623.384 ordinary registered shares with the par value of EUR 7,37. All shares were fully paid as of 31 December 2022 and 2021.

	31.12.2022		31.12.2021	
	Amount	EUR'000	Amount	EUR'000
Ordinary shares with voting rights	7.623.384	56.184	6.402.217	47.184

Each share carries a right to vote at shareholder's meetings, a right to receive dividends as declared from time to time and a right to residual assets.

Company's shareholders	31.12.2022		31.12.2021	
	Number of shares	% Of share capital	Number of shares	% Of share capital
Gjensidige Forsikring	7.621.258	99,97	6.400.091	99,97
Private persons	2.126	0,03	2.126	0,03
Total	**7.623.384**	**100**	**6.402.217**	**100**

The share capital was increased in amount of EUR 9.000 thousand on 21 October 2022.
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 2022, and 2021, the Company complied with this requirement.

Share premium

In 2014, after the increase of the Company's share capital by 860.000 shares, share premiums were formed, which comprise the amount of the par value surplus of the issued shares. The nominal value was EUR 28,96 per share, the issue price was EUR 43,44 per share. There were changes in the amount of share premium in 2022. The share premiums decreased in amount of EUR 6.584 thousand due to the financial loss coverage.

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 decreased to cover losses.

8. Technical provisions

8.1. Unearned premium technical provision

The unearned premium technical provision on 31 December is as follows:

Items, EUR'000	2022			2021		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Balance on 31 December 2021	56.457	(382)	56.075	**49.950**	**(334)**	**49.616**
Change in provision for unearned premiums	2.625	(8)	2.617	6.507	(48)	6.459
Balance on 31 December 2022	**59.082**	**(390)**	**58.692**	**56.457**	**(382)**	**56.075**

The analysis of unearned premiums technical provision by line of business on 31 December is as follows:

Insurance groups, EUR'000	2022			2021		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
1. Medical expenses insurance	10.310	-	10.310	9.049	-	9.049
2. Income protection insurance	1.902	-	1.902	1.745	-	1.745
3. Workers compensation insurance	-	-	-	-	-	-
4. Motor vehicle liability insurance	19.280	-	19.280	19.074	-	19.074
5. Other Motor insurance	11.234	-	11.234	12.736	-	12.736
6. Marine, Aviation and Transport insurance	220	-	220	175	-	175
7. Fire and other property damage	11.988	-	11.988	9.869	-	9.869
8. General liability insurance	1.928	-	1.928	1.711	-	1.711
9. Credit and suretyship insurance	975	(390)	585	955	(382)	573
10. Legal expenses insurance	-	-	-	-	-	-
11. Assistance insurance	799	-	799	857	-	857
12. Financial losses insurance	446	-	446	286	-	286
Total	**59.082**	**(390)**	**58.692**	**56.457**	**(382)**	**56.075**

8.2. Outstanding claim technical provisions

The outstanding claim technical provision on31 December is as follows:

Items, EUR'000	2022			2021		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Balance on 31 December 2021	56.382	(8.566)	47.816	**51.663**	**(8.391)**	**43.272**
Change in outstanding claims provision	3.588	(1.484)	2.104	4.719	(175)	4.544
Balance on 31 December 2022	**59.970**	**(10.050)**	**49.920**	**56.382**	**(8.566)**	**47.816**

The analysis of outstanding claims technical provision by line of business on 31 December is as follows:

Insurance groups, EUR'000	2022			2021		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
1. Medical expenses insurance	1.700	-	1.700	1.327	-	1.327
2. Income protection insurance	355	-	355	264	-	264
3. Workers compensation insurance	-	-	-	-	-	-
4. Motor vehicle liability insurance	40.812	(6.571)	34.241	40.887	(6.679)	34.208
5. Other Motor insurance	3.533	-	3.533	3.922	(1)	3.921
6. Marine, Aviation and Transport insurance	266	-	266	198	-	198
7. Fire and other property damage	8.803	(2.357)	6.446	5.787	(1.292)	4.495
8. General liability insurance	1.895	(101)	1.794	2.514	(63)	2.451
9. Credit and suretyship insurance	2.031	(750)	1.281	965	(267)	698
11. Assistance insurance	167	-	167	125	-	125
12. Financial losses insurance	408	(271)	137	393	(264)	129
Total	**59.970**	**(10.050)**	**49.920**	**56.382**	**(8.566)**	**47.816**

As of 31 December, the structure of non-life insurance outstanding claims technical provision comprised:

Components of outstanding claims provision, EUR'000	2022	2021
Reported but not settled claims	48.245	44.096
Incurred but not reported claims	11.668	12.024
Claims handling expenses	2.258	2.469
Estimated subrogation receivable	(2.202)	(2.207)
Reinsurance share within reported not settled claims	(10.024)	(8.545)
Reinsurance share within incurred not reported claims	(118)	(106)
Reinsurance share within claims handling expenses	(171)	(197)
Reinsurance share within estimated subrogation receivable	264	282
Total	**49.920**	**47.816**

8.3. Unexpired risk technical provision

The amount of unexpired risk technical provision on 31 December is as follows:

Items, EUR'000	31.12.2022	31.12.2021
Insurance	2.845	3.365
Reinsurance	-	-
Total	**2.845**	**3.365**

The specification of unexpired risk technical provision by insurance groups on 31 December is as follows:

Insurance groups, EUR'000	31.12.2022	31.12.2021
1. Medical expenses insurance	992	352
2. Income protection insurance	-	-
3. Workers compensation insurance	-	-
4. Motor vehicle liability insurance	722	1.121
5. Other Motor insurance	674	1.290
6. Marine, Aviation and Transport insurance	6	6
7. Fire and other property damage	337	449
8. General liability insurance	14	10
9. Credit and suretyship insurance	3	-
11. Assistance insurance	53	137
12. Financial losses insurance	44	-
Total	**2.845**	**3.365**

9. Other liabilities

Items, EUR'000	31.12.2022	31.12.2021
Other liabilities:	4.754	4.118
Advance payments for future policies	4.071	3.065
Other payments	683	1053
Taxes, social security contributions and other liabilities:	1.228	1.256
Taxes	136	152
Social security contributions	658	648
Salaries	33	59
Other	401	397
Total	**5.982**	**5.374**

10. Provisions

Items, EUR'000	Restructuring	Bonuses of employees	Total
Balance on 31 December 2021	**328**	**-**	**328**
New provisions	150	1209	1359
Reclassification		794	794
Provisions used during the year	(229)	(1.028)	(1.257)
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**

Restructuring reserve
During 2022, 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 397 thousand for expected restructuring costs, including employees' termination benefits. Estimated costs were based on the terms of the relevant contracts. The provision of EUR 469 thousand was used during the year. The restructuring is expected to be completed by December 2023.

During 2021, 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 150 thousand for expected restructuring costs, including employees' termination benefits. Estimated costs were based on the terms of the relevant contracts. The provision of EUR 229 thousand was used during the year. The restructuring is expected to be completed by December 2022.

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

11. Accrued expenses and deferred income

Items, EUR'000	31.12.2022	31.12.2021
Accrued commissions expenses	2.800	2.618
Accrued expenses for invoices not received	509	585
Annual leave reserve	1.341	1.324
Annual bonus for intermediaries	252	237
Accrued reinsurance commission	133	130
Total	**5.035**	**4.894**

12. Results of non-life insurance activities

Country, where insurance agreement was concluded	Gross written premiums, EUR'000	
	2022	2021
Republic of Lithuania	77.822	71.720
Other EU countries	53.203	51.813
Total	**131.025**	**123.533**

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

Items, EUR'000	Premiums written	Premiums earned	Claims expenses	Operating expenses	Result of reinsurance activities
Direct insurance	131.025	128.400	(102.600)	(36.204)	601
Total	**131.025**	**128.400**	**(102.600)**	**(36.204)**	**601**

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

Types of insurance, EUR'000	Premiums written	Premiums earned	Claims expenses	Operating expenses	Result of reinsur-ance activities
1. Medical expenses insurance	25.503	24.241	(22.148)	(4.980)	(34)
2. Income protection insurance	4.067	3.911	(1.882)	(1.493)	(14)
3. Workers compensation insurance	-	-	-	-	-
4. Motor vehicle liability insurance	45.589	45.381	(37.212)	(10.924)	31
5. Other Motor insurance	21.859	23.361	(19.910)	(6.884)	(603)
6. Marine, Aviation and Transport insurance	877	833	(207)	(269)	(114)
7. Fire and other property damage	23.344	21.224	(17.439)	(7.916)	1.055
8. General liability insurance	3.985	3.768	(981)	(1.577)	(86)
9. Credit and suretyship insurance	2.219	2.200	(1.436)	(702)	451
10. Legal expenses insurance	-	-	-	-	-
11. Assistance insurance	2.508	2.566	(1.149)	(997)	(51)
12. Financial losses insurance	1.074	915	(236)	(462)	(34)
Total	**131.025**	**128.400**	**(102.600)**	**(36.204)**	**601**

The detailed results of non-life insurance activity in 2021 are presented below:

Items, EUR’000	Premiums written	Premiums earned	Claims expenses	Operating expenses	Result of reinsurance activities
Direct insurance	123.533	117.026	(88.575)	(33.046)	(2.528)
Total	**123.533**	**117.026**	**(88.575)**	**(33.046)**	**(2.528)**

The non-life insurance results in 2021 by groups of insurance are as follows:

Types of insurance, EUR’000	Premiums written	Premiums earned	Claims expenses	Operating expenses	Result of reinsur-ance activities
1. Medical expenses insurance	22.005	20.279	(17.310)	(3.935)	(33)
2. Income protection insurance	3.536	3.379	(1.616)	(1.155)	(14)
3. Workers compensation insurance	-		-	-	-
4. Motor vehicle liability insurance	45.185	43.944	(35.124)	(11.072)	(327)
5. Other Motor insurance	23.952	22.285	(19.331)	(6.819)	(492)
6. Marine, Aviation and Transport insurance	869	873	(199)	(291)	(108)
7. Fire and other property damage	19.472	18.350	(12.114)	(6.801)	(640)
8. General liability insurance	3.545	3.293	(1.548)	(1.343)	(92)
9. Credit and suretyship insurance	2.232	2.113	(208)	(681)	(787)
10. Legal expenses insurance	-		-	-	-
11. Assistance insurance	2.070	1.971	(927)	(706)	(99)
12. Financial losses insurance	667	539	(198)	(243)	64
Total	**123.533**	**117.026**	**(88.575)**	**(33.046)**	**(2.528)**

13. Claims handling expenses

Types of expenses, EUR’000	2022	2021
Wages, salaries and social security	5.015	4.793
Services of experts, lawyers, and other specialists	1.172	1.135
Repair and maintenance of premises	103	89
Taxes	142	96
Information technologies expenses	563	543
Maintenance of vehicles	53	54
Communication expenses (post, telephone, internet)	88	115
Depreciation and amortisation	514	512
Amortization costs by ""Right-of-use"" of underlying asset"	162	204
Trainings and business trips	63	33
Professional service expenses	187	130
Expenses for stationery and office maintenance	11	15
Motor Bureau fee	1.111	1.117
Other	465	325
Total	**9.649**	**9.161**

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14. Remuneration expenses

The remuneration expenses for employees and agents including social security expenses in 2022 and 2021 are presented below:

Items, EUR'000	2022	2021
Management	1.430	1.430
Other employees	18.163	16.692
Total	**19.593**	**18.122**

As of 31 December 2022, the management consisted of the General Director and 7 second level managers (as of 31 December 2021: General Director and 8 second level managers).

15. Acquisition expenses

Types of expenses, EUR'000	2022	2021
Commission to organisations	12.745	11.782
Wages, salaries and social security	9.793	8.707
Commission to agents and employees	643	1.033
Advertising and marketing expenses	1.035	1.473
Repair and maintenance of premises	523	506
Purchase of blanks and other expenses related to contracts	85	99
Maintenance of vehicles	217	185
Representative expenses	144	148
Taxes and fees, including bank fees	207	171
Communication expenses (post, telephone, internet)	55	41
Trainings and business trips	34	10
Depreciation and amortisation of non-current assets	27	26
Amortization costs by ""Right-of-use"" of underlying asset"	557	521
Information technologies expenses	5	7
Expenses for stationery and office maintenance	6	10
Professional service expenses	170	94
Other	206	154
Total acquisition expenses	**26.452**	**24.967**
Change in deferred acquisition expenses	157	(569)
Acquisition expenses including the change of deferred acquisition expenses	**26.609**	**24.398**

16. Administrative expenses

Types of expenses, EUR'000	2022	2021
Wages, salaries and social security	4.785	4.622
Depreciation and amortisation of non-current assets	1.122	1.114
Amortization costs by ""Right-of-use"" of underlying asset"	375	451
Information technologies expenses	1.116	949
Communication expenses (post, telephone, internet)	181	236
Repair and maintenance of premises	207	151
Representative expenses	105	70
Taxes	102	95
Member fees and fees for Insurance Supervisory Commission	175	178
Maintenance of vehicles	82	84
Expenses for stationery and office maintenance	24	32
Trainings and business trips	122	79
Audit expenses	70	62
Professional service expenses	318	199
Other administrative expenses	811	326
Total	**9.595**	**8.648**

17. Other income and expenses

Items, EUR'000	2022	2021
Other income		
Commission fee for mediation	-	-
Income from insurance contracts termination	344	317
Other income	225	260
Total	**569**	**577**
Other expenses		
Interest of lease liability	(113)	(141)
Other expenses	(18)	(28)
Total	**(131)**	**(169)**

18. Income tax and deferred income tax

In 2022, the Company accounted for deferred tax assets of EUR 1.621 thousand, which was calculated on accumulated tax losses and temporary differences provisions.

Items, EUR'000	2022	2021
Current year income tax	(78)	(81)
Change in deferred taxes	(268)	377
Total	**(346)**	**296**

Deferred income tax asset and liability are attributable to the following items:

Items, EUR'000	31.12.2022	31.12.2021
Effect from different provisions	336	352
Tax losses carried forward	1.285	1.537
Deferred tax asset, net	**1.621**	**1.889**

Attributable to, EUR'000:	31.12.2022	31.12.2021
Lithuania	1.621	1.889
Total deferred tax at the end of the year	**1.621**	**1.889**

According to the financial forecast approved by the management, the Company expects to earn taxable profit in 2023 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 7,5%, LR – 67,8%, COR – 93,8% on average during the next 3 years.
The deferred tax asset estimated on 31 December 2022 was calculated as 70% of planned net profits 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.
Deferred tax asset is measured at the tax rates that are expected to apply in the period, in which the asset is 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 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.

Items, EUR'000	**31.12.2022**	**31.12.2021**
(Loss) before income tax	(17.412)	(8.111)
Non-taxable income	(3.103)	(969)
Non-deductible expenses	20.440	10.280
Result of investments	1.781	581
Utilization of taxable loss	(1.183)	(1.241)
Taxable profit for the financial year	523	540
Income tax for the accounting period in profit or loss	**78**	**81**

19. Transactions with related parties

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

The transactions with related parties during 2022 and 2021 are as follows:

Items, EUR'000	**31.12.2022**	**31.12.2021**
Reinsurance premiums written to Gjensidige Forsikring ASA	(3.526)	(2.822)
Reinsurance claims paid by Gjensidige Forsikring ASA	2.629	795
Investment expenses paid to Gjensidige Forsikring ASA	(10)	(13)
Amount payable to Gjensidige Forsikring ASA (reinsurance)	320	176
Amount receivable from Gjensidige Forsikring ASA (reinsurance)	-	-
Other income – Gjensidige Forsikring ASA	1.313	1.109
Other expenses – Gjensidige Forsikring ASA	(10)	(24)
Amount receivable from Gjensidige Forsikring ASA	115	21
Costs - Gjensidige Business Services ASA	(383)	(438)
Amount payable to Gjensidige Business Services ASA	-	-
Costs – UAB RedGo Lithuania	(706)	-

Related parties:
Gjensidige Forskring ASA
Gjensidige Business Services ASA
UAB Redgo Lithuania (from 01 March 2022)

20. Compliance with legal regulations

At the reporting date, the Company complied with the legal requirements of the Republic of Lithuania that are applied to the insurance companies for investment structure.

As of 31 December 2022, and 2021, the Company complied with solvency requirements to insurance companies.

21. Operating lease

Gjensidige has chosen to 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 2021	**9.415**	**9.415**
New contracts	19	19
Changes contracts conditions (+-)	(411)	(411)
Costs on 31 December 2021	**9.023**	**9.023**
New contracts	-	-
Changes contracts conditions (+-)	(438)	(438)
Costs on 31 December 2022	8.585	8.585
Depreciation on 1 January 2021	**(1.782)**	**(1.782)**
Depreciation expenses per period	(1.176)	(1.176)
Changes contracts conditions (+-)	38	38
Depreciation on 31 January 2021	**(2.920)**	**(2.920)**
Depreciation expenses per period	(1.095)	(1.095)
Changes contracts conditions (+-)	356	356
Depreciation on 31 December 2022	(3.659)	(3.659)
Balance on 31 December 2021	**6.103**	**6.103**
Balance on 31 December 2022	**4.926**	**4.926**

Lease liability

EUR'000	Land and buildings	Total
Balance on 1 January 2021	**7.623**	**7.623**
New contracts	19	19
Changes contracts conditions (+-)	(374)	(374)
Payments	(1.261)	(1.261)
Interests' expenses	141	141
Balance on 31 December 2021	**6.148**	**6.148**
New contracts	-	-
Changes contracts conditions (+-)	(84)	(84)
Payments	(1.174)	(1.174)
Interests' expenses	113	113
Balance on 31 December 2022	**5.003**	**5.003**

The future undiscounted lease payments agreements are as follows:

	2022	2021
Less than one year	1.077	1.174
Between one and five years	3.207	3.883
More than five years	1.004	1.510
Total	**5.288**	**6.567**

22. Contingencies and commitments

Legal disputes – as of 31 December 2022 and 2021 the Company did not participate in any legal dispute cases that, in the opinion of the management, would have significant impact on the financial statements.

23. Transition note IFRS 9 and IFRS 17

IFRS 9 Financial Instruments and IFRS 17 Insurance Contracts are both effective from 1 January 2023. The interim report of Q1 2023 will be the first public report according to the new standards. Comparable figures will be adjusted accordingly.

IFRS 9 Financial Instruments

IFRS 9 is based on the concept that financial instruments should be classified and measured at fair value, with changes in fair value recognised in profit or loss as they arise (FVTPL), unless restrictive criteria are met for classifying and measuring the asset at either amortised cost or fair value through other comprehensive income (FVOCI).

Equity instruments and derivatives will be classified at fair value through profit or loss. Debt instruments will be classified based on the business model and on the cash flow characteristics of the financial asset.

The match portfolio in General 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, Gjensidige has chosen to use the fair value through profit or loss option to reduce the accounting mismatch between investments and insurance liabilities.

The free portfolio consists of various assets, which are managed based on fair value and Gjensidige's risk appetite. The financial assets fall into the Non-holding/Other category and Gjensidige has chosen to use the fair value through profit or loss option.

IFRS 17 Insurance Contracts

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

On initial recognition, insurance contracts will be recognised at a risk-adjusted present value of the future cash flows plus an amount representing the unearned profit in the Group of contracts (the contractual service margin). This is referred to as the building block approach (BBA) model. 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.

Gjensidige may simplify the measurement by using the premium allocation approach (PAA) if the entity expects such simplification to produce a measurement of the liability for remaining coverage that will not differ materially from the measurement that would be produced by applying the BBA model described above, or if the coverage period of each contract in the group is one year or less.

Liabilities for insurance contracts consist of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC) (claims that have already incurred).

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 incurred).

Reinsurance will be presented separately from gross insurance.

The insurance liabilities under IFRS 17 should be based on the expected cash flows, and excess reserves beyond what is expected cannot be part of the best estimate. Gjensidige has recognised excess reserves in 2022 that are not in accordance with IFRS 17. This amount is therefore adjusted in the preliminary opening balance for 1 January 2022.

General Insurance contracts: measurement model
For the general insurance contracts, Gjensidige has decided to use PAA. Most of Gjensidige'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 estimated that the liability for remaining coverage will not differ materially from the liability that would be arrived at by applying the general measurement model called the BBA, and it will therefore also use PAA for those contracts.

Applying the PAA model, Gjensidige will measure the LRC on initial recognition. The carrying amount of the liability comprises the premiums received upon initial recognition.

At the end of each reporting period, the carrying amount of the LRC is the carrying amount at the start of the period plus the premium 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.

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.

Gjensidige has chosen to expense the acquisition costs directly when applying the PAA, as has been done under IFRS 4.

General Insurance contracts: discounting
Pursuant to IFRS 17, LIC should be discounted when payments are expected to take place more than one year after the occurrence of the claim. A major part of the LIC stems from long-tailed business with a duration of more than one year, and Gjensidige has therefore decided to discount LIC for all products. Future cash flows are discounted using the EIOPA interest rate curve without volatility adjustments. The EIOPA rates have a long duration and give a fairly good hedge with the investments.

LRC could also be discounted to reflect the time value of money. This adjustment is not mandatory under PAA. 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. This means that the financial component of LRC is very limited, and discounting will therefore not be performed.

General Insurance contracts: risk adjustment
The risk adjustment (RA) is 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 for each legal entity within the Group is chosen to represent the 85 per cent percentile of the ultimate probability distribution for the claim's provisions.

The percentile 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.

Gjensidige developed own model, based on the Solvency II risk margin, in order to determine the RA. The calculation of RA is adjusted to comply with the Group principle of a percentile of 85 per cent and based on ultimate risk.

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

Gjensidige

General Insurance contracts: transition

The retrospective approach has been used for all general insurance contracts, starting from recognition of contracts.

On initial recognition, the LRC for a group of contracts will be measured as the total of:

- The fulfilment cash flows, which comprise:
    - Estimates of future cash flows
    - An adjustment to reflect the time value of money and the financial risk related to the future cash flows
- A risk adjustment for non-financial risk

Presentation and aggregation

Gjensidige's choice of portfolios of insurance contracts is based on the following:

- where decisions are made
- how high up in the product structure the products can be aggregated and still be considered to carry equal risk
- the materiality of individual portfolios based on size

On this basis, it has been decided that the level of aggregation for portfolios of insurance contracts will be based on a combination of Gjensidige's product and segment structure. Management reporting takes place at segment level, while the product structure is the risk assessment level.

Each portfolio of insurance contracts will either be placed in a group of contracts that at initial recognition are unlikely to become onerous at a later stage or with contracts that are onerous at initial recognition. Contracts issued more than one year apart will not be placed in the same group.
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Equity reconciliation IFRS 4 to IFRS 17

The table presents the preliminary estimated equity according to IFRS 17 compared to the current standard IFRS 4 and explains the differences. There will be lower equity in the opening balance as at 1 January 2022 due to the implementation effect.

EUR'000	**Equity**
Balance 31.12.2021	53.111
Insurance liabilities	(2.421)
IFRS 9	36
Deferred client acquisition costs	(5.875)
Other	(575)
Balance 1.1.2022	**44.276**

The figures presented are indicative and may be altered in the audited financial statement for 2023.All reserves will be 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 for uncertainty.

Gjensidige will measure all financial assets at fair value through profit of loss according to IFRS 9, which gives a positive effect on the opening balance, see note 1 in the section below.

Deferred client acquisition costs will not be recognised.

Deferred Motor Bureau fee in Lithuania, other similar items will not be recognised.

Opening balance

The tables present the preliminary estimated consolidated statement of financial position according to IFRS 9 and IFRS 17 compared to the current standards IAS 39 and IFRS 4 and explains the differences.

		IFRS 17	IFRS 4	
EUR'000	**Notes**	**01.01.2022**	**31.12.2021**	**Change**
Assets				
Other intangible assets		4.765	4.765	
Owner-occupied and right-of-use property, plant and equipment		8.092	8.092	
Financial assets				
Bonds and other fixed income securities	1	135.290	135.254	36
Loans and receivables	2		3.841	(3.841)
Receivables related to direct operations and reinsurance	2		16.487	(16.487)
Other assets and receivables	2	3.841		3.841
Cash and cash equivalents		2.717	2.717	
Other assets				
Reinsurance contract assets	3	10.194	8.948	1.246
Deferred tax assets		1.889	1.889	-
Deferred client acquisition costs	4		5.875	(5.875)
Prepaid expenses and earned, not received income		475	1.079	(604)
Total assets		**167.263**	**188.947**	**(21.684)**

		IFRS 17	IFRS 4	
EUR'000	**Notes**	**01.01.2022**	**31.12.2021**	**Change**
Equity and liabilities				
Equity				
Share capital		47.184	47.184	
Share premium		12.454	12.454	
Other equity	5	(15.362)	(6.527)	(8.835)
Total equity		**44.276**	**53.111**	**(8.835)**
Insurance liabilities				
Insurance liabilities	6	106.498	116.204	(9.706)
Liabilities related to direct insurance	2		3.013	(3.013)
Financial liabilities				
Other financial liabilities		4.235	4.235	
Other liabilities				
Lease liability		6.148	6.148	
Other provisions		1.224	1.224	
Current tax		118	118	
Accrued expenses and received, not earned income	3	4.764	4.894	(130)
Total liabilities		**122.987**	**135.836**	**(12.849)**
Total equity and liabilities		**167.263**	**188.947**	**(21.684)**

Note 1

The increase in the carrying amount of bonds and other fixed instruments as well as loans and receivables, is due to transition to IFRS 9 where all financial instruments are measured at fair value through profit or loss for the measure of financial instruments. These instruments were previously measured at amortized cost.

Note 2
Receivables related to direct operations are presented as an asset under IFRS 4, while they are deducted from the LRC according to IFRS 17. The increase in Other assets and receivables are due to parts of the receivables also containing other insurance-related elements that are not solely receivables from customers. Those elements are reclassified as Other assets and receivables. The decrease in Liabilities related to direct insurance are due to advance payments for insurance contracts which increase LRC.

Note 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 deducted from the reinsurance contract assets). Reinsurance contract liabilities consist of reinstatement premiums that cannot be reclassified as reinsurance contract assets. The decrease in Accrued expenses and received, not earned income is due to different classification under IFRS 17 than IFRS 4.

Note 4
The deferred acquisition costs and some items in Prepaid expenses will not be recognized according to IFRS17.

Note 5
The decrease in equity is explained above under Equity reconciliation IFRS 4 to IFRS 17.

Note 6
Insurance liabilities decrease due to the new measurement model in accordance with IFRS 17. The effects are described under Equity reconciliation IFRS 4 to IFRS 17. The deduction of insurance receivables from liabilities for remaining coverage comes in addition. Hence, the underlying insurance liabilities increase. The risk adjustment and loss component increase the liabilities, while the discounting decreases the liabilities.

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

There were no events in the Company from 31 December 2022 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 02 March 2023.

Acting General Director	Akshay Chandrakant Sankpal
Chief Accountant	Jolanta Markelienė
Chief Actuary	Jurgis Navikas