AAS BALTA

Annual Report for 2023 prepared in accordance
with the IFRS Accounting Standards
as adopted by the European Union and
Independent Auditors` Report

Contents

Information on the Company, Supervisory and Management Board, Independent auditors

Information on the Company

Name of the Company	Insurance Joint Stock Company BALTA
Legal address of the Company	10 Raunas Street, Riga, LV-1039, Latvia
Number and date of registration	40003049409, registered on 28 January 1992, re-registered in the Commercial Register of the Republic of Latvia on 6 June 2002

Supervisory Board

Name, Surname	Position
Katarzyna Anna Galus	Chairperson of the Supervisory Board
Lidia Maria Orzechowska	Deputy of the Chairperson of the Supervisory Board
Marcin Krzysztof Goral	Member of the Supervisory Board
Weronika Dejneka	Member of the Supervisory Board
Monika Patyra	Member of the Supervisory Board
Krzysztof Soltysik	Member of the Supervisory Board
Radoslaw Leszek Kwasnicki	Member of the Supervisory Board

Management Board

Name, Surname	Position
Iain Kennedy	Chairman of the Management Board
Arūnas Rumskas	Management Board Member
Ingus Savickis	Management Board Member
Uldis Dzintars	Management Board Member (reappointed on 26.06.2023)
Mārtiņš Rozentāls	Management Board Member (reappointed on 26.06.2023)
Malgorzata Krystyna Piotrowska	Management Board Member (reappointed on 26.06.2023)
Jaroslaw Mioskowski	Management Board Member

Name and address of the independent auditors and responsible Latvian certified auditor:

KPMG Baltics SIA	**Responsible Latvian certified auditor:**
Licence Nr. 55	Rainers Vilāns
Roberta Hirša street 1,	Latvian certified auditor
Riga, LV-1045, Latvia	Certificate No. 200

Report of the Supervisory Board and the Management Board

Main developments

According to market data provided by the Latvian Insurers Association and the Bank of Latvia, as well as insurance company public quarterly reports in 2023, AAS BALTA (hereinafter – also “the Company” and “BALTA”) has maintained its leading position as the largest company in the Latvian non-life insurance market in terms of gross written premiums*. In 2023 the rapid growth of gross written premiums in the non-life insurance market continued, which was mainly facilitated by the effects of inflation in the first half of the year. This also contributed to the growth of BALTA’s business, together with an increase in customer numbers, with gross written premiums growing by 17.3% or 25.0 million EUR compared to 2022, which has resulted in gross written premiums of 169.6 million EUR. Total Insurance service result increased compared to 2022 and amounted to 19.9 million EUR. The continuous profitability continued to secure the financial stability of the Company, the capital adequacy (Solvency II) ratio at the end of the year is well above the requirements set by the Bank of Latvia.

BALTA provides a wide range of insurance products, and excellent customer service, together with well-considered investments in brand promotion, prevention and safety activities. By navigating an ever-evolving industry landscape, BALTA has remained focused on delivering value, fostering customer trust and adapting to emerging trends. It has all enabled BALTA to retain the leading position not only by market volume, but also by customer recognition and brand reputation. BALTA is evaluated by customers as the market leader among insurance companies in terms of brand awareness and social responsibility, customer service, first choice and consideration. Additionally, BALTA has been recognized by customers as the most honest, humane and loved insurance brand while industry experts have recognized and praised BALTA achievements in customer experience excellence.

BALTA possesses the strongest image in the market, which is mainly due to high brand awareness and a large customer base. BALTA’s brand positioning embraces the most humane and empathic customer service in combination with the best protection in the market, especially against severe cases. Extremely strong BALTA brand performance is also seen in the annual brand research, with the total brand awareness indicator reaching 91%, while the first choice indicator has increased by 2 p.p. compared to 2022 reaching 24%. BALTA is mostly recognized by customers for a positive collaboration experience, excellent customer service, good reputation and acceptable price offers.

In 2023 BALTA launched several advertising, social responsibility and safety prevention related campaigns as well as sponsorships, large-scale donations and numerous customer experience related initiatives. Within the “Crazy safe summer” campaign, which is also part of the Company’s society support initiatives, BALTA provided free personal accident insurance for the summer period to more than 26.7k children in Latvia, including Ukrainian children seeking refuge, whilst the BALTA Safety Academy, educational digital platform on safety prevention, received a new look and feel to respond to customer needs and provide a seamless experience. In the second half of the year BALTA was present with several product advertising campaigns, and the measurable increase in sales and positive feedback from customers reflects the campaign success. All of the activities mentioned above resulted in increased brand awareness and strengthened BALTA’s leader position in the industry.

Both the financial performance and the Company’s customer focus, supported by awards from independent external experts and customer recognition in the Latvian market, ensure BALTA’s leading position in the Latvian insurance market and gives it a strong platform for further growth and development.

*Gross written premiums are the total amount of premiums written by insurance company(-ies) during period from 1 January 2023 to 31 December 2023 before deductions for reinsurance.

Insurance market in 2023

According to the market data provided by the Latvian Insurers Association, in 2023 there is an increase in gross written premiums in the insurance market* by 14 percent, but the actual increase is higher as the data does not include all insurance market participants. This is the second consecutive year of a double-digit growth in the insurance market. The biggest contributor to the increase is average premium increase forced by high inflation of claims costs, but it is also partially supported by an increase in the number of customers, which has occurred despite the decline in purchasing power and economic recession. We conclude that the understanding of risk in Latvian society has progressed. Many customers understand that in more difficult economic conditions, protecting themselves from financial losses is especially important, because in such conditions, unexpected and large financial expenses are an even greater threat than in times of economic growth. Increases in claims inflation required continuous revisions of claims development forecasts and reviews of premium rate adequacy to assure product profitability.

At the time of preparing the report, reliable data on the growth of the Latvian non-life insurance market* is provided by the Bank of Latvia at the end of the 4th quarter, which shows a market growth of 18 percent compared to the previous year. The high market growth, 23 percent compared to the previous year, could be observed also in 2022. Undeniably, the main driver of the increase is claims inflation, but in general, there is also an increase in the number of insured customers. For example, according to CSDD (Road Traffic Safety Directorate) data, the number of vehicles insured by motor third party liability (hereinafter - MTPL) increased by 4 percent during the year.

By the division of insurance products, the biggest increases can be seen in the largest four market products (health, motor own damage (hereinafter - MOD), property, MTPL), which have grown by 20 percent or more. These four types of insurance account for almost 90 percent of the total market. Data shows that claims inflation in property and motor insurance types (MOD, MTPL) is starting to decrease, but in health insurance it is still at a high level.

Looking ahead to market developments in 2024, we believe that market growth will moderate as claims inflation pressures ease and still high Euribor rates hamper sales of new cars and apartments. However, we expect that the interest of customers will continue to grow, not only in insurance, but also in prevention and a safe working environment, especially from industries where insurance risks are high. BALTA continues to work on the education, and the prevention of claims, as this is in the interests of customers, insurers and society as a whole.

* the insurance market includes non-life insurers and life insurers' health and accident products.

Risk management

The objective of the Company's risk management system is to ensure integrated, consistent, prudent and appropriate management of its insurance portfolios, investments and daily operations, taking into account the size, complexity and objectives of the chosen business strategy. The risk management strategy, which is an integral part of the risk management system, supports the Company's business strategy and helps to achieve its objectives by avoiding excessive risk-taking, at the same time enhancing the Company's value and ensuring its financial stability.

The risk management process consists of the risk identification, measurement and assessment, monitoring and control, reporting and management actions. Risk identification starts with the idea of creating a new insurance product, acquiring a financial instrument or changing an operating process, as well as at the point when any other events take place which could potentially create a risk. Once identified, all risks are measured and assessed based on capital need or other quantitative or qualitative assessment criteria, both at an individual and at an aggregated level. Each identified risk is subject to monitoring and control in accordance with the procedure specified in the dedicated risk management policies. The method is proportionate to the nature, scale and complexity of this risk. Risk management actions are taken by operational units (first line of defense), the key functions (risk management function, actuarial function, compliance function and financial controlling function), Committees (especially Risk Committee that considers the risk actualities, changes to the risk appetite and risk profile, risk tolerance limits and other indicators of material risks and assesses the impact of each of these changes, as well as decides on risk mitigation actions) and the Management Board, ensuring that risk levels have not exposed the Company to excessive levels of risk appetites as determined by the Company.

According to management knowledge in the reporting period, no risk has materialized that could adversely affect the Company's business to a significant extent.

Capital adequacy and solvency are under the constant focus of BALTA.

Despite the fact that in order to curb the rapidly growing inflation, the European Central Bank continued a cycle of interest rate hikes also in 2023, the Company observed the increase of its investment portfolio market value in 2023 versus the decrease observed in 2022.

The Company’s chosen business strategy, prudent investment strategy and profitable performance has ensured the financial stability of the Company – the solvency ratio as at 31 December 2023 was well above the requirements set by the Bank of Latvia.

Stress tests are performed within the Own Risk and Solvency assessment process to assess the impact of a number of adverse insurance, financial and operational risks on the Company’s solvency. It was demonstrated by modelling several adverse stress scenarios that capital adequacy and solvency of BALTA was sufficient, and the Company would be able to meet its liabilities towards customers and retain its financial stability also under unexpected adverse scenarios.

Customer service and payment of claims

Customer continues to be one of four pillars of the Company’s business strategy, therefore, BALTA had an extremely strong focus on customers and their experience also in 2023.

BALTA continues to measure customer satisfaction and gathers customer feedback across various channels, including Customer Effort Score (CES) for online purchases and claim submission, Customer Satisfaction Score both online and offline, relationship Net Promoter Score (NPS) as well as touchpoint NPS after the purchase and after claim handling. Remarkably, sales NPS in 2023 was 72 and has increased by 4 points compared to 2022 while claims NPS in 2023 was 70 and increased by 2 points compared to the last year even when in the summer of 2023 there was high increase in claims due to hail and storm damages.

In line with the BALTA Strategy, two Customer Enabler teams – Customer Experience Team and Senior Management Team Customer Committee – continued to actively work to examine customer experience topics. In 2023, the work was also started by the Operational customer experience group, which includes representatives from various BALTA departments. Operational customer experience group meets once a week with aim to review and analyze customer open-end reviews from NPS and CES customer satisfaction surveys received in the previous week. Based on the obtained results, ideas for implementing improvements of customer experience are initiated. On average more than 1100 customer comments are being analyzed each week.

Customer experience management as a separate structural unit was established at the end of 2023. The Customer experience team is currently working on several strategic projects with the aim to improve overall customer experience, such as a review of insurance renewal processes, balta.lv web page content audit and migration to a new page, customer experience training for all BALTA employees, reward initiatives for loyal customers and many more. In addition, the Customer experience team took a lead in agents' trainings on how to provide more customer focused sales conversations.

In order to reduce customer "pain" points, align communication between channels and products, and improve customer guidance through written communication, mapping of several customer experience processes was implemented, as well as new communication touchpoints including a welcome message for new customers and customers who have signed up for receiving BALTA news. A payment button was added to policy issuance e-mails and proposals to improve customer payment process and promoting an even more convenient customer experience. To strengthen BALTA's leadership position in the industry as the safety and prevention expert, BALTA continues to develop the digital education platform Safety Academy. The Safety Academy platform provides an opportunity to share industry leader worthy content regards prevention, and educate society on how to stay safe. Seasonal newsletters are sent quarterly to customers in order to raise awareness on safety and prevention.

Along with other activities, BALTA continues to improve claims processes, including the online claims application process which popularity and usability among customers is increasing on daily basis. At this point the online claims application process is provided for nine products resulting in online applications ranging from 45 to 98% of all claims submitted depending on the product. The BALTA mobile app, in addition to the self-service portal, is appreciated by customers as a very convenient solution, especially in the health claims process. Although the number of online claims submissions is growing among all products, in 2023 the highest increase is registered in property insurance.

In 2023 strong focus continued in the area of health insurance claims decision automatization in order to respond to customer's demand for faster claims process review – several improvements were implemented, including Optical Character Recognition (OCR) and usage of data analytics tools, resulting in a more seamless and effortless health customer experience, reflected in achieving the highest yet NPS result in health insurance.

In 2023 several hazardous weather events, including disastrous storms with hail, were registered in Latvia resulting in extensive losses for both private and corporate customers, therefore significant effort was paid to ensure fast and effective settlement of losses in order to provide support for all customers in a timely and effective way. Additionally, an increased number of claims throughout the year was registered in Home assistance and GTPL products, showing a positive tendency in the overall level of society awareness about those insurance product lines.

BALTA achievements in customer experience were also recognized by industry experts, in the prestigious International Customer Experience Awards (ICXA) 2023 BALTA was awarded 1st place in categories "Best Learning and Development" and "Best Employee Driven CX" and 3rd place in categories "CX Team of the Year" and "Best Use of Customer Insight and Feedback".

Working environment in the Company and professional development of staff

In 2023, BALTA focused on 4 main HR priorities: improvement and management of hybrid working model, maintaining employee engagement and positive collaboration, promotion of employee well-being and promotion of employee volunteering activities.

Successful hybrid working model continued, in line with the local market financial service sector approach. All administrative employees were consolidated into one office building in October 2022 for the winter period to efficiently manage expenses given the significantly increased heating and energy costs, in 2023 we continued to work from one office building. We continue to ensure comfortable working conditions for our employees.

The Company also continued the successful Mentoring program, providing support for employees' development using a structured methodology. Special attention was paid to strengthening employees' understanding of creating the best customer experience.

BALTA continued the Work and Life Balance program, which, among others, supports employees with long service in the Company by assigning additional holidays, providing special support for mothers with young children, special benefit packages for employees with children, and additional holidays to employees on important occasions. Special attention was devoted to wellbeing matters, providing various training as well as other types of activities to strengthen the physical and mental well-being of employees.

In accordance with the strategy of environmental, social and governance factors of the Company, it is important for BALTA to create a sustainable internal culture that is oriented towards the public interest, promoting the desire of employees to become trusted associates towards a sustainable lifestyle – looking at their role in society and engaging in volunteer service. We announced and introduced a volunteering programme, within the framework of which we engaged employees to take part in volunteering activities rewarding them also for that with additional holidays.

The health and work safety area is strictly controlled and taken care of by internal and external experts.

All our activities have led to the maintenance of a very strong, upper quartile employee engagement of 86%. Also, in 2023, for the second time, we won 3rd place in CV Online's top of the best employers in the financial sector.

Corporate sustainability

As the leading insurance company in Latvia and a responsible member of the society, BALTA conducts ethical and socially responsible business. The Company contributes to the welfare of people not only by supporting the development of business and taking care of its employees and customers, but also by managing its environmental, social and governance factors in a manner that adds value, strengthens relations with the local communities and provides a safer, more sustainable future for all.

BALTA views ESG as responsible capital management and implementation of voluntary business initiatives that benefit environment, market relations, work environment and society in general. All operations that BALTA conducts stem from the belief that the Company's business growth must be aligned with ESG areas and founded in a sustainable use of resources. Hence, related to responsible business practice, BALTA implements a wide range of social support activities including sponsorships, donations, insurance-based support, volunteer work and strategic project initiatives with the overall goal of promoting positive changes in local communities and the world.

In 2023, BALTA continued to actively carry out its recently developed ESG strategy and Sustainability programme and pursue sustainability initiatives, focusing on its goals and main strategic directions by prioritizing development and implementation of best practices in environment protection area, fostering social responsibility and upholding high governance standards. BALTA efforts include work on reducing carbon emissions, supporting society well-being initiatives and maintaining transparent governance practices. Strong focus in 2023 was also paid to ensure that internal procedures and daily practices are in line with existing and upcoming compliance requirements in ESG area by, for example, implementing guidelines on EU Taxonomy within the PZU Group as well as increasing overall ESG competency across organization.

Additionally, as mentioned previously, through "Crazy safe summer", prevention program "Safety Academy" and platform drosak.lv, BALTA also continued to actively support Ukraine's fight for independence and its people by making two large scale donations: in the beginning of the year BALTA donated its electricity generator to a field hospital in Zaporizhzhia, Ukraine, and later donated 150 computer sets to families in need, including Ukrainian refugee families in Latvia. Both donations were made in cooperation with the largest charity organization in Latvia – Ziedot.lv. In addition to that, BALTA also supported volunteers helping Ukraine by donating fire safety equipment to a humanitarian aid warehouse, one of the largest volunteer organizations dedicated to Ukraine's support in Latvia, association "Tavi draugi".

BALTA also carried out several internal communication campaigns of which the direct target audience was the Company's employees. Within the Company's Wellbeing programme, various activities were implemented with the aim of providing employees with the necessary knowledge and skills to promote personal well-being and productivity not only at work, but also in private life. In the middle of the year BALTA hosted an event for employees and their children that included both entertainment as well as informative activities, such as a lecture on safe behavior by State Police. The Company continued to provide its support to employees in the existing and also new ways, for example, offering additional paid holidays to those employees who are serving in the Latvian National Guard. In 2023 BALTA introduced Voluntary work program providing two additional paid vacation days for voluntary work.

In 2023, BALTA continued to carry out various initiatives of different scale across the Company's defined society support directions. BALTA sponsored its insurance products to several initiatives that correspond to BALTA values, including support to culture, several sporting events and youth education organizations – in overall in 2023 more than 40 sponsorship, society support and donation projects were realized. BALTA continued to take part in Society Integration Fund of Latvia project "Honorary Family" providing discounts for insurance services to families with three and more children, as well as families with handicapped children. BALTA also supported blood donor initiative by providing special discounts to the State Donor Center’s most active donors and organizing its own blood donation campaigns by engaging employees.

BALTA communicates its ESG initiatives and activities on a regular basis through its own channels, social networks and media. Independent experts and the society as a whole recognize the Company’s investments in the community, as well as the ethical and honorable attitude towards customers and business partners. Every year, BALTA participates in the strategic management tool "Sustainability Index - InCSR", which gives businesses the opportunity to receive independent expert evaluations and recommendations in the context of corporate social responsibility and ESG. In 2023 BALTA received the prestigious Platinum category in Latvian “Sustainability index” evaluation for the fifth time, highlighting the Company’s excellent approach towards managing its ESG factors in five sustainability aspects: strategy, market relations, environment, human resources and society support.

In 2023, BALTA was named as one of the best employers in Baltics by Kincentric Best Employers for the 7th time thanks to its excellent performance in the annual employee engagement survey. The Company also placed among TOP 3 employers in the Latvian finance sector in the CV Online annual best employers research. “Dive Group” named BALTA as the best customer service provider in the Latvian insurance sector, the Company received two awards for its communication campaigns in the Baltic Communication Awards “Mi:t&links” and retained its “Family friendly workplace” status handed out by Society Integration Foundation of Latvia. Additionally to that, BALTA is recognized by customers as most humane, loved and honest insurance company in Latvia.

BALTA also received two important and prestigious ISO certifications – ISO 50001 for the Company’s energy management system and ISO 27001 for its information safety management system.

Proposals regarding the distribution of the Company’s profit

In accordance with the Company’s Dividend policy the Supervisory Board and the Management Board of BALTA recommend to the Shareholders to distribute as dividends up to 12.5 million EUR net of tax and the remainder of 2023 net profit to be transferred to the Company’s Retained earnings.

Subsequent events

No events have taken place from the Statement of Financial Position date to the date of approval of these financial statements that could materially affect the annual performance, cash flows or the financial position or related disclosures of BALTA as at and for the year ended on the reporting date.

This report of the Supervisory Board and the Management Board is signed with a secure electronic signature and contains a time stamp.

Katarzyna Anna Galus,
Chairperson of the Supervisory Board

Iain Kennedy,
Chairman of the Management Board

20 March 2024

Statement of the Supervisory Board's and the Management Board's Responsibility

The Supervisory Board and the Management Board of AAS BALTA confirm that the financial statements for the year ended 31 December 2023 are prepared in accordance with the IFRS Accounting Standards as adopted by the European Union and that appropriate accounting policies have been applied on a consistent basis. The Supervisory Board and the Management Board of AAS BALTA are responsible for preparing these financial statements from the books of primary entry. The Supervisory Board and the Management Board confirm that these financial statements for the year ended 31 December 2023 present fairly the financial position of AAS BALTA at the end of the reporting year, and the results of its operations and cash flows for the reporting year.

Prudent and reasonable judgments and estimates have been made by the Supervisory Board and the Management Board in the preparation of the financial statements for the year ended 31 December 2023.

The Supervisory Board and the Management Board of AAS BALTA are responsible for the maintenance of proper accounting records, the safeguarding of the Company's assets and the prevention and detection of fraud and other irregularities in the Company. They are also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

This statement of the Supervisory Board's and the Management Board's responsibility is signed with a secure electronic signature and contains a time stamp.

Katarzyna Anna Galus,
Chairperson of the Supervisory Board

Iain Kennedy,
Chairman of the Management Board

20 March 2024

Financial statements

Statement of Comprehensive Income (All amounts in thousand euros)

	Notes	2023	2022 restated*
Insurance service result before reinsurance		**21 581**	**12 857**
Insurance revenue	4.1	158 107	127 925
Insurance service expenses	4.1	(136 526)	(115 068)
Income or expenses from reinsurance contracts held, net		**(1 683)**	**(3 884)**
Allocation of reinsurance premiums paid	4.2	(6 782)	(5 470)
Amounts recoverable from reinsurers	4.2	5 099	1 586
Insurance service result		**19 898**	**8 973**
Net finance income/(expenses) from insurance contracts	5	(547)	(12)
Net finance income/(expenses) from reinsurance contracts	5	346	56
Investment income			
Interest income	6	2 576	1 276
Net profit / (loss) on financial assets	7	202	(175)
Movement in allowances for expected credit losses, net	8	(4)	117
Investment management expenses		(416)	(367)
Interest expenses	24	(30)	(22)
Other operating income and expenses, net	9	(822)	(913)
Profit before tax		21 203	8 933
Corporate income tax for the reporting year	10	(810)	-
Profit for the year		**20 393**	**8 933**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Debt investments at FVOCI net change in fair value	16	6 932	(11 850)
Net finance income/(expenses) from insurance contracts	5	(2 192)	5 111
Net finance income/(expenses) from reinsurance contracts	5	418	(753)
Other comprehensive income for the period, net of tax		**5 158**	**(7 492)**
Total comprehensive income for the reporting year		**25 551**	**1 441**

*the restatement of comparative data resulting from the first application of IFRS17 is described in section 2.3.3.

All profit is attributable to the shareholder of AAS BALTA.
Notes on pages 15 to 56 are an integral part of these financial statements.

This financial statement is signed with a secure electronic signature and contains a time stamp.

Katarzyna Anna Galus,
Chairperson of the Supervisory Board

Iain Kennedy,
Chairman of the Management Board

20 March 2024

Statement of Financial Position (All amounts in thousand euros)

	Notes	31.12.2023	31.12.2022 restated*	31.12.2021 restated*
ASSETS				
Intangible assets	11	**3 230**	**2 939**	**2 572**
Property and equipment	12	**4 017**	**4 036**	**4 242**
Insurance contract assets	13	**213**	**43**	**20**
Reinsurance contract assets	14	**9 692**	**6 214**	**7 045**
Financial investments at fair value through profit or loss	15	2 865	2 667	2 846
Financial investments at fair value through other comprehensive income	16	167 038	138 222	124 023
Total financial investments		**169 903**	**140 889**	**126 869**
Accrued income and deferred expenses	17	1 069	750	814
Receivables	18	**3 490**	**3 333**	**2 090**
Cash and cash equivalents	19	**8 619**	**7 345**	**11 458**
TOTAL ASSETS		**200 233**	**165 549**	**155 110**

*the restatement of comparative data resulting from the first application of IFRS17 is described in section 2.3.3.

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Katarzyna Anna Galus,
Chairperson of the Supervisory Board

Iain Kennedy,
Chairman of the Management Board

20 March 2024

Statement of Financial Position (All amounts in thousand euros)

	Notes	31.12.2023	31.12.2022 restated*	31.12.2021 restated*
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	20	6 619	6 619	6 619
Share premium	20	1 596	1 596	1 596
Reserve capital and other reserves	20	4 357	4 357	4 357
Fair value reserve – debt investments at FVOCI	16, 20	(4 074)	(11 006)	844
Insurance finance reserve	20	3 590	5 364	1 006
Retained earnings		68 322	52 941	44 008
TOTAL SHAREHOLDERS' EQUITY		**80 410**	**59 871**	**58 430**
LIABILITIES				
Insurance contract liabilities	13	**110 171**	**96 471**	**87 185**
Insurance contract liabilities for remaining coverage	4.3	52 990	45 834	36 172
Insurance contract liabilities for incurred claims	4.3	57 181	50 637	51 013
Reinsurance contract liabilities	14	**288**	**413**	**586**
Taxes and the state compulsory social insurance contributions	21	878	834	699
Accrued expenses and deferred income	22	5 421	4 176	4 171
Other creditors	23	2 275	2 887	3 099
Lease liabilities	24	790	897	940
Total creditors		**9 364**	**8 794**	**8 909**
TOTAL LIABILITIES		**119 823**	**105 678**	**96 680**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**200 233**	**165 549**	**155 110**

*the restatement of comparative data resulting from the first application of IFRS17 is described in section 2.3.3.

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20 March 2024

Statement of Changes in Shareholder's Equity (All amounts in thousand euros)

	Note	Share capital	Share premium	Reserve capital and other reserves	Fair value reserve – debt investments at FVOCI	Insurance finance reserve	Retained earnings	Total
Balance as at 31 December 2021, as previously reported		**6 619**	**1 596**	**4 357**	**844**	**-**	**47 034**	**60 450**
Adjustment on initial application of IFRS17, net of tax		-	-	-	-	1 006	(3 026)	(2 020)
Balance as at 31 December 2021, restated		**6 619**	**1 596**	**4 357**	**844**	**1 006**	**44 008**	**58 430**
Total comprehensive income for the year		**-**	**-**	**-**	**(11 850)**	**4 358**	**8 933**	**1 441**
Profit for the year		-	-	-	-	-	8 933	8 933
Other comprehensive income		**-**	**-**	**-**	**(11 850)**	**4 358**	**-**	**(7 492)**
Net change in fair value reserve	16	-	-	-	(11 850)	-	-	(11 850)
Net change in insurance finance reserve	20	-	-	-	-	4 358	-	4 358
Balance as at 31 December 2022, restated		**6 619**	**1 596**	**4 357**	**(11 006)**	**5 364**	**52 941**	**59 871**
Total comprehensive income for the year		**-**	**-**	**-**	**6 932**	**(1 774)**	**20 393**	**25 551**
Profit for the year		-	-	-	-	-	20 393	20 393
Other comprehensive income		**-**	**-**	**-**	**6 932**	**(1 774)**	**-**	**5 158**
Net change in fair value reserve	16	-	-	-	6 932	-	-	6 932
Net change in insurance finance reserve	20	-	-	-	-	(1 774)	-	(1 774)
Transactions with the owners of the Company		**-**	**-**	**-**	**-**	**-**	**(5 012)**	**(5 012)**
Distributed dividends		-	-	-	-	-	(5 012)	(5 012)
Balance as at 31 December 2023		**6 619**	**1 596**	**4 357**	**(4 074)**	**3 590**	**68 322**	**80 410**

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20 March 2024

Statement of Cash Flows (All amounts in thousand euros)

	Notes	2023	2022
Cash flows from operating activities			
Premiums received from direct insurance		164 592	138 627
Claims paid for direct insurance		(85 908)	(71 762)
Payments received from ceded reinsurance		499	125
Payments made for ceded reinsurance		(5 023)	(4 049)
Corporate income tax paid		(810)	-
Mandatory payments	26	(1 542)	(1 277)
Other expenses		(47 245)	(41 810)
Net cash from operating activities:		**24 563**	**19 854**
Cash flows from investing activities			
Disposal of investments		67 839	31 740
Acquisition of investments		(86 663)	(55 945)
Purchase of property and equipment		(651)	(415)
Purchase of intangible assets		(1 540)	(1 512)
Proceeds from sale of property and equipment		-	16
Interest received from debt securities		2 975	2 386
Net cash used in investing activities:		**(18 040)**	**(23 730)**
Cash flows from financing activities			
Paid dividends		(5 012)	-
Payments made for lease liabilities, including interest	24	(236)	(240)
Net cash used in financing activities:		**(5 248)**	**(240)**
Result of foreign exchange rate fluctuations on cash and cash equivalents		**(1)**	**3**
Net increase / (decrease) in cash and cash equivalents		**1 274**	**(4 113)**
Cash and cash equivalents at the beginning of reporting year		7 345	11 458
Cash and cash equivalents at the end of reporting year	19	**8 619**	**7 345**

Notes on pages 15 to 56 are an integral part of these financial statements.

This financial statement is signed with a secure electronic signature and contains a time stamp.

Katarzyna Anna Galus,
Chairperson of the Supervisory Board

Iain Kennedy,
Chairman of the Management Board

20 March 2024

Notes to the Financial statements

1. GENERAL INFORMATION

AAS BALTA (hereinafter "the Company") is an insurance joint stock company which was registered in Riga, the Republic of Latvia in 1992. The Company was re-registered with the Commercial Register on 6 June 2002. The Company offers a wide range of non-life insurance services both to corporate clients and individuals. The Company has received licences in all non-life insurance types, in which it provides services. The licences have been issued by Financial and Capital Market Commission of the Republic of Latvia from 1996 to 1999 and re-registered in 2002.

Name of the Company:	Insurance Joint Stock Company BALTA
Legal address of the Company:	10 Raunas Street, Riga, LV-1039, Latvia
Phone:	(+371) 6708 2333
Tax payer's code:	LV40003049409
State Revenue Service department:	Department of large tax payers
Shareholder:	POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A., a joint-stock company, Poland (100%), Rondo Ignacego Daszyńskiego 4, 00-843 Warszawa, Poland

The Company's shares are not listed. The Company belongs to a group whose parent company trades its shares on the Warsaw Stock Exchange and whose main shareholder is the State Treasury of Poland owning more than 34% of the shares.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. Consistent accounting principles have been applied to the financial years presented in these financial statements, except this is the first set of the Company's annual financial statements in which IFRS 17 *Insurance contracts* have been applied. The related changes to material accounting policies are described in Note 2.3.

2.1 BASIS OF PREPARATION

2.1.1 Statement of Compliance

These financial statements were prepared in accordance with IFRS Accounting Standards as adopted by the European Union (hereinafter "EU") and in accordance with the regulations issued by Financial and Capital Market Commission of the Republic of Latvia (hereinafter "FCMC") applicable to insurance companies.

These financial statements have been authorised for issue by the Management Board on 20 March 2024. The shareholders have the power to reject the financial statements prepared and issued by the management and the right to request that new financial statements be issued.

2.1.2 Functional and presentation currency

All amounts in the financial statements are shown in euro (EUR), the Company's functional currency, unless otherwise stated.

2.1.3 Basis of measurement

The financial statements have been prepared on current historical costs except for the following captions that are stated at fair value: financial instruments carried at fair value through profit or loss and financial instruments carried at fair value through other comprehensive income. The financial statements have been prepared in accordance with the accounting principle that the Company will continue as a going concern.

2.1.4 Reporting year

The reporting period comprises the 12 months from 1 January 2023 to 31 December 2023.

2.1.5 Estimates

The preparation of financial statements in conformity with IFRS Accounting Standards as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where estimates and judgments are significant to the financial statements are disclosed in Note 3.

2.2 NEW STANDARDS AND INTERPRETATIONS

2.2.1 Standards and interpretations effective in the reporting period

New standards and amendments to standards, including any consequential amendments to other standards, effective for annual periods beginning on 1 January 2023, have not had a material impact on these financial statements except for adoption of IFRS 17 Insurance Contracts. This standard has brought significant changes to the accounting for insurance and reinsurance contracts. As the result, the Company has restated certain comparative amounts. The nature and effect of key changes are described in Note 2.3.3.

2.2.2 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2023 and have not been applied in preparing these financial statements.

2.3 IMPLEMENTATION OF IFRS 17

On 18 May 2017, the IASB issued IFRS 17 Insurance Contracts which replaced IFRS 4 Insurance Contracts, applicable until the end of 2022.

The aim of the new standard is to introduce completely new, uniform principles for the measurement of insurance contracts, ensuring greater comparability of statements between different insurers, as well as providing a number of new disclosures for the use of recipients of financial statements.

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

2.3.1. Transition

The Company applies IFRS 17 Insurance Contracts for the first time on 1 January 2023. Due to the need to prepare comparative figures, 1 January 2022 is assumed as the date of transition to the new standard. At the transition date, the Company:

- derecognised any existing balances from the statement of financial position that would not exist had IFRS 17 always been applied. These included technical reserves, certain deferred acquisition costs of insurance contracts, insurance and reinsurance receivables and payables;
- identified, recognized and measured each group of insurance contracts in accordance transition approaches below;
- recognized all the resulting net differences in the Shareholders equity.

The Company has applied full retrospective approach in measurement of insurance and reinsurance contracts at the transition date, except for liabilities for incurred claims occurred before 2013 Q4, for which the fair value approach was applied because of unavailability of risk-free rates for the corresponding periods in LVL currency and low materiality of these groups of contracts, and liabilities in PLN and USD occurred before 2015 Q4 based on similar considerations. Transition date rates were applied instead.

2.3.2. Presentation and disclosures

IFRS 17 significantly changes how insurance and reinsurance contracts are presented and disclosed in the Company's financial statements.

In the statement of financial performance (i.e. the statement of comprehensive income), the Company presents separately:

- insurance service result, comprising:
  - insurance revenue - the amount of remuneration to which the entity expects to be entitled in return for insurance services provided in the period;
  - insurance service expenses:
    - claims incurred in the current period, excluding any investment components, and other incurred insurance service expenses;
    - amortization of insurance acquisition cash flows;
    - changes that relate to past service, i.e. changes in fulfilment cash flows relating to the liability for incurred claims; and
    - losses on groups of onerous contracts, and reversals of such losses;
- insurance finance income or expenses:
  - effect of the time value of money;
  - effect of financial risk.

All rights and obligations arising from a portfolio of contracts are presented on a net basis in insurance liabilities or assets or reinsurance assets or liabilities, therefore, balances such as direct insurance and reinsurance receivables and payables will no longer be presented separately. Under IFRS 17, portfolios of insurance contracts and portfolios of reinsurance contracts that are assets and those that are liabilities are presented separately in the statement of financial position.

Amounts recovered from reinsurers and reinsurance expenses are presented on a net basis.

2.3.3. Impact of the application of IFRS 17 on the statement of financial positions as at 1 January 2022

	IFRS 4	Reclassifications	Differences in measurement of insurance and reinsurance contract assets and liabilities	IFRS17	
Assets					**Assets**
Intangible assets	2 572	-	-	2 572	Intangible assets
	-	-	20	20	Insurance contract assets
	-	5 290	1 755	7 045	Reinsurance contract assets
Property and equipment	4 242	-	-	4 242	Property and equipment
Financial investments	126 869	-	-	126 869	Financial investments
Reinsurers' share of insurance contract liabilities	6 785	(6 785)	-	-	
Deferred client acquisition costs	14 459	(14 459)	-	-	
Other accrued income and deferred expenses	899	(85)	-	814	Accrued income and deferred expenses
Receivables	20 586	(18 496)	-	2 090	Receivables
Cash and cash equivalents	11 458	-	-	11 458	Cash and cash equivalents
Total Assets	**187 870**	**(34 535)**	**1 775**	**155 110**	**Total Assets**
Shareholder's Equity and liabilities					**Shareholders' Equity and liabilities**
Shareholder's Equity					**Shareholders' Equity**
Share capital	6 619	-	-	6 619	Share capital
Share premium	1 596	-	-	1 596	Share premium
Reserve capital and other reserves	4 357	-	-	4 357	Reserve capital and other reserves
Fair value reserve – debt investments at FVOCI	844	-	-	844	Fair value reserve – debt investments at FVOCI
	-	-	1 006	1 006	Insurance finance reserve
Retained earnings	47 034		(3 026)	44 008	Retained earnings
Total Shareholders' Equity	**60 450**	**-**	**(2 020)**	**58 430**	**Total Shareholders' Equity**
Liabilities					**Liabilities**
Insurance contract liabilities	106 451	(106 451)	-	-	
	-	83 976	3 209	87 185	Insurance contract liabilities
	-	-	586	586	Reinsurance contract liabilities
Other creditors	20 969	(12 060)	-	8 909	Other creditors
Total Liabilities	**127 420**	**(34 535)**	**3 795**	**96 680**	**Total Liabilities**
Total Shareholder's Equity and liabilities	**187 870**	**(34 535)**	**1 775**	**155 110**	**Total Shareholders' Equity and liabilities**

The following columns of the table reflect the impact of the application of IFRS 17 on the statement of financial position as at 1 January 2022 including respectively:

- Reclassifications – balances measured in accordance with IFRS 4 carried from items that were recognised in the statement of financial position prepared in accordance with IFRS 4 to new items required under IFRS 17. The reclassifications do not influence the total Shareholder's equity of Company.
- Differences in measurement of insurance or reinsurance contract assets and liabilities presents the effect of change in the measurement of assets and liabilities as a result of the application of IFRS 17. The largest measurement differences in insurance contract liabilities result from the introduction of loss component related to onerous groups of insurance contracts in amount of EUR 1.3 million, different structure of expenses classified to insurance acquisition cashflows and corresponding changes in total amortization charges, as well as the application of the best estimate liability applying discounting based on current interest rates. Reinsurance contract assets increase is mainly due to recognition of reinsurer's part in incurred but not reported claims estimate in case of quota share reinsurance contracts held increasing both insurance contract liabilities and reinsurance contract assets.

2.3.4. Summary of accounting policies for insurance contracts

Identification of contracts in the scope of IFRS 17

In order to identify insurance contracts issued that are within the scope of IFRS 17, the Company verifies whether, under a given contract, the entity accepts a significant insurance risk from the policyholder and undertakes to compensate the policyholder for an adverse effect defined as an uncertain future insured event.

There are no significant changes in contracts in scope under IFRS 17 comparing with IFRS 4.

Level of aggregation

For measurement purposes, insurance contracts are aggregated into groups of insurance contracts. The first level of grouping is portfolios, where contracts with similar risk characterization and managed jointly are aggregated. In case of contracts with different risks included, these contracts are separated and grouped into different portfolios based on the risk characteristics. Each of portfolio is further split into quarterly cohorts.

In the Company, IFRS 17 introduces more detailed portfolios comparing with IFRS 4 based on portfolio risk characteristics and management process. Profitability is assessed at the level of the cohort. The implemented level of aggregation ensures that profits are recognized over time in proportion to the insurance service provided, and losses are recognized immediately when the entity assesses that the concluded contract is onerous.

Contract boundaries

The measurement of an insurance contract covers solely the cash flows that are within the contract boundary. The contract boundary separates future cash flows related to existing insurance contracts from future cash flows related to insurance contracts yet to be concluded.

The Company sets the contract boundary start at date of initial recognition of contract. Insurance contract is recognized from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from a policyholder becomes due;
- for a group of onerous contracts, when the group becomes onerous.

The Company sets the contract boundary end date when it cannot compel the policyholder to pay the premiums or when it no longer has a substantive obligation to provide the policyholder with insurance contract services. The substantive obligation ends when the Company has the practical ability to reassess the risk of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

There are no significant changes in contract boundaries under IFRS 17 comparing with IFRS 4 except recognition date differences where contract was recognised from the beginning of the coverage period.

Non-distinct investment component

In accordance with IFRS 17 investment component is defined as the amount that an insurance contract requires the Company to repay to a policyholder in all circumstances, regardless of whether an insurance event occurs. The Company has recognised two cases where a non-distinct investment component is present in the portfolio: financial collateral (cash deposits) received from the policyholders in the Bonds insurance portfolio and profit sharing agreements made with the policyholders or reinsurers in case of ceded reinsurance.

Cash deposits are treated as additional component of insurance contracts under IFRS 17 and at inception increases liability for remaining coverage, which amortizes proportionally to the respective insurance coverage over time, and the amortized part of deposit is transferred to the liability for incurred claims, for which discounting is applied. The insurance revenue and expenses in profit or loss statement are presented net of investment component, i.e. excluding movements of deposit balances.

In case of profit sharing agreements non-distinct investment component is evaluated as the maximum amount of potential profit share at the inception of the specific agreements and amortized proportionally to the respective insurance coverage over time. The insurance revenue and expenses are presented net of investment component, i.e. excluding the profit share amounts from insurance/reinsurance income and expenses. Liabilities are measured similarly as for insurance or reinsurance contract without profit share.

Attribution of Insurance acquisition cash flows, Expenses

The Company's costs that are attributable to insurance activity consist of two groups: Insurance acquisition cash flows and Expenses.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. They include commission for intermediaries and insurance agents, compensation to insurance agents, compensation to employees who works with intermediaries that is not direct commissions (e.g. fixed salaries, bonuses, sick leaves, etc.) and compensation to intermediaries that is not direct commissions. Where applicable costs include also tax.

Insurance acquisition cash flows that are not directly recognized to a particular portfolio are allocated to groups of contracts according to an internal acquisition cost allocation methodology with the primary driver being the amount of direct gross written commission.

Expenses arise from insurance activity and include costs as personnel, facilities, IT, finance, marketing and other expenditure to the extent they are not included in acquisition, claims handling or investment expenses. Expenses that are not directly recognized to a particular portfolio are allocated to groups of contracts according to an internal administration cost allocation methodology with the primary drivers being the amount of gross written premiums, insurance contract revenue and the number of insured objects.

Other operating income and expenses

The Company's costs of Other operating income and expenses include costs that were part of Expenses but that cannot be directly attributed to the portfolio of insurance contracts or should not be included in measurement of their profitability. The costs include such cost categories as: donations, sponsorship, internal and external communication, corporate social responsibility activities, social events and other.

Measurement method overview

The Company measures insurance contracts using Premium allocation approach (further – PAA) – a simplified measurement model which can be applied to measurement of insurance contracts with the coverage period below 1 year or where its application does not lead to significant changes in relation to General Measurement Model (further – GMM).

In the PAA, liability for remaining coverage is analogous to the provision for unearned premiums mechanism, without separate presentation of Risk adjustment and Contractual service margin (hereinafter - CSM). The Company does not adjust the carrying amount of liability for remaining coverage to reflect the time value of money and the effect of financial risk. Under the PAA approach, insurance acquisition cash flows are included in the liability for the remaining coverage and are amortized over the entire coverage period.

The liability for incurred claims is measured using the GMM (without CSM), wherein the total value of the insurance liability is calculated as the sum of discounted value of the best estimate of future cash flows and risk adjustment. The Company does not use the option from the IFRS 17 standard allowed in case of PAA to omit discounting of claims cashflows within one year from the date the claims are incurred.

The majority of Company's insurance and reinsurance contracts are concluded for one year or less being automatically eligible for PAA method. For groups of contracts with longer coverage period the Company has performed eligibility analysis showing that measurement of the liability for remaining coverage produced with PAA does not materially differ from the one that would be produced applying GMM.

Measurement – non-life insurance contracts

On initial recognition of each group of insurance contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received net of acquisition cash flows on initial recognition.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and amortisation of insurance acquisition cash flows and decreased by acquisition cash flows paid and the amount recognized as insurance revenue for services provided. Liability for remaining coverage is not adjusted to reflect the time value of money and the effect of financial risk.

If at contract inception or at any time during the coverage period, facts and circumstance indicate that a group of contracts is onerous, then the Company recognize a loss in profit or loss statement and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

The Company recognize the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. Future cash flows are discounted and risk adjustment for non-financial risk is applied.

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

Insurance finance income or expenses

The Company presents finance income or expenses from insurance and reinsurance in the profit or loss statement or in other comprehensive income. The Company recognizes the part of the finance income or expenses which is affected by changes in discount rates and changes in financial risk in the reporting period in other comprehensive income. For these calculations, "locked-in" discount rates are determined by setting the rates at the start of the claim accident month equal to the discount rates observed at that time.

2.4 INTEREST INCOME AND EXPENSE

Interest income and expense are recognised in the profit or loss statement for all interest bearing instruments on an accrual basis using the effective interest method. Interest income includes coupons earned on fixed income debt securities, interest on bank deposits and other loans and accrued discounts and premiums on discounted instruments.

2.5 FINANCIAL INSTRUMENTS

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

a) Financial assets measured at amortized cost

Financial assets measured at amortized cost using the effective interest rate method are non-derivative financial assets held within a business model whose objective is to hold assets in order to collect contractual cash flows, and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Financial assets measured at amortized cost are classified as Other receivables and Cash and cash equivalents in the statement of financial position. See accounting policy on Cash and cash equivalents.

b) Financial liabilities

Financial liabilities classified as liabilities measured using amortized cost are measured at amortized cost using the effective interest rate method.

c) Other financial instruments

The Company's investments in securities are classified as financial assets either at fair value through other comprehensive income or at fair value through profit or loss. The Company's overall investment objective is to maximize its total return (i.e. interest or dividends and increase in fair value) given a low to medium level of risk and within the given restrictions for the whole portfolio. Accordingly, the Company manages and evaluates the investment portfolio performance on a total return basis.

Financial instruments at fair value through profit or loss are financial assets that are upon initial recognition designated by the entity as at fair value through the profit or loss.

Financial instruments at fair value through other comprehensive income are financial assets that are upon initial recognition designated by the entity as at fair value through other comprehensive income. The Company holds financial investments apart from financial assets at fair value through profit or loss in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, as the main purpose of such business model is to ensure the funding and liquidity needed to settle the Company's insurance contract liabilities as they fall due. As well as the contractual terms of these financial investments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Purchases and sales of financial assets are recognised on the settlement date – the date on which the Company received or delivered the asset. Financial assets measured at amortized cost and financial assets at fair value through other comprehensive income are initially recognised at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred, and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through other comprehensive income and at fair value through profit or loss are subsequently carried at fair value. Financial assets measured at amortized cost are carried at amortised cost using the effective interest method.

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

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

The fair values of quoted investments are based on current bid prices. The Company does not have investments in unquoted financial assets at fair value through profit or loss, unquoted financial assets at fair value through other comprehensive income.

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

If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company has assumed that the credit risk on the asset had not increased significantly since its initial recognition. Based on the investment ratings of the

Company's investments in debt securities, the Company does not estimate a significant impact from the calculation of expected credit loss allowances for investments in debt securities according to IFRS 9.

2.6 RECEIVABLES

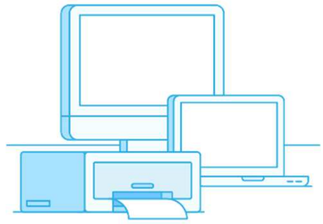
When amounts due from intermediaries become overdue, a reminder is sent and a limited grace period is granted to settle the outstanding amount. No impairment allowances are made with respect to amounts that have not yet become due.

All individually significant receivables are assessed for specific impairment allowance. All individually significant receivables found not to be specifically impaired are then collectively assessed for impairment allowance. Receivables that are not individually significant are collectively assessed for impairment allowance.

2.7 INTANGIBLE ASSETS AND PROPERTY AND EQUIPMENT

All property and equipment and intangible assets (including internally developed software) are stated at historical cost less accumulated depreciation and amortisation and impairment. Land is not depreciated. Depreciation and amortisation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life using the following rates set by the management:

Buildings	2% per year
Office equipment	20% per year
Computer equipment	25% per year
Internally developed software	20% per year
Vehicles	20% per year
Software	25% per year



Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if necessary.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and the cost of the expenditure item can be measured reliably. All other repairs and maintenance are charged to the profit or loss statement during the financial period in which they are incurred.

Leasehold improvements are written down on a straight line basis during leasehold period, but not longer than 5 years.

Profit or loss from disposal of property and equipment is calculated as the difference between the book value of the property and equipment and income generated from sale, and charged to the profit or loss statement as incurred.

2.8 FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into euro applying the euro foreign exchange reference rate published by the European Central Bank at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date foreign exchange reference rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss statement of the respective period.

	31.12.2023	31.12.2022
1 USD	EUR 1.1050	EUR 1.0666
1 PLN	EUR 4.3395	EUR 4.6808

2.9 CORPORATE INCOME TAX

a) Current tax

Current tax for the reporting year is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

As of 1 January 2018, according to the Law on Corporate Income Tax of the Republic of Latvia the tax rate is 20% of the taxable base, which equals to the taxable object, e.g. distributed profit (dividends calculated), divided by coefficient 0.8.

The Law on Corporate Income Tax also provides for the application of 20% tax rate to the taxable base, which consists of conditionally or theoretically distributed profit (such as non-operating expenses and other cases specified in the law). In accordance with IAS 12 Income taxes, income taxes include only such taxes that are based on the taxable profit, thus, corporate income tax calculated on the taxable base consisting of conditionally or theoretically distributed profit is shown under Other expenses.

b) Deferred tax

Deferred income tax is recognized for on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax calculations are based on the tax rates effective on the balance sheet date expected to be effective in the periods when the Company will realize the deferred tax asset or settle deferred tax liabilities. Under IAS 12 Income taxes, whenever there is a difference to tax rates being applied to distributed and undistributed profits, deferred tax assets and liabilities should be recognised by applying the rate applicable to undistributed profits.

According to the Law on Corporate Income Tax of the Republic of Latvia effective as of 1 January 2018, a 20% rate is applied only to distributed profits, while a 0% rate is to be applied to undistributed profits. Therefore, deferred tax assets and liabilities are recognisable at nil amount.

2.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Statement of cash flows is prepared using the direct method.

2.11 ACCRUALS FOR UNUSED EMPLOYEE VACATIONS

The amount of accruals is determined by multiplying average daily salary for the last six months by the amount of accrued vacation days at the end of the year plus related social tax.

2.12 EMPLOYEE BENEFITS

Short-term employee benefits, including salaries and social security contributions, bonuses and vacation benefits, are included in Administrative expenses on an accrual basis. The Company calculates annual bonuses for personnel based on the Company’s reporting year’s financial results and the achievement of personal goals. For some employees, a part of the annual bonus may be deferred and paid out in up to four years subsequent to the calculation year. There are no significant additional vesting conditions attached to this deferred part. The accruals for personnel bonuses represent the amount accrued as at the year end.

The Company pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees in accordance with local legal requirements. The Company is required to pay fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

2.13 SHARE CAPITAL AND DIVIDEND DISTRIBUTION

Ordinary shares are classified as equity.

Dividend distribution to the Company’s shareholder is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company’s shareholder.

2.14 IMPAIRMENT

a) Financial assets

The impairment model in IFRS 9 is based on an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. The Company on a regular basis assesses the expected credit loss of financial assets not carried at fair value.

The Company considers expected credit loss for receivables at both a specific asset and collective level. All term deposits with credit institutions are assessed for specific expected credit loss.

All individually significant receivables are assessed for specific expected credit loss. All individually significant receivables found not to be specifically impaired are then collectively assessed for expected credit loss. Receivables that are not individually significant are collectively assessed for expected credit loss. As the Company’s receivables are mostly short-term, the Company estimates that the expected credit loss allowances for Receivables from ceded reinsurance and Other debtors according to IFRS 9 are not material.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

For assets carried at fair value through other comprehensive income, all individually significant assets are assessed for specific expected credit loss using probability of default (PD) and loss given default (LGD) parameters of the specific financial instrument and Exposure at default (EAD). PD and LGD are estimated based on the most current published credit rating of the specific financial instrument and the corporate and sovereign default and recovery reports published by credit rating agencies.

b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication that an asset is impaired. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

2.15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company recognizes revenue over time (e.g. claims handling services) or at point in time (e.g. sale of salvage, income from cancellation of policies) as the corresponding performance obligations are fulfilled, and there is no significant judgement involved in determining the transaction price or determining when a performance obligation is fulfilled. Revenues in scope of IFRS 15 are included in Statement of Comprehensive Income captions Other operating income and expenses as well as a part of incurred claims, e.g. for salvage sales transactions. The Company has assessed that IFRS 15 does not have a material impact on the financial statements, and, thus, it does not provide additional disclosures as required by IFRS 15.

2.16 LEASES

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, IFRS 16 requires a lessee to recognise a right-of-use asset and a lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small electronic equipment and small items of office furniture). The right-of-use asset is depreciated and the liability accrues interest.

The Company as a lessee.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over period of lease term. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount expected to be payable under at residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

3. USE OF JUDGEMENTS AND ESTIMATES

Management makes judgments, estimates and assumptions that are applied in the process of preparation of financial statements and affect the reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those estimates.

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

The estimation of the fulfilment cash flows arising from claims made under insurance contracts is the Company's most significant accounting estimate.

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows (i.e. discounting); and
- a risk adjustment for non-financial risk.

Estimates of future cash flows

In estimating future cash flows, the Company accounts for all reasonable and supportable information available without undue cost or effort. This information includes both internal and external historical data concerning claims and other measurement components, updated to reflect current expectations about future events. The Company estimates the ultimate cost of settling incurred but unpaid claims using range of loss reserving methods based on assumption that the Company's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling claims is estimated separately for reported claims but not settled claims (RBNS), incurred but not reported claims (IBNR), claims handling costs as well as recoverable amounts from subrogation and salvage.

The estimate of costs from RBNS is based on a claims handler's best estimate for each individual claim. In cases when a claim is reported but the estimate is not prepared yet, the average claim amount in the corresponding business line is used as an initial claims reserve. Obligatory Motor TPL insurers receive recourse claims requests from State Social Insurance Agency (SSIA). These recourses are reported to insurance companies with a delay of one to three years from the accident date to the claims recourse reporting date. Recourses are requested for benefits and pensions already paid by SSIA. The Company's claims handlers assess the potential for long-term claim payments and annuity reserve for future payments is then established considering expected increase of future claims due to pension indexation and medical expense inflation, as well as demographic assumptions. Taking into account the long duration of future payments that expose claims reserves to a significant estimation uncertainty, the indexation assumption is derived combining economic assumptions with actuarial analysis of different potential claims development scenarios related to legislation changes regarding pensions and allowances. Economic assumptions include annual growth forecast of inflation and wage increase, which are based on Bank of Latvia published forecast for the next 3 years, extrapolated to the necessary length based on Company's view on long term development of these economic factors.

The estimated costs from IBNR and future claims handling costs are calculated using Bornhuetter - Ferguson method, except for specific insurance portfolios for which ultimate loss ratio method is applied. Estimates for recoverable amounts from subrogation and salvage are calculated using individual estimates of recoveries in combination with Bornhuetter - Ferguson method.

The assumptions used, including loss ratios, future claims inflation, claims cashflow patterns are derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

Discounting

The Company uses discount rate curves determined under the bottom-up approach, which assumes that discount curves will be determined as liquid risk-free rate curves adjusted for the illiquidity premium resulting from the difference in the liquidity characteristics of the rates observed in the market and the liquidity characteristics of the insurance contracts.

The cash flows from general non-life insurance products are liquid since they can be usually redeemed at any time without or with limited penalty and might be redeemed early with uncertain probabilities. However, cashflows stemming from annuities have features of highly illiquid. Based on that the Company applies illiquidity adjusted discount rates only to cashflows stemming from annuities, while for other cashflows uses risk free rates.

Risk free rates are determined applying EIOPA methodology. The premium for lack of liquidity (i.e. illiquidity premium) is defined as a difference between the average bid-ask spread of treasury bonds and average bid-ask spread corporate bonds, which are characterized by low liquidity on the secondary market.

Portfolio duration	31.12.2023					31.12.2022				
	1 year	5 years	10 years	20 years	40 years	1 year	5 years	10 years	20 years	40 years
Risk free rates										
EUR	3.36%	2.32%	2.39%	2.41%	2.71%	3.18%	3.13%	3.09%	2.77%	2.85%
PLN	4.95%	4.85%	5.10%	4.95%	4.36%	6.40%	6.74%	6.65%	6.01%	4.94%
USD	4.76%	3.50%	3.45%	3.46%	3.19%	5.07%	3.95%	3.75%	3.63%	2.82%
Rates for annuities										
EUR	3.41%	2.38%	2.45%	2.46%	2.77%	3.23%	3.18%	3.14%	2.82%	2.90%

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is compensation for the uncertainty about the amount and timing of cash flows arising from the groups of insurance contracts.

The risk adjustment for non-financial risk is determined using the value-at-risk method. The risk adjustment is established as a simple sum of risk adjustments for all groups of contracts in the portfolio, not accounting for any correlations between the groups. Finally, that value serves to establish the confidence level which takes into account the correlations and diversification effects between homogeneous risk groups. The parameters for risk adjustment are selected so that the final value of the risk adjustment for non-financial risk corresponds to a confidence level from the interval 75% - 85% determined by the Company as the confidence level expected for the purpose of determining non-financial risk in IFRS 17 financial reporting.

The Company's confidence levels for non-financial risk adjustment were 84% as at 31 December 2023 and 85% as at 31 December 2022.

Financial assets measurement

As indicated in Note 2.5, all financial assets measured at fair value are quoted. In a fair value hierarchy, based on inputs used in the valuation techniques, these fair values as at 31.12.2023 are categorised into Level 1: unadjusted quoted prices in active markets for identical assets and Level 2: unadjusted quoted prices in less active markets for identical or similar assets (as at 31.12.2022 – categorised into Level 1: unadjusted quoted prices in active markets for identical assets and Level 2: unadjusted quoted prices in less active markets for identical or similar assets).

4. INSURANCE AND REINSURANCE CONTRACTS

4.1. INSURANCE SERVICE RESULT BEFORE REINSURANCE

Insurance revenue and Insurance Service expenses for the year 2023:

	Insurance revenue	Insurance service expenses
Health	36 582	(33 289)
Motor own damage	42 746	(38 210)
Property	23 695	(21 725)
Obligatory Motor TPL	23 058	(18 807)
Other	32 026	(24 495)
Total	**158 107**	**(136 526)**

Insurance revenue and Insurance service expenses for the year 2022:

	Insurance revenue	Insurance service expenses
Health	26 119	(25 117)
Motor own damage	33 883	(32 910)
Property	18 819	(15 542)
Obligatory Motor TPL	20 131	(19 479)
Other	28 973	(22 020)
Total	**127 925**	**(115 068)**

4.2. INCOME OR EXPENSES FROM REINSURANCE CONTRACTS HELD

Allocation of reinsurance premiums paid and Amounts recoverable from reinsurers for the year 2023:

	Allocation of reinsurance premiums paid	Amounts recoverable from reinsurers
Motor own damage	(878)	1 514
Property	(3 313)	2 234
Obligatory Motor TPL	(634)	750
Other	(1 957)	601
Total	**(6 782)**	**5 099**

Allocation of reinsurance premiums paid and Amounts recoverable from reinsurers for the year 2022:

	Allocation of reinsurance premiums paid	Amounts recoverable from reinsurers
Motor own damage	(693)	528
Property	(2 399)	454
Obligatory Motor TPL	(498)	66
Other	(1 880)	538
Total	**(5 470)**	**1 586**

4.3. MOVEMENTS IN INSURANCE CONTRACT ASSETS AND LIABILITIES

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of the future cash flows	Risk adjustment for non-financial risk	
Net opening balance as at 31 December 2022	**44 358**	**1 328**	**47 823**	**2 919**	**96 428**
Assets	(180)	32	97	8	(43)
Liabilities	44 538	1 296	47 726	2 911	96 471
Changes in the statement of profit or loss and other comprehensive income					
Insurance revenue	**(158 107)**	**-**	**-**	**-**	**(158 107)**
Contracts measured under full retrospective approach	(158 107)	-	-	-	(158 107)
Insurance service expenses	**26 634**	**1 612**	**108 070**	**210**	**136 526**
Incurred claims and other insurance service expenses	-	(2 081)	108 070	210	106 199
Incurred in the period	-	(2 081)	117 291	1 695	116 905
Incurred in the past	-	-	(9 221)	(1 485)	(10 706)
Amortisation of insurance acquisition cash flows	26 634	-	-	-	26 634
Losses and reversals of losses on onerous contracts	-	3 693	-	-	3 693
Investment components	(10 423)	-	10 423	-	-
Insurance service result	**(141 896)**	**1 612**	**118 493**	**210**	**(21 581)**
Net finance expenses from insurance contracts without effect of foreign exchange movements	-	-	2 386	141	2 527
Effect of movements in foreign exchange rates	-	-	198	14	212
Total changes in the statement of profit or loss and other comprehensive income	**(141 896)**	**1 612**	**121 077**	**365**	**(18 842)**
Cash flows	**147 304**	**-**	**(114 932)**	**-**	**32 372**
Premiums received	175 488	-	-	-	175 488
Insurance service expenses paid, including investment components	-	-	(114 932)	-	(114 932)
Insurance acquisition cash flows	(28 184)	-	-	-	(28 184)
Net closing balance as at 31 December 2023	**49 766**	**2 940**	**53 967**	**3 285**	**109 958**
Assets	(284)	-	66	5	(213)
Liabilities	50 050	2 940	53 901	3 280	110 171

Loss component represents expected losses of onerous contracts. The largest part of losses in 2023 were recognized for two insurance portfolios – Crops and Health. Loss component for Crops portfolio recognized due to negative impact expected from unfavorable weather events at year end 2023. Loss component for Health based on assumptions about the volatility in claims size and reporting pattern, including the impact from forecasted claims inflation for remaining coverage.

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of the future cash flows	Risk adjustment for non-financial risk	
Net opening balance as at 31 December 2021	**33 654**	**2 476**	**48 077**	**2 958**	**87 165**
Assets	(86)	41	23	2	(20)
Liabilities	33 740	2 435	48 054	2 956	87 185
Changes in the statement of profit or loss and other comprehensive income					
Insurance revenue	**(127 925)**	**-**	**-**	**-**	**(127 925)**
Contracts measured under full retrospective approach	(127 925)	-	-	-	(127 925)
Insurance service expenses	**23 020**	**(1 147)**	**93 016**	**179**	**115 068**
Incurred claims and other insurance service expenses	-	(4 540)	93 016	179	88 655
Incurred in the period	-	(4 540)	98 571	1 536	95 567
Incurred in the past	-		(5 555)	(1 357)	(6 912)
Amortisation of insurance acquisition cash flows	23 020	-	-	-	23 020
Losses and reversals of losses on onerous contracts	-	3 393	-	-	3 393
Investment components	(9 643)	-	9 643	-	-
Insurance service result	**(114 548)**	**(1 147)**	**102 659**	**179**	**(12 857)**
Net finance expenses from insurance contracts without effect of foreign exchange movements	-	-	(4 826)	(215)	(5 041)
Effect of movements in foreign exchange rates	-	-	(55)	(4)	(59)
Total changes in the statement of profit or loss and other comprehensive income	**(114 548)**	**(1 147)**	**97 778**	**(40)**	**(17 957)**
Cash flows	**125 252**	**-**	**(98 032)**	**-**	**27 220**
Premiums received	150 903	-	-	-	150 903
Insurance service expenses paid, including investment components	-	-	(98 032)	-	(98 032)
Insurance acquisition cash flows	(25 651)	-	-	-	(25 651)
Net closing balance as at 31 December 2022	**44 358**	**1 328**	**47 823**	**2 919**	**96 428**
Assets	(180)	32	97	8	(43)
Liabilities	44 538	1 296	47 726	2 911	96 471

4.4. MOVEMENTS IN REINSURANCE CONTRACT ASSETS AND LIABILITIES

	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of the future cash flows	Risk adjustment for non-financial risk	
Net opening balance as at 31 December 2022	**515**	**-**	**(5 818)**	**(498)**	**(5 801)**
Assets	(467)	-	(5 309)	(438)	(6 214)
Liabilities*	982	-	(509)	(60)	413
Changes in the statement of profit or loss and other comprehensive income					
Allocation of reinsurance premiums	**6 782**	**-**	**-**	**-**	**6 782**
Amounts recoverable from reinsurers	**-**	**(652)**	**(4 507)**	**60**	**(5 099)**
Recoveries of incurred claims and other expenses incurred in the period	-	-	(5 353)	(110)	(5 463)
Changes for recoveries of incurred claims and other expenses incurred in the past	-	-	846	170	1 016
Recoveries and reversals of recoveries of losses which relate to onerous underlying contracts	-	(652)	-	-	(652)
Reinsurance investment components	138	-	(138)	-	-
Net expenses from reinsurance contracts held	**6 920**	**(652)**	**(4 645)**	**60**	**1 683**
Net finance expenses from insurance effect of changes in non-performance risk of reinsurers	-	-	1	-	1
Net finance income from reinsurance contracts without effect of foreign exchange movements	-	-	(529)	(41)	(570)
Effect of movements in exchange rates	-		(181)	(13)	(194)
Total changes in the statement of profit or loss and other comprehensive income	**6 920**	**(652)**	**(5 354)**	**6**	**920**
Cash flows	**(6 307)**	**-**	**1 783**	**-**	**(4 524)**
Premiums paid	(6 307)	-	-	-	(6 307)
Claims recovered and expenses paid	-	-	1 783	-	1 783
Net closing balance as at 31 December 2023	**1 129**	**(652)**	**(9 389)**	**(492)**	**(9 404)**
Assets	(289)	(652)	(8 276)	(475)	(9 692)
Liabilities*	1 418	-	(1 113)	(17)	288

*Negative liability in the section of incurred claims presents the balance of reinsurance portfolios which are allocated to liabilities based on their total carrying amount being liability. Allocation to liabilities is driven by remaining coverage due to payments for used cover paid later than service provided.

	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of the future cash flows	Risk adjustment for non-financial risk	
Net opening balance as at 31 December 2021	**106**	**-**	**(6 046)**	**(519)**	**(6 459)**
Assets	(523)	-	(6 006)	(516)	(7 045)
Liabilities*	629	-	(40)	(3)	586
Changes in the statement of profit or loss and other comprehensive income					
Allocation of reinsurance premiums	**5 470**	**-**	**-**	**-**	**5 470**
Amounts recoverable from reinsurers	**-**	**-**	**(1 557)**	**(29)**	**(1 586)**
Recoveries of incurred claims and other expenses incurred in the period	-	-	(2 140)	(140)	(2 280)
Changes for recoveries of incurred claims and other expenses incurred in the past	-	-	583	111	694
Recoveries and reversals of recoveries of losses which relate to onerous underlying contracts	-	-	-	-	-
Reinsurance investment components	136	-	(136)	-	-
Net expenses from reinsurance contracts held	**5 606**	**-**	**(1 693)**	**(29)**	**3 884**
Net finance expenses from insurance effect of changes in non-performance risk of reinsurers	-	-	1	-	1
Net finance income from reinsurance contracts without effect of foreign exchange movements	-	-	596	47	643
Effect of movements in exchange rates	-		49	4	53
Total changes in the statement of profit or loss and other comprehensive income	**5 606**	**-**	**(1 047)**	**22**	**4 581**
Cash flows	**(5 196)**	**-**	**1 273**	**-**	**(3 923)**
Premiums paid	(5 196)	-	-	-	(5 196)
Claims recovered and expenses paid	-	-	1 273	-	1 273
Net closing balance as at 31 December 2022	**515**	**-**	**(5 818)**	**(498)**	**(5 801)**
Assets	(467)	-	(5 309)	(438)	(6 214)
Liabilities*	982	-	(509)	(60)	413

*Negative liability in the section of incurred claims presents the balance of reinsurance portfolios which are allocated to liabilities based on their total carrying amount being liability. Allocation to liabilities is driven by remaining coverage due to payments for used cover paid later than service provided.

5. FINANCE INCOME OR EXPENSES RELATED TO INSURANCE AND REINSURANCE CONTRACTS

Net financial result year 2023:

	Health	Motor own damage	Property	Obligatory Motor TPL	Other	Total
Net finance income/(expenses) from insurance contracts						
Interest accreted	(3)	(18)	(22)	(234)	(43)	(320)
Effect of changes in interest rates and other financial assumptions	(1)	(24)	(81)	(1 924)	(177)	(2 207)
Net foreign exchange income / (expense)	-	-	-	(212)	-	(212)
Finance expenses from insurance contracts	**(4)**	**(42)**	**(103)**	**(2 370)**	**(220)**	**(2 739)**
Amounts recognised in profit or loss	(3)	(18)	(22)	(461)	(43)	(547)
Amounts recognised in other comprehensive income	(1)	(24)	(81)	(1 909)	(177)	(2 192)
Net finance income/(expenses) from reinsurance contracts						
Interest accreted	-	2	6	124	6	138
Effect of changes in interest rates and other financial assumptions	-	4	21	346	62	433
Net foreign exchange income / (expense)	-	-	-	194	-	194
Effect of changes in non-performance risk of reinsurers	-	-	-	(1)	-	(1)
Finance income from reinsurance contracts		**6**	**27**	**663**	**68**	**764**
Amounts recognised in profit or loss	-	2	6	332	6	346
Amounts recognised in other comprehensive income	-	4	21	331	62	418
Total finance income and expenses from insurance and reinsurance contracts	**(4)**	**(36)**	**(76)**	**(1 707)**	**(152)**	**(1 975)**
Amounts recognised in profit or loss	**(3)**	**(16)**	**(16)**	**(129)**	**(37)**	**(201)**
Amounts recognised in other comprehensive income	**(1)**	**(20)**	**(60)**	**(1 578)**	**(115)**	**(1 774)**

Net financial result year 2022:

	Health	Motor own damage	Property	Obligatory Motor TPL	Other	Total
Net finance income/(expenses) from insurance contracts						
Interest accreted	1	6	11	(111)	31	(62)
Effect of changes in interest rates and other financial assumptions	1	24	88	4 785	204	5 102
Net foreign exchange income / (expense)	-	-	-	61	(2)	59
Finance expenses from insurance contracts	**2**	**30**	**99**	**4 735**	**233**	**5 099**
Amounts recognised in profit or loss	1	6	11	(59)	29	(12)
Amounts recognised in other comprehensive income	1	24	88	4 794	204	5 111
Net finance income/(expenses) from reinsurance contracts						
Interest accreted	-	(1)	-	111	(8)	102
Effect of changes in interest rates and other financial assumptions	-	(4)	(19)	(650)	(72)	(745)
Net foreign exchange income / (expense)	-	-	-	(53)	-	(53)
Effect of changes in non-performance risk of reinsurers	-	(1)	-	-	-	(1)
Finance income from reinsurance contracts		**(6)**	**(19)**	**(592)**	**(80)**	**(697)**
Amounts recognised in profit or loss	-	(2)	-	66	(8)	56
Amounts recognised in other comprehensive income	-	(4)	(19)	(658)	(72)	(753)
Total finance income and expenses from insurance and reinsurance contracts	**2**	**24**	**80**	**4 143**	**153**	**4 402**
Amounts recognised in profit or loss	**1**	**4**	**10**	**8**	**21**	**44**
Amounts recognised in other comprehensive income	**1**	**20**	**70**	**4 135**	**132**	**4 358**

6. INTEREST INCOME

	2023	2022
From financial investments at fair value through other comprehensive income		
Government debt securities	2 199	1 006
Corporate debt securities	275	269
	2 474	**1 275**
Interest on cash and cash equivalents	102	1
	2 576	**1 276**

7. NET PROFIT / (LOSS) ON FINANCIAL ASSETS

	2023	2022
Financial assets at FVTPL unrealised gains / (losses)		
Investment funds	202	(175)
	202	**(175)**

8. MOVEMENT IN ALLOWANCES FOR EXPECTED CREDIT LOSSES, NET ON FINANCIAL INSTRUMENTS AND RECEIVABLES

	2023	2022
Debt instruments measured at FVOCI		
Government debt securities	(1)	1
Corporate debt securities	(4)	(5)
Receivables	1	121
	(4)	**117**

9. EXPENSES

Insurance Service Expenses:

	2023	2022
Claims and benefits	(89 069)	(77 230)
Recognition and amortization of loss component	(1 612)	1 147
Amortisation of insurance acquisition cash flow	(26 634)	(23 020)
Wages and salaries:		
- Salaries to staff	(7 660)	(6 461)
- State compulsory social insurance contributions	(1 678)	(1 399)
Payments to cooperation partners	(2 338)	(1 140)
Depreciation and amortisation costs	(1 613)	(1 521)
Information technology and communication expense	(1 445)	(1 199)
Payments to Motor Insurers Bureau (OMTPL mandatory deductions)	(1 222)	(1 062)
Premises utility, maintenance and repair expenses	(937)	(843)
Advertisement and public relations	(607)	(529)
Payments to Bank of Latvia	(299)	(267)
Professional services	(192)	(429)
Office expenses	(80)	(70)
Expenses for short-term leases and lease-related non-recoverable taxes	(68)	(94)
Transport	(33)	(31)
Other administrative costs	(1 039)	(920)
	(136 526)	**(115 068)**

Other operating income or expenses, net:

	2023	2022
Internal, External communication	(151)	(74)
Social events	(149)	(133)
Other, net	(521)	(706)
	(821)	**(913)**

10. CORPORATE INCOME TAX FOR THE REPORTING YEAR

	2023	2022
Distributed profit	5 012	-
Retained earnings arose till 31.12.2017 excluded from taxable base	1 771	1 771
Taxable base	4 051	-
Corporate income tax rate	20%	20%
Corporate income tax	**810**	**-**

11. INTANGIBLE ASSETS

	Software	Intangible assets development costs	Total
As at 31 December 2021			
Historical cost	10 220	268	10 488
Accumulated amortization	(7 916)	-	(7 916)
Net book amount	**2 304**	**268**	**2 572**
In 2022			
Additions arising from internal development	499	894	1 393
Additions arising from external development	2	117	119
Reclassified	932	(932)	-
Written-off	(1 494)*	-	(1 494)
Amortization for intangible assets written off	1 235*	-	1 235
Amortization charge	(886)	-	(886)
Closing net book amount	**2 592**	**347**	**2 939**
As at 31 December 2022			
Historical cost	10 159	347	10 506
Accumulated amortization	(7 567)	-	(7 567)
Net book amount	**2 592**	**347**	**2 939**
In 2023			
Additions arising from internal development	476	891	1 367
Additions arising from external development	57	116	173
Reclassified	1 048	(1 048)	-
Written-off	(937)*	-	(937)
Amortization for intangible assets written off	712*	-	712
Amortization charge	(1 024)	-	(1 024)
Closing net book amount	**2 924**	**306**	**3 230**
As at 31 December 2023			
Historical cost	10 803	306	11 109
Accumulated amortization	(7 879)	-	(7 879)
Net book amount	**2 924**	**306**	**3 230**

*The analysis of the continued use of intangible assets is performed once a year by performing an inventory process. In 2022, intangible assets that no longer provided financial benefits to the Company were identified and written-off. Those include old system development for products that are no longer actual or are replaced with newer versions in 2022; intangible assets with very small acquisition costs that require non-proportional managing time and are below the reassessed capitalization threshold; and a small number of assets that were capitalized due to process inefficiencies in 2022. Also in 2023, intangible assets that no longer provide financial benefits to the Company were identified and written-off. Those include old system development for features and products that are no longer actual or are replaced with newer versions in 2023 as well as intangible assets with very small acquisition costs that require non-proportional managing time and are below the capitalization threshold.

12. PROPERTY AND EQUIPMENT

	Land and buildings	Leasehold improve-ments	Right-of-use assets	Transport vehicles	Computers	Office equipment	Total
As at 31 December 2021							
Cost	6 229	660	1 506	167	1 487	1 013	11 062
Accumulated depreciation	(1 995)	(351)	(597)	(155)	(979)	(745)	(4 822)
Accumulated impairment	(1 998)	-	-	-	-	-	(1 998)
Net book amount	**2 236**	**309**	**909**	**12**	**508**	**268**	**4 242**
In 2022							
Additions	126	102	25	-	134	53	440
Disposals	-	(24)	(23)	(24)	(13)	(32)	(116)
Depreciation charge	(118)	(106)	(222)	(11)	(243)	(97)	(797)
Depreciation on disposed assets	-	24	15	23	13	32	107
Additions due to remeasurement of lease liabilities	-	-	160	-	-	-	160
Closing net book amount	**2 244**	**305**	**864**	**-**	**399**	**224**	**4 036**
As at 31 December 2022							
Cost	6 355	738	1 668	143	1 608	1 034	11 546
Accumulated depreciation	(2 113)	(433)	(804)	(143)	(1 209)	(810)	(5 512)
Accumulated impairment	(1 998)	-	-	-	-	-	(1 998)
Net book amount	**2 244**	**305**	**864**	**-**	**399**	**224**	**4 036**
In 2023							
Additions	2	152	103	-	453	44	754
Reclassification	-	-	-	-	18	(18)	-
Disposals	-	(40)	(236)	-	(100)	(65)	(441)
Depreciation charge	(122)	(117)	(210)	-	(245)	(82)	(776)
Depreciation on disposed assets	-	40	141	-	100	65	346
Additions due to remeasurement of lease liabilities	-	-	98	-	-	-	98
Closing net book amount	**2 124**	**340**	**760**	**-**	**625**	**168**	**4 017**
As at 31 December 2023							
Cost	6 357	850	1 633	-	1 979	995	11 814
Accumulated depreciation	(2 235)	(510)	(873)	-	(1 354)	(827)	(5 799)
Accumulated impairment	(1 998)	-	-	-	-	-	(1 998)
Net book amount	**2 124**	**340**	**760**	**-**	**625**	**168**	**4 017**

All land and buildings, and other property and equipment are used in the operating activities of the Company.

Right-of-use assets include leases of premises.

13. CARRYING AMOUNT OF INSURANCE CONTRACTS

Insurance contract assets and Insurance contract liabilities, as at 31 December 2023:

	Insurance contract assets	Insurance contract liabilities	
		Liabilities for remaining coverage	Liabilities for incurred claims
Health	-	8 126	1 814
Motor own damage	-	11 460	6 365
Property	-	7 526	7 071
Obligatory Motor TPL	-	7 728	29 042
Other	(213)	18 150	12 889
Total	**(213)**	**52 990**	**57 181**

Insurance contract assets and Insurance contract liabilities, as at 31 December 2022:

	Insurance contract assets	Insurance contract liabilities	
		Liabilities for remaining coverage	Liabilities for incurred claims
Health	-	7 802	1 453
Motor own damage	-	9 889	5 427
Property	-	5 919	5 633
Obligatory Motor TPL	-	7 011	26 006
Other	(43)	15 213	12 118
Total	**(43)**	**45 834**	**50 637**

14. CARRYING AMOUNT OF REINSURANCE CONTRACTS

Reinsurance Contract assets and Reinsurance contract liabilities, as at 31 December 2023:

	Reinsurance contract assets		Reinsurance contract liabilities
	Assets for remaining coverage	Assets for incurred claims	
Motor own damage	207	(1 364)	-
Property	65	(1 554)	118
Obligatory Motor TPL	98	(4 588)	36
Other	(1 312)	(1 244)	134
Total	**(942)**	**(8 750)**	**288**

Reinsurance Contract assets and Reinsurance contract liabilities, as at 31 December 2022:

	Reinsurance contract assets		Reinsurance contract liabilities
	Assets for remaining coverage	Assets for incurred claims	
Motor own damage	167	(405)	-
Property	(4)	-	167
Obligatory Motor TPL	95	(3 371)	36
Other	(725)	(1 971)	210
Total	**(467)**	**(5 747)**	**413**

15. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2023 Fair value	31.12.2022 Fair value
Investment funds	2 865	2 667
	2 865	**2 667**

The split between current and non-current financial investments at fair value through profit or loss is included in Note 31. Financial investments at fair value through profit or loss in total EUR 2.87 million (2022: EUR 2.67 million) are in Level 1 fair value hierarchy in accordance with IFRS 13 definitions.

16. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.12.2023 Fair value	31.12.2022 Fair value
Lithuanian government debt securities	44 708	31 120
Latvian government debt securities	39 011	26 036
Polish government debt securities	15 816	15 645
Romanian government debt securities	7 750	5 508
Italian government debt securities	5 513	5 503
Bulgarian government debt securities	5 150	4 044
Hungarian government debt securities	4 621	4 044
Indonesian government debt securities	4 118	4 077
Estonian government debt securities	3 260	-
Austrian government debt securities	3 100	745
Croatian government debt securities	2 596	1 650
Israeli government debt securities	2 564	2 556
Mexican government debt securities	2 164	1 255
Philippines government debt securities	1 319	1 250
Serbian government debt securities	1 316	1 187
Moroccan government debt securities	1 307	1 204
Peruvian government debt securities	1 304	1 231
French government debt securities	1 284	6 970
Spanish government debt securities	-	8 993
Corporate debt securities	20 137	15 204
	167 038	**138 222**

The split between current and non-current financial investments at fair value through other comprehensive income is included in Note 31. Financial investments at fair value through other comprehensive income in total EUR 145.53 million (2022: EUR 66.3 million) are in Level 1 fair value hierarchy and EUR 21.5 million (2022: EUR 71.9 million) are in Level 2 fair value hierarchy in accordance with IFRS 13 definitions.

As at 31 December 2023, debt securities in the amount of EUR 30.2 million were reclassified from Level 2 to Level 1 due to increased market activity and availability of quoted market prices for these securities. As at 31 December 2022, debt securities in the amount of EUR 25.6 million were reclassified from Level 1 to Level 2 fair value hierarchy due to a more limited market activity and availability of quoted market prices for these securities and EUR 0.7 million were reclassified from Level 2 to Level 1 due to an increased market activity and availability of quoted market prices for these securities.

No other reclassifications of financial investments between the levels of fair value hierarchy have taken place in 2023 or 2022.

As at 31 December 2023 and 31 December 2022, all financial investments at fair value through other comprehensive income are assessed as Stage 1 in line with IFRS 9 requirements.

Expected credit Loss amounts (ECL) and amounts of financial investments exposed to ECL are presented in table below:

		31.12.2023		31.12.2022
	Exposure	ECL	Exposure	ECL
Financial investments at fair value through other comprehensive income	167 037	24	138 222	29

The movement of fair value reserve – debt instruments at FVOCI in respect of financial investments at fair value through other comprehensive income:

As at 31 December 2021	**844**
Increase in fair value reserve	188
Decrease in fair value reserve	(12 038)
As at 31 December 2022	**(11 006)**
Increase in fair value reserve	6 950
Decrease in fair value reserve	(18)
As at 31 December 2023	**(4 074)**

17. ACCRUED INCOME AND DEFERRED EXPENSES

	31.12.2023	31.12.2022
Prepayments for software maintenance	585	370
Claims prevention expenses	264	323
Prepayments for rent*	148	25
Other deferred expenses	64	24
Insurance payments	8	8
	1 069	**750**

*Prepayments for rent have increased as at 31 December 2023 due to newly concluded lease agreement for office premises in Elemental business centre. For more details please refer to Note 24.

18. RECEIVABLES

	31.12.2023	31.12.2022
Receivables from insurance intermediaries	3 191	2 996
Other receivables	310	349
Expected credit losses for receivables	(11)	(12)
	3 490	**3 333**

19. CASH AND CASH EQUIVALENTS

	31.12.2023	31.12.2022
Cash in current accounts	8 619	7 345
	8 619	**7 345**

The management believes that Cash in current accounts is collectible in full, based on historic payment behaviour and analysis of corresponding credit institutions' credit risk, and impairment allowance for expected credit loss is not recognized due to being considered as immaterial.

20. SHARE CAPITAL

a) Issued and fully paid share capital

The total authorised number of ordinary shares is 4 728 064 (31.12.2022: 4 728 064). The nominal value of one share as at 31 December 2023 is EUR 1.4 (31.12.2022: EUR 1.4). All issued shares are fully paid. The share capital of the Company as at 31 December 2023 is EUR 6 619 290 (31.12.2022: EUR 6 619 290).

The Company's shares are not listed.

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

b) The sole shareholder

As at 31 December 2023, the largest shareholder of the Company with 4 728 064 or 100% shares (31.12.2022: 4 728 064 shares or 100%) is POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A., a joint-stock company.

c) Share premium

During the increase of share capital in the previous years, according to the share issue rules a share premium was set in addition to the nominal value of the shares. Share premium is available to shareholders, and there are no restrictions on share premium.

d) Reserve capital and other reserves

The reserves have been created by transferring profit from retained earnings to these reserves during the previous years in accordance with the applicable past Latvian legislation requirements and shareholders' decisions.

These reserves are available to shareholders, and there are no restrictions on those reserves.

e) Fair value reserve – debt instruments at FVOCI

The fair value reserve comprises the cumulative net change in fair value of debt securities at FVOCI. This amount is adjusted by the amount of loss allowance. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI and accumulated in fair value reserve is reclassified from equity to profit or loss. The fair value reserve cannot be distributed to shareholders.

f) Insurance finance reserve

The movement of insurance finance reserve in respect of finance income or expenses from insurance and reinsurance contracts recognized in other comprehensive income:

	Finance income or expenses from insurance contracts	Finance income or expenses from reinsurance contracts
As at 31 December 2021	**1 188**	**(182)**
Change in insurance finance reserve	5 111	(753)
As at 31 December 2022	**6 299**	**(935)**
Change in insurance finance reserve	(2 192)	418
As at 31 December 2023	**4 107**	**(517)**

21. TAXES AND THE STATE COMPULSORY SOCIAL INSURANCE CONTRIBUTIONS

	31.12.2023	31.12.2022
The state compulsory social security contributions and solidarity tax	514	483
Personal income tax	277	254
Value added tax	87	97
Liabilities	**878**	**834**

During the reporting year, the following tax payments were made:

	2023	2022
The state compulsory social security contributions and solidarity tax	6 175	5 696
Personal income tax	3 456	3 180
Value added tax	980	771
Corporate income tax	810	-
Property tax	32	32
Business risk state duty	3	3
	11 456	**9 682**

22. ACCRUED EXPENSES AND DEFERRED INCOME

	31.12.2023	31.12.2022
Financial accrued expenses		
Accruals for personnel bonuses	3 051	2 351
Accruals for unused employee vacations	896	852
Accruals for intermediary commissions	484	298
Accruals for social events	253	169
Accruals for claims handling expenses	171	191
Accruals for property, rent and utilities services	83	66
Accruals for audit expenses	39	26
Accruals for IT systems	39	29
Accruals for consulting services	29	5
Accruals for transport expenses	2	13
Accruals for other expenses	374	176
Total financial accrued expenses	**5 421**	**4 176**

	Accruals for personnel bonuses	Other accrued expenses and deferred income	Total
As at 31 December 2022	**2 351**	**1 825**	**4 176**
Additions	2 730	3 395	6 125
Used	(2 025)	(2 771)	(4 796)
Reversed	(5)	(79)	(84)
As at 31 December 2023	**3 051**	**2 370**	**5 421**
Long-term part	**350**	**-**	**350**
Short-term part	**2 701**	**2 370**	**5 071**

	Accruals for personnel bonuses	Other accrued expenses and deferred income	Total
As at 31 December 2021	**2 382**	**1 789**	**4 171**
Additions	2 082	2 913	4 995
Used	(2 000)	(2 750)	(4 750)
Reversed	(113)	(127)	(240)
As at 31 December 2022	**2 351**	**1 825**	**4 176**
Long-term part	**296**	**-**	**296**
Short-term part	**2 055**	**1 825**	**3 880**

23. OTHER CREDITORS

	31.12.2023	31.12.2022
Other financial creditors		
Commission payables	263	229
Due to personnel	887	826
Prepayments and refundable premiums	704	1 480
Payables to related parties	115	6
Other liabilities	90	110
Total other financial creditors	**2 059**	**2 651**
Other non-financial creditors		
Due to the Motor Insurers' Bureau of Latvia	144	165
Due to the Bank of Latvia	72	71
Total other non-financial creditors	**216**	**236**
	2 275	**2 887**
Long-term part	-	-
Short-term part	**2 275**	**2 887**

24. LEASE LIABILITIES

	Note	Lease liabilities
As at 1 January 2023		**897**
Changes from financing cash flows		
Payment of lease liabilities		(206)
Total changes from financing cash flows		**(206)**
Other liability-related changes		
New leases	12	103
Disposals		(102)
Additions due to remeasurement of lease liabilities	12	98
Interest accrued		30
Interest paid		(30)
Total other liability-related changes		**99**
As at 31 December 2023		**790**
As at 1 January 2022		**940**
Changes from financing cash flows		
Payment of lease liabilities		(218)
Total changes from financing cash flows		**(218)**
Other liability-related changes		
New leases	12	25
Disposals		(10)
Lease modifications	12	160
Interest accrued		22
Interest paid		(22)
Total other liability-related changes		**175**
As at 31 December 2022		**897**

The weighted average incremental borrowing rate applied to lease liabilities amounted to 6.74% (as at 31 December 2022: 3.87%).

Expenses relating to short-term and low value leases recognized in profit or loss statement in 2023 amounted to EUR 7 thousand (as at 31 December 2022 EUR 8 thousand) (including VAT).

The maturity profile and undiscounted cash flows of lease liabilities are disclosed in Note 31.2.

On 18 December 2023, the Company concluded an office premises lease agreement in the new Elemental business centre for an initial lease period of 5 years with the lease commencement date expected in July 2024. The lease contract includes the option for the Company to extend the lease for additional 5 years.

25. DIVIDENDS PER SHARE

In accordance with the Company's Dividend policy, the Supervisory Board and the Management Board of BALTA recommend to the Shareholders to distribute as dividend up to EUR 12.5 million or EUR 2.64 per share, and the remainder of 2023 net profit to be transferred to Company`s Retained earnings. According to the legislation of Latvia, the estimated corporate income tax liability for the distribution of the above dividend would amount to EUR 3.12 million.

If all of the Company`s Retained earnings as at 31 December 2023 were distributed as dividends, the estimated corporate income tax liability would amount to EUR 17.08 million (2022: EUR 13.24 million).

In 2023, the following dividends were declared and paid to the Shareholders of the Company: declared EUR 5.01 million or EUR 1.06 per 1 share (2022: EUR 0); paid: EUR 5.01 million or EUR 1.06 per 1 share (2022: EUR 0). In accordance with Latvian legislation for the paid dividends the corporate income tax in the amount of EUR 0.81 million was paid. The amount of unpaid dividends as at 31 December 2023 amounted to EUR 0 million (31.12.2022: EUR 0 million).

26. MANDATORY PAYMENTS

Types of mandatory payments made during the reporting year:

	2023	2022
Motor Insurers' Bureau of Latvia	1 243	1 015
Bank of Latvia	299	262
	1 542	**1 277**

In accordance with the requirements of the legislation of the Republic of Latvia payments to Bank of Latvia have to be made in amount of 0.143% from gross premiums collected in Obligatory Motor Third Party Liability (OMTPL) insurance and in amount of 0.202% from gross premiums collected in other types of insurance. Payments to Foundation of Insured Interests Protection amount to 1.000% of premiums collected from individuals in voluntary types of insurance. In 2023 and in 2022, in accordance with applicable legislation, no payments have been made as the total assets of Foundation of Insured Interests Protection exceeds EUR 11 million.

According to the law "On Obligatory Motor Third Party Liability Insurance" and related regulations of the Cabinet of Ministers of the Republic of Latvia, the Company has to make the following mandatory deductions from Obligatory Motor Third Party Liability insurance gross premiums:

- OMTPL Guarantees Foundation fixed sum for certain type of vehicle.
- Road Traffic Accidents Foundation 2% from signed insurance premium during the accounting period.
- Motor Insurers` Bureau of Latvia – a variable sum of EUR 0.32 (2022: EUR 0.39) per contract and a fixed sum of EUR 35 thousand per year (2022: EUR 40 thousand) or EUR 3 thousand per month (2022: EUR 3 thousand).

In 2023, OMTPL mandatory deductions amounted to EUR 1 222 thousand (2022: EUR 1 062 thousand).

27. OTHER INFORMATION

At the end of 2023, the Company employed 606 employees (2022: 597), of which 256 (2022: 248) are involved in insurance distribution.

The remuneration paid to the commercial company of certified auditors KPMG Baltics SIA for the audit of the financial statements 2023 amounts to the following: audit of annual financial statements, incl. VAT: EUR 66 thousand (2022: EUR 52 thousand).

28. TRANSACTIONS AND PAYMENTS TO RELATED PARTIES

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

a) A person or a close member of that person's family is related to a Company if that person:
   I. has control or joint control over the Company;
   II. has significant influence over the Company; or
   III. is a member of the key management personnel of the Company or of a parent of the Company.

b) An entity is related to a Company if any of the following conditions applies:
   I. The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   II. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   III. Both entities are joint ventures of the same third party.
   IV. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   V. The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
   VI. The entity is controlled, or jointly controlled by a person identified in (a).
   VII. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   VIII. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The parent company of the Company is POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A. (Poland).

Lietuvos Draudimas AB is a subsidiary of POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A.

Lietuvos Draudimas AB Estonia branch is a branch of Lietuvos Draudimas AB that is a subsidiary of POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A.

PZU Lietuva Gyvybes Draudimas UAB is a subsidiary of POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A.

PZU Centrum Operaciji SA is a subsidiary of POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A.

Towarzystwo Funduszy Inwestyjnych PZU S.A. is a subsidiary of POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A.

During the reporting year, the following transactions were carried out with related parties:

a) Transactions with related parties

	2023	2022
POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A. (PZU):		
Reinsurance transactions, net	**(1 092)**	**(3 366)**
Indemnity costs, claim handling fee and subrogations	(200)	(260)
Indemnity costs, claim handling fee and subrogations	65	42
	(135)	**(218)**
	(1 227)	**(3 584)**

	2023	2022
Lietuvos Draudimas AB:		
Fronting insurance transactions, net	**(21)**	**(31)**
Investment portfolio management services	(61)	(60)
Other services	(57)	(54)
Indemnity costs, claim handling fee and subrogations	(497)	(223)
Indemnity costs, claim handling fee and subrogations	107	55
	(508)	**(282)**
	(529)	**(313)**

	2023	2022
Lietuvos Draudimas AB Estonia branch:		
Indemnity costs, claim handling fee and subrogations	(2)	-
Indemnity costs, claim handling fee and subrogations	23	11
	21	**11**

	2023	2022
PZU Lietuva Gyvybes Draudimas UAB:		
Other services	(10)	(5)
	(10)	**(5)**

	2023	2022
PZU Centrum Operaciji S.A.:		
Other services	(52)	(29)
	(52)	**(29)**

	2023	2022
Towarzystwo Funduszy Inwestyjnych PZU S.A.:		
Investment portfolio management services	(110)	(95)
	(110)	**(95)**

Balances with related parties

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

	31.12.2023	31.12.2022
POWSZECHNY ZAKŁAD UBEZPIECZEŃ S.A. (PZU):		
Reinsurance transactions	(2 782)	(2 087)
Total liabilities	**(2 782)**	**(2 087)**
Reinsurance transactions	9 523	6 113
Other assets	135	45
Other (prepayments)	-	7
Total assets	**9 658**	**6 165**
	6 876	**4 078**

	31.12.2023	31.12.2022
Lietuvos Draudimas AB:		
Fronting insurance transactions	(19)	(13)
Other liabilities	(115)	(6)
Total liabilities	**(134)**	**(19)**
Fronting insurance transactions	54	26
Other assets	41	12
Total assets	**95**	**38**
	(39)	**19**

	31.12.2023	31.12.2022
Lietuvos Draudimas AB Estonia branch:		
Other assets	9	3
	9	**3**

Total liabilities	(2 916)	(2 106)
Total assets	9 762	6 203
Net assets	**6 846**	**4 097**

b) Management remuneration

In 2023, the Company calculated remuneration to the Management Board in the amount of EUR 1 268 thousand and compulsory state social security contributions EUR 235 thousand (2022: remuneration EUR 1 164 thousand and compulsory state social security contributions EUR 235 thousand) and to the Supervisory Board in the amount of EUR 18 thousand and compulsory state social security contributions EUR 4 thousand (2022: EUR 0 thousand).

29. CONTINGENT LIABILITIES AND COMMITMENTS

a) General claims

In the normal course of business, the Company constantly receives requests for claim payments. Such claims have been reviewed by the Company's management who is of the opinion that no material unprovided losses will be incurred.

b) Litigation

The Company, like other insurers, is subject to litigation in the normal course of its business. As at 31 December 2023 there were 14 (31.12.2022: 21) pending cases of litigation versus the Company for a total of EUR 1 501 thousand (31.12.2022: EUR 2 868 thousand). The management is of the opinion that no material unrecognized losses will be incurred.

c) Capital commitments

The Company does not have any capital commitments as at 31 December 2023 (31.12.2022: none).

d) Tax contingencies

The local tax authorities have the power to examine the tax position of the Company for the previous 3 years (5 years for transfer pricing). The Company's management believes that the outcome of tax authority's examination would not result in a material impact on the Company's results and operations or its financial position. The Company's management is not aware of any actual or threatened litigation related to tax matters.

30. INSURANCE RISK MANAGEMENT

The Company issues contracts that transfer significant insurance risk. This section summarises these risks and the way the Company manages them.

The risk under any one insurance contract is the possibility 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 therefore unpredictable.

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 payments exceed the carrying amount of the insurance premiums. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about 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 developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered, and the increase in the number of claim cases. Estimated inflation is also a significant factor due to increased increment rate of inflation.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the written risks are well diversified in terms of type and amount of risk, industry and geography.

Types of insurance contracts

Motor third party liability insurance

It is a compulsory insurance type, whose policy conditions and indemnification rules are prescribed by the Motor Third Party Liability Insurance Act and other related legislation. Insurance premiums for motor third party liability are determined individually for each customer based on both customer as well as vehicle based risk criteria. In Latvia, a unified criterion for evaluating the road traffic accident history of a particular vehicle owner – the bonus malus system – is also available.

Most of motor third party liability insurance indemnities are made up of indemnities for property damage and personal injuries mostly medical treatment costs and temporary incapacity for work benefits. However, long-term indemnities may also be possible, such as pensions and permanent incapacity for work benefits which may be paid out over decades.

Accident insurance

The accident insurance is a money compensation for the death, permanent incapacity for work or trauma arising from an accident. Also refund of costs for medical treatment as well as medical expenses, caused by injury. In addition it is possible to get daily allowances for time spend in hospital and having medical treatment. The insurance amounts are set out on the insurance policy. Typical losses are indemnified as lump sums.

Death events rarely occur on the basis of accident insurance contracts.

Travel insurance

The travel insurance indemnifies for the medical treatment costs incurred during a trip if such costs are caused by an illness or an accident started during the trip. It is also possible to insure a baggage, to purchase insurance against trip cancellations, travel interruptions and delays as well as General Third Party Liability (GTPL) or personal accident coverage. The indemnity limit for the medical treatment and repatriation costs of passenger is limited to 120 thousand euros. A larger risk is related to potential natural disasters in holiday areas or transport crashes, where the number of injured is large.

Typical losses are indemnified as lump sums. The amount of an indemnity depends on the location of the loss occurrence and the number of claims depends on the season.

Motor own damage insurance

The insurance indemnifies for losses which arise from damage to the vehicle, destruction, theft or robbery of it. Several additional insurance covers may also be purchased which are related to insured vehicle. Insurance premiums are determined individually for each customer based on both customer as well as vehicle based risk criteria. Product package can contain several additional insurance covers – road assistance and replacement car, for instance. More than two thirds of losses by amount accumulate from the damage to vehicles sustained in road traffic accidents.

Property insurance, business interruption insurance and building risks insurance

Property insurance covers losses arisen because of fire, weather, leakage of liquid or steam, explosion, malicious acts by third parties (robbery, burglary) or collision. There is a possibility for individuals (private persons) to insure their possessions (property) and civil third party liability additionally to private property insurance.

Business interruption insurance covers lost business profits and fixed costs incurred, which arise from the realisation of any risk covered by property insurance of a company.

The largest losses arise from fire risks, which in turn give rise to indemnification for business interruptions. The loss is particularly large if the property (buildings and structures with movables in them) insured to a full extent is destroyed and this leads to a business interruption indemnity until the production object is again put in operation.

The most frequently realised risks for private property include leakage of liquid or steam, fire and weather losses (storm, snowing and flood). The largest losses usually are because of fire.

General liability insurance

This insurance provides coverage for bodily injury and property damage caused to a third party by an insured person, due to its activity or inactivity. In respect of property damages only direct loses are covered, but in respect of bodily injuries direct as well as consequential loses are covered, such as unearned income because of temporary or permanent inability and allowances for dependents. Upon the assessment/ selection of liability insurance risks, it is particularly important to take into account the specifics of customer's commercial activity and customer's turnover.

Health insurance

The health insurance product is offered to companies who purchase health insurance for their employees. The risk covers health insurance indemnities like expenses for doctor visits, hospital expenses, medicaments.

While due to the type of a mass product and a large number of small indemnities along with proper management the risk from this product is assessed as small, the risk can increase under certain circumstances, such as, among others, high inflation of medical services costs and changing behaviour of customers visiting medical institutions.

Concentration by industry

The concentration of insurance risks by industry does not exceed 20% for an industry, therefore the management is of the opinion that the risk concentration is within the acceptable level.

Reinsurance contract assets

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets.

These assets consist of short-term balances due from reinsurers as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense over the term of the related reinsurance coverage.

The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit or loss statement.

Sensitivity to insurance risk

The table below analyses how the Equity would have increased (decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

Sensitivity analysis for insurance risk as at 31.12.2023:

	Equity		Equity	
	Gross	Net	Gross	Net
	Ultimate claims increased by 5%		Ultimate claims decreased by 5%	
Health	(1 928)	(1 928)	1 660	1 660
Motor own damage	(1 942)	(1 942)	1 466	1 466
Property	(1 513)	(1 513)	1 064	1 064
Obligatory Motor TPL	(967)	(967)	967	967
Other	(1 617)	(1 604)	805	792
Total	**(7 967)**	**(7 954)**	**5 962**	**5 949**
	Mortality rates for annuities increased by 5%		Mortality rates for annuities decreased by 5%	
Obligatory Motor TPL	34	34	(34)	(34)

Sensitivity analysis for insurance risk as at 31.12.2022:

	Equity		Equity	
	Gross	Net	Gross	Net
	Ultimate claims increased by 5%		Ultimate claims decreased by 5%	
Health	(1 942)	(1 942)	1 208	1 208
Motor own damage	(2 022)	(2 022)	1 326	1 326
Property	(765)	(765)	757	757
Obligatory Motor TPL	(854)	(854)	677	677
Other	(1 175)	(1 175)	807	807
Total	**(6 758)**	**(6 758)**	**4 775**	**4 775**
	Mortality rates for annuities increased by 5%		Mortality rates for annuities decreased by 5%	
Obligatory Motor TPL	30	30	(30)	(30)

Concentration by territory

Insurance contracts (policies) are mainly issued to clients residing in Latvia. The most insured risk territorial coverage is in Latvia.

Geographical concentration of financial assets, financial liabilities, insurance and reinsurance contract assets and liabilities as at the reporting date (all amounts in thousands of EUR):

Year 2023	Latvia	Other OECD countries	Other countries	Total
Financial assets and insurance and reinsurance assets				
Financial investments at fair value through profit or loss	-	2 865	-	2 865
Financial investments at fair value through other comprehensive income	39 011	101 936	26 091	167 038
Insurance assets	213	-	-	213
Reinsurance assets	-	9 692	-	9 692
Cash and cash equivalents	8 619	-	-	8 619
Receivables	3 264	199	27	3 490
Total financial assets and insurance and reinsurance assets	**51 107**	**114 692**	**26 118**	**191 917**
Financial liabilities and insurance and reinsurance liabilities				
Insurance liabilities	110 171	-	-	110 171
Reinsurance liabilities	-	288	-	288
Financial liabilities (short-term part)	6 617	115	-	6 732
Financial liabilities (long-term part)	1 540	-	-	1 540
Total financial liabilities and insurance and reinsurance liabilities	**118 328**	**403**	**-**	**118 731**
Net position as at 31 December 2023	**(67 221)**	**114 289**	**26 118**	**73 186**

Year 2022	Latvia	Other OECD countries	Other countries	Total
Financial assets and insurance and reinsurance assets				
Financial investments at fair value through profit or loss	-	2 667	-	2 667
Financial investments at fair value through other comprehensive income	26 036	90 944	21 242	138 222
Insurance assets	43	-	-	43
Reinsurance assets	-	6 214	-	6 214
Cash and cash equivalents	7 345	-	-	7 345
Receivables	3 211	71	51	3 333
Total financial assets and insurance and reinsurance assets	**36 635**	**99 896**	**21 293**	**157 824**
Financial liabilities and insurance and reinsurance liabilities				
Insurance liabilities	96 471	-	-	96 471
Reinsurance liabilities	-	413	-	413
Financial liabilities (short-term part)	6 361	33	-	6 394
Financial liabilities (long-term part)	1 331	-	-	1 331
Total financial liabilities and insurance and reinsurance liabilities	**104 163**	**446**	**-**	**104 609**
Net position as at 31 December 2022	**(67 528)**	**99 450**	**21 293**	**53 215**

Reinsurance coverage

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company for each insurance risk has the following own retention:

Maximum own retention:

	2023	2022
Personal accident & Travel insurance	96	98
Cargo insurance	350	350
Hull, CMR Property	350	350
Property insurance	960	652
General TPL insurance	426	326
Bonds and guarantees	426	435
Obligatory Motor TPL	600	600

31. FINANCIAL RISK MANAGEMENT

Risk management system:

The Company's Management Board has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Management Board monitors fulfilment of regulations reflected in the Company's Risk Management Strategy and risk management policies which are established to identify and analyse and manage the risks faced by the Company. Risk Management Strategy aims to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products offered and emerging the best practice.

The operations of the Company and investment management activities in particular expose it to a variety of financial risks, including counterparty default risk, liquidity risks and market risks, which include interest rate risks, currency risks, as well as fair value risks. The Company's management seeks to minimise potential adverse effects of financial risks on the financial performance of the Company by placing limits on the level of exposure that can be taken.

31.1 COUNTERPARTY DEFAULT RISK

The Company takes on exposure to counterparty default risk which is the risk that counterparty will be unable to pay amounts in full when due. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one issuer of securities, debtor, borrower, or group of the above. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Actual exposures against limits are monitored regularly.

Exposure to counterparty default risk is managed through regular analysis of the ability of issuers and borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

a) Maximum credit exposure

	31.12.2023	31.12.2022
Lithuanian government debt securities	44 708	31 120
Latvian government debt securities	39 011	26 036
Polish government debt securities	15 816	15 645
Romanian government debt securities	7 750	5 508
Italian government debt securities	5 513	5 503
Bulgarian government debt securities	5 150	4 044
Hungarian government debt securities	4 621	4 044
Indonesian government debt securities	4 118	4 077
Estonian government debt securities	3 260	-
Austrian government debt securities	3 100	745
Croatian government debt securities	2 596	1 650
Israeli government debt securities	2 564	2 556
Mexican government debt securities	2 164	1 255
Philippines government debt securities	1 319	1 250
Serbian government debt securities	1 316	1 187
Moroccan government debt securities	1 307	1 204
Peruvian government debt securities	1 304	1 231
French government debt securities	1 284	6 970
Spanish government debt securities	-	8 993
Corporate debt securities	20 137	15 204
Investment funds	2 865	2 667
Total financial investments	**169 903**	**140 889**
Reinsurance contract assets	9 692	6 241
Insurance contract assets	213	43
Receivables	3 490	3 333
Cash and cash equivalents	8 619	7 345
Maximum credit exposure, total	**191 917**	**157 851**

b) Reinsurance risk breakdown by key counterparties

	31.12.2023		31.12.2022	
Reinsurer	Reinsurance contract assets	**Rating***	Reinsurance contract assets	**Rating***
Powszechny Zakład Ubezpieczeń SA	8 226	**A-**	4 929	**A-**
Swiss Re Group	454	**A+**	450	**A+**
ALD Re Designated Activity Company	330	**NR**	236	**NR**
GeneralRensurance AG	148	**AA+**	154	**AA+**
Munich Re Group	114	**A+**	105	**A+**
Hannover Re	89	**A+**	84	**A+**
SCOR Global P&C	87	**A+**	84	**A+**
R + V Versicherung AG	64	**A+**	63	**A+**
Royal & Sun Alliance Insurance PLC	52	**A**	10	**A**
Caisse Centrale de Reassurances	45	**A+**	42	**A+**
Odyssey America Reinsurance Corporation	44	**A-**	42	**A-**
Lietuvos Draudimas AB	37	**NR**	16	**NR**
Liberty Syndicate, Cologne	1	**A**	-	**A**
ACE Tempest Re Europe, Zurich	1	**AA**	-	**AA**
Atradius Reinsurance Ltd	-	**A**	(1)	**A**
Reinsurance risk	**9 692**		**6 214**	

* Used S&P and A.M.Best agencies ratings

c) **Financial investments at FVOCI breakdown by ratings as at the reporting date** (all amounts in thousands of EUR):

31 December 2023	AAA	AA	A	BB	BBB	Total
Government debt securities	-	10 208	99 536	2 623	34 534	146 901
Corporate debt securities	-	-	2 403	698	17 036	20 137
Total investment assets	**-**	**10 208**	**101 939**	**3 321**	**51 570**	**167 038**

31 December 2022	AAA	AA	A	BB	BBB	Total
Government debt securities	-	10 270	81 795	2 391	28 562	123 018
Corporate debt securities	-	-	1 463	542	13 199	15 204
Total investment assets	**-**	**10 270**	**83 258**	**2 933**	**41 761**	**138 222**

31.2 LIQUIDITY RISK

The Company is exposed to regular calls on its available cash resources from claims settlements. Liquidity risk is managed according to the rules defined in Market risk and Liquidity risk management policy.

There has been the following distinction of financial assets, financial liabilities by their remaining maturities as at the reporting date (all amounts in thousands of EUR):

Year 2023	Non-fixed term	Up to 12 months	1 to 5 years	Over 5 years	Total
Financial assets					
Financial investments at fair value through profit or loss	2 865	-	-	-	2 865
Financial investments at fair value through other comprehensive income	-	23 265	90 905	52 868	167 038
Cash and cash equivalents	8 619	-	-	-	8 619
Receivables	-	3 463	27	-	3 490
Total financial assets	**11 484**	**26 728**	**90 932**	**52 868**	**182 012**
Financial liabilities					
Financial liabilities	-	6 514	931	36	7 481
Lease liabilities	-	218	531	41	790
Total financial liabilities	**-**	**6 732**	**1 462**	**77**	**8 271**
Net position as at 31 December 2023	**11 484**	**19 996**	**89 470**	**52 791**	**173 741**

Year 2022	Non-fixed term	Up to 12 months	1 to 5 years	Over 5 years	Total
Financial assets					
Financial investments at fair value through profit or loss	2 667	-	-	-	2 667
Financial investments at fair value through other comprehensive income	-	37 497	74 007	26 718	138 222
Cash and cash equivalents	7 345	-	-	-	7 345
Receivables	-	3 294	39	-	3 333
Total financial assets	**10 012**	**40 791**	**74 046**	**26 718**	**151 567**
Financial liabilities					
Financial liabilities	-	6 152	662	14	6 828
Lease liabilities	-	242	591	64	897
Total financial liabilities	**-**	**6 394**	**1 253**	**78**	**7 725**
Net position as at 31 December 2022	**10 012**	**34 397**	**72 793**	**26 640**	**143 842**

The following tables discloses the gross and undiscounted cash flows by their remaining contractual maturities of financial liabilities and lease liabilities at the reporting date. The amounts include contractual interest payments and exclude the impact of netting agreements until the expected settlement of corresponding liabilities.

31.12.2023	Carrying amount	Up to 12 months	1 to 5 years	Over 5 years	Total
Non-derivative financial liabilities					
Financial liabilities	(7 481)	(6 514)	(931)	(36)	**(7 481)**
Lease liabilities	(790)	(272)	(710)	(69)	**(1 051)**

31.12.2022	Carrying amount	Up to 12 months	1 to 5 years	Over 5 years	Total
Non-derivative financial liabilities					
Financial liabilities	(6 828)	(6 152)	(662)	(14)	**(6 828)**
Lease liabilities	(897)	(305)	(749)	(86)	**(1 140)**

The following tables disclose the undiscounted estimates of the net future cash flows from insurance and reinsurance liabilities.

31.12.2023	Up to 12 months	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	Total
Insurance and Reinsurance contract liabilities								
Insurance contract liabilities	32 093	5 842	2 918	1 910	1 683	4 619	12 412	**61 477**
Reinsurance contract liabilities	(1 037)	(63)	(21)	-	-	-	-	**(1 121)**

31.12.2022	Up to 12 months	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	Total
Insurance and Reinsurance contract liabilities								
Insurance contract liabilities	26 382	5 971	2 890	1 459	1 157	4 893	14 165	**56 917**
Reinsurance contract liabilities	(149)	(264)	(106)	(16)	(3)	-	-	**(538)**

31.3 MARKET RISK

The Company takes on exposure to market risks, which include interest rate risks, currency risks, as well as fair value risks. Market risks arise from open positions in interest rate, which are exposed to general and specific market movements. The management sets limits on the value of risk that may be accepted, which is monitored regularly.

a) Exposure to interest rate risk

The Company's exposure to interest rate risk is limited as significant part of liabilities are not bearing interest and dominant part of interest bearing financial instruments have fixed interest rates. Maturity dates are materially equal to reassessment dates on all interest bearing assets and liabilities. Weighted average effective interest rates, as applicable, for the interest bearing financial instruments, excluding insurance contracts, were as follows:

	2023	2022
Latvian government debt securities	3.06%	2.80%
Austrian government debt securities	2.58%	2.09%
Bulgarian government debt securities	3.47%	3.48%
Croatian government debt securities	3.09%	3.12%
French government debt securities	3.59%	1.67%
Lithuanian government debt securities	3.38%	3.26%
Indonesian government debt securities	4.03%	3.52%
Israeli government debt securities	3.94%	3.28%
Polish government debt securities	3.19%	2.78%
Romanian government debt securities	4.08%	4.21%
Hungarian government debt securities	4.12%	5.27%
Moroccan government debt securities	3.27%	5.31%
Italian government debt securities	3.40%	4.14%
Peruvian government debt securities	3.83%	4.80%
Philippines government debt securities	3.40%	3.90%
Serbian government debt securities	4.47%	6.85%
Mexican government debt securities	3.54%	4.18%
Estonian government debt securities	2.97%	-
Spanish government debt securities	-	2.05%
Corporate debt securities	4.29%	5.42%

Sensitivity of change in financial assets and insurance and reinsurance contracts and effect on shareholder's equity due to market interest rate changes is as follows:

		2023 EUR	2022 EUR
Market interest rate and impact on fair value	+1 percent point	(5 670)	(4 992)
	-1 percent point	6 060	5 424
Insurance and reinsurance contracts	+1 percent point	1 763	1 705
	-1 percent point	(2 189)	(2 108)

b) Fair value determination

Financial assets and financial liabilities other than those reflected at their fair value (see Note 15 and Note 16), are receivables, cash and cash equivalents, payables.

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

Sensitivity of change in investment funds fair value and effect on profit or loss due to market price changes is as follows:

		2023 EUR	2022 EUR
Market price and impact on fair value	+10.0 percent point	(286)	(267)
	-10.0 percent point	286	267

c) Currency risk

The Company is not exposed to significant currency risk as the reinsurance coverage is provided in, and other transactions are, denominated in EUR. Management of the Company seeks to limit currency risk through an investment portfolio created in respective currencies in the amount equal to respective claims reserves and liabilities.

Split of financial assets, financial liabilities and insurance and reinsurance assets and liabilities by currencies as at the reporting date (all amounts in thousands of EUR):

Year 2023	USD	EUR	PLN	Total
Financial assets and insurance and reinsurance contract assets				
Financial investments at fair value through profit or loss	-	2 865	-	2 865
Financial investments at fair value through other comprehensive income	-	167 038	-	167 038
Insurance contract assets	-	213	-	213
Reinsurance contract assets	-	6 326	3 366	9 692
Cash and cash equivalents	147	8 437	35	8 619
Receivables	-	3 490	-	3 490
Total financial assets and insurance and reinsurance contract assets	**147**	**188 369**	**3 401**	**191 917**
Financial liabilities and insurance and reinsurance contract liabilities				
Insurance contract liabilities	27	106 375	3 769	110 171
Reinsurance contract liabilities	-	288	-	288
Financial liabilities	-	8 272	-	8 272
Total financial liabilities and insurance and reinsurance contract liabilities	**27**	**114 935**	**3 769**	**118 731**
Net position as at 31 December 2023	**120**	**73 434**	**(368)**	**73 186**

Year 2022	USD	EUR	PLN	Total
Financial assets and insurance and reinsurance contract assets				
Financial investments at fair value through profit or loss	-	2 667	-	2 667
Financial investments at fair value through other comprehensive income	-	138 222	-	138 222
Insurance contract assets	-	43		43
Reinsurance contract assets	-	3 858	2 356	6 214
Cash and cash equivalents	159	7 026	160	7 345
Receivables	-	3 333	-	3 333
Total financial assets and insurance and reinsurance contract assets	**159**	**155 149**	**2 516**	**157 824**
Financial liabilities and insurance and reinsurance contract liabilities				
Insurance contract liabilities	34	93 748	2 690	96 472
Reinsurance contract liabilities	-	413	-	413
Financial liabilities	-	7 725	-	7 725
Total financial liabilities and insurance and reinsurance contract liabilities	**34**	**101 886**	**2 690**	**104 610**
Net position as at 31 December 2022	**125**	**53 263**	**(174)**	**53 214**

Changes in the exchange rates do not have a material impact on net position. The largest share of financial assets and liabilities is held in EUR, which is the Company's functional currency.

32. CAPITAL MANAGEMENT

The Solvency II regime is in force from 1 January 2016. According to this, the Company has established a Capital Management Policy and Dividend Policy that set the minimum requirements for measurement, monitoring, controlling and reporting of capital position, as well as division of responsibilities within the Company related to capital management process in order for the Management to take timely and necessary actions.

The Company's objectives in relation to capital is to achieve:

- At any given time during a one-year period after the financial year-end the maintenance of the level of Solvency Capital requirement (SCR) coverage with own funds are least at the Company's set minimum requirement level;
- Effective capital management by optimizing the use of capital;
- Total shareholders' return maximization for parent company investors, in particular by optimizing the use of capital while maintaining safety;
- Maintenance of sufficient funds to cover the Company's liabilities to clients.

The Company's capital management process consists of the following stages:

- Planning;
- Organization;
- Monitoring;
- Management actions.

The Company is obliged to achieve and continuously maintain a level of solvency appropriate to the risks the Company undertakes as part of its business activities. As established by the Insurance and Reinsurance Law in order to ensure the stability of the financial activity of an insurance company, the company's eligible own funds shall at least be in the amount that covers the company's SCR. The Company anticipates the level of SCR (Solvency Capital requirement) coverage with own funds above the required minimum and acceptable in terms of the Company's Risk Appetite before and after the recommended dividend distribution. With continuous growth surplus of assets over liabilities, which translates into financial security and stability, the Company expects to continue having the Solvency Capital requirement above the required minimum also in the future. The classification of eligible own funds for Solvency II purposes is based on rules set in the Bank of Latvia Regulations for the Calculation of the Solvency Capital Requirement and Own Funds of Insurers and Reinsurers.

Detailed information about the Company's Solvency II position, own funds, capital management and related topics is publicly available in the annual Solvency and Financial Condition Report.

33. CLAIMS DEVELOPMENT TABLE

The table below illustrates how estimates of cumulative claims have developed over time on a gross and net of reinsurance basis. Each table shows how the Company's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position. Balances have been translated at the exchange rates prevailing at the reporting date.

Claims development table gross

Estimates of undiscounted cumulative claims	2018	2019	2020	2021	2022	2023	Total
At end of accident year	99 378	68 132	67 351	75 142	93 674	110 554	-
1 year later	95 602	64 986	65 326	72 489	88 999	-	-
2 years later	94 025	64 302	65 024	71 461	-	-	-
3 years later	92 033	60 742	61 997	-	-	-	-
4 years later	92 090	60 358	-	-	-	-	-
5 years later	91 508	-	-	-	-	-	-
Cumulative claims paid	89 471	58 731	58 857	66 554	81 277	81 238	436 128

Liability for incurred claims without expenses with occurrences less than 6 years back - BEL undiscounted	2 037	1 627	3 140	4 907	7 722	29 316	48 749
Liability for incurred claims more than 6 years back - BEL undiscounted	-	-	-	-	-	-	12 795
Liability for incurred claims - risk adjustment undiscounted	-	-	-	-	-	-	3 609
Effect of discount on liability for incurred claims	-	-	-	-	-	-	(7 901)
Liability for incurred claims	-	-	-	-	-	-	57 252

Claims development table net of reinsurance

Estimates of undiscounted cumulative claims	2018	2019	2020	2021	2022	2023	Total
At end of accident year	59 115	65 418	64 984	73 486	91 369	105 009	-
1 year later	56 860	62 471	62 363	70 834	87 177	-	-
2 years later	55 397	61 635	62 133	70 082	-	-	-
3 years later	55 534	58 526	59 543	-	-	-	-
4 years later	53 631	58 169	-	-	-	-	-
5 years later	53 058	-	-	-	-	-	-
Cumulative claims paid	51 044	56 548	56 458	65 533	79 833	80 246	389 662
Liability for incurred claims without expenses with occurrences less than 6 years back - BEL undiscounted	2 014	1 622	3 085	4 549	7 344	24 763	43 377
Liability for incurred claims more than 6 years back - BEL undiscounted	-	-	-	-	-	-	7 952
Liability for incurred claims - risk adjustment undiscounted	-	-	-	-	-	-	3 057
Effect of discount on liability for incurred claims	-	-	-	-	-	-	(7 015)
Liability for incurred claims	-	-	-	-	-	-	47 371

34. SUBSEQUENT EVENTS

No events have taken place from the Statement of Financial Position date to the date of approval of these financial statements that could materially affect the annual performance, cash flows or the financial position or related disclosures of BALTA as at and for the year ended on the reporting date.

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

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

Independent Auditors’ Report

To the shareholder of AAS BALTA

Report on the Audit of the Financial Statements

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of AAS BALTA (“the Company”) set out on pages 10 to 56 of the accompanying Annual Report, which comprise:

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

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AAS BALTA as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

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

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

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

Key Audit Matters

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

Measurement of insurance contract liabilities for incurred claims

The Company's insurance contract liabilities for incurred claims as at 31 December 2023 amounted to EUR 57 181 thousand (consisting of Estimates of the present value of the future cash flows amounting to EUR 53 901 thousand and Risk adjustment for non-financial risk amounting to EUR 3 280 thousand) (31 December 2022: EUR 50 637 thousand, consisting of Estimates of the present value of the future cash flows amounting to EUR 47 726 thousand and Risk adjustment for non-financial risk amounting to EUR 2 911 thousand).

Reference to the financial statements: Note 2.3 "Implementation of IFRS 17" (accounting policy) and Note 3 "Use of judgements and estimates"; Note 4.3 "Movements in insurance contract assets and liabilities"; Note 13 "Carrying amount of insurance contracts"; Note 30 "Insurance risk management" (Notes to the financial statements).

Key audit matter

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

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

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

Our response

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

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

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

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

requirements of the relevant financial reporting standards.

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

Reporting on Other Information

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

— Information on the Company, Members of the Supervisory Board and the Management Board, Independent Auditors as set out on page 3 of the accompanying Annual Report,

— Report of the Supervisory Board and the Management Board, as set out on pages 4 to 8 of the accompanying Annual Report,

— Statement of the Supervisory Board's and the Management Board's Responsibility, as set out on page 9 of the accompanying Annual Report.

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

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

If, based on the work we have performed and in light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

— the information given in the Report of the Supervisory Board and the Management Board for the financial year for which the financial statements are prepared is consistent with the financial statements; and

— the Report of the Supervisory Board and the Management Board has been prepared in accordance with the requirements of the Financial and Capital Market Commission of the Republic of Latvia regulations No. 114 – Regulations on the preparation of annual report and consolidated annual report of insurance and reinsurance undertakings and branches of foreign insurers.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of 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.

Auditors' Responsibility 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by the extraordinary shareholders' meeting on 17 November 2021 to audit the financial statements of AAS BALTA for the year ended 31 December 2023. Our total uninterrupted period of engagement is 11 years, covering the periods ending 31 December 2013 to 31 December 2023.

We confirm that:

— our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;

— as referred to in the paragraph 37.6 of the 'Law on Audit Services' of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

For the period to which our statutory audit relates, we have not provided any services to the Company in addition to the audit.

KPMG Baltics SIA
Licence No. 55

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

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