

GJENSIDIGE ADB

Interim Financial Statements for the
period ended 30 September 2023

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

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

The Management Board of the Company:

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

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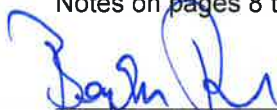
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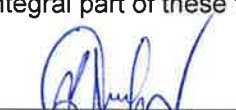
STATEMENT OF COMPREHENSIVE INCOME


For the period ended 30 September:

EUR'000	Note	2023	2022
Insurance revenue		106.361	95.585
Insurance claims expenses		-85.876	-74.558
Insurance operating expenses		-29.373	-26.747
Insurance service result before reinsurance		-8.888	-5.720
Reinsurance premiums		-4.203	-2.852
Amounts recovered from reinsurance		13.831	3.580
Net expense from reinsurance		9.628	728
Insurance service result		740	-4.992
Net Interest income etc.		384	424
Net changes in fair value of investments (incl. property)		2.060	-7.492
Net realised gains and losses on investments		-83	-1.705
Interest expenses and expenses related to investments		-136	-67
Investment result		2.225	-8.840
Insurance finance income or expense - unwinding		-1.078	-474
Insurance finance income or expense - change in financial assumptions		120	970
Reinsurance finance income or expense - unwinding		213	65
Reinsurance finance income or expense - change in financial assumptions		-22	-127
Net financial insurance costs/income		-767	434
Other income		100	83
Other expenses		-117	-152
Profit or loss before tax expense		2.181	-13.467
Tax expense		-152	-1
Profit or loss		2.029	-13.468

Notes on pages 8 to 31 are an integral part of these financial statements.


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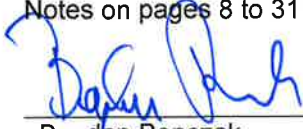
19 October 2023

STATEMENT OF FINANCIAL POSITION

As at 30 September

ASSETS EUR'000	Note	30.09.2023	31.12.2022
Property and equipment	1	1.137	1.461
Intangible assets	1	3.850	4.100
Right-of-use assets	11	3.599	4.926
Non-financial assets		8.586	10.487
Financial assets designated at fair value through profit or loss	2	129.938	127.659
Receivables	3	2.355	2.193
Cash and cash equivalents	4	6.398	6.554
Financial assets		138.691	136.406
Reinsurance contracts assets		23.750	12.242
Deferred tax asset		1.621	1.621
Other prepaid expenses and accrued income		642	566
Other assets		26.013	14.429
TOTAL ASSETS		173.290	161.322
LIABILITIES AND EQUITY EUR'000			
Share capital	5	56.184	56.184
Share premium	5	-	5.870
Revaluation reserve		23	23
Retained earnings carried forward from previous years		-19.344	-8.493
Profit (loss) of the reporting year		2.029	-16.721
Total equity		38.892	36.863
Insurance contract liabilities	6	117.209	107.763
Reinsurance liabilities		1.413	896
Total insurance liabilities		118.622	108.659
Corporate income tax liabilities		192	96
Taxes and social contributions		987	794
Other liabilities	7	4.035	3.837
Lease liability	11	3.689	5.003
Total other liabilities		8.903	9.730
Provisions		1.338	1.169
Accrued expenses and deferred income		5.535	4.901
Total liabilities		134.398	124.459
TOTAL LIABILITIES AND EQUITY		173.290	161.322

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19 October 2023

STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September:

EUR'000	Share capital	Share premium	Revaluati on reserve	Retained earnings/ (loss)	Total
Balance on 31 December 2021	47.184	12.454	58	-8.584	53.112
Implementation effects 1.1.2022					
IFRS 17 Risk adjustment				-3.690	-3.690
IFRS 17 Discounting				-116	-116
IFRS 17 Loss Component				807	807
IFRS 9				36	36
Other effects				-5.565	-5.565
Equity as at 1.1.2022 incl. IFRS 17 and IFRS 9 adjustments	47.184	12.454	58	-15.112	44.584
Loss for the reporting year				-13.468	-13.468
Depreciation of the revalued assets			-	-	-
Incurred losses coverage		-6.584		6.584	-
Balance on 30 September 2022	47.184	5.870	58	-21.996	31.116
Loss for the reporting year				-3.253	-3.253
Disposals/Depreciation of the revalued assets			-35	35	-
The capital increase	9.000				9.000
Balance on 31 December 2022	56.184	5.870	23	-25.214	36.863
Profit for the reporting year				2.029	2.029
Depreciation of the revalued assets				-	-
Incurred losses coverage		-5.870		5.870	
Balance on 30 September 2023	56.184	-	23	-17.315	38.892

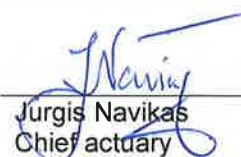
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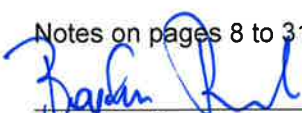
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STATEMENT OF CASH FLOWS

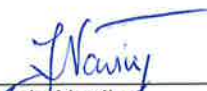
For period ended 30 September:

EUR'000	2023	2022
Cash flows from operating activities		
Premiums received in direct insurance, net of reinsurance premiums paid	101.813	85.942
Claims paid in direct insurance, net of reinsurance	-71.393	-67.297
Paid Corporate income tax	-26	-189
Operating expenses paid	-31.243	-21.977
Other payments made/received	2.156	-3.812
Net cash flows from operating activities	1.307	-7.333
Cash flows from investing activities		
Net receipts/payments from financial assets	-55	11.052
Acquisition of tangible assets	-622	-567
Net cash flows (used in) investing activities	-677	10.485
Financing activities		
Payments received on shares		9.000
Payments to cover lease liabilities	-720	-810
Interest of the lease liabilities	-66	-88
Net cash (used in) financing activities	-786	8.102
Net (decrease)/increase in cash and cash equivalents	-156	11.254
Cash and cash equivalents at the beginning of the year	6.554	2.717
Cash and cash equivalents at the end of the year	6.398	13.971

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19 October 2023

EXPLANATORY NOTES
I. GENERAL INFORMATION

General information

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

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

The Company's share capital as of 30 September 2023 consisted of 7.623.384 ordinary registered shares with a nominal value of EUR 7,37 each (as of December 2022 – 7.623.384 ordinary registered shares with a nominal value of EUR 7,37 each).

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

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

As of 30 September 2023, Gjensidige Forsikring ASA group in the Baltics owned the following companies:

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

Employees of the Company

As of 30 September 2023, the Company employed 652 employees (as of 31 December 2022 – 683):

Country	30.09.2023	31.12.2022
Lithuania	437	459
Latvia	184	193
Estonia	31	31
Total	652	683

Company's activities

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

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

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

- Compulsory motor third party liability insurance;
- Compulsory insurance of building construction, reconstruction, repair, renovation (modernization), demolition or cultural heritage management, construction and civil liability

- Compulsory liability insurance of major researchers and contractors of biomedical researches;
- Compulsory liability insurance of railway companies (carriers) and companies using public railway infrastructure;
- Professional liability insurance of bankruptcy administrator in performing company bankruptcy procedures;
- Insurance of guarantee of performance of travel organiser's liabilities.

Information about branches and agencies of the Company

As of 30 September 2023, the Company had 2 foreign branches – in Latvia (3 regions), in Estonia, and 8 sales units in Lithuania (as of 31 December 2022 – 2 foreign branches, 8 sales units). The head office of the Company is located at Zalgirio str. 90, Vilnius.

Information about subsidiaries and associated companies of the Company

As of 30 September 2023, and as of 31 December 2022, the Company had no subsidiaries and associated companies.

Financial year

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

II. SIGNIFICANT ACCOUNTING POLICIES

Basis for preparation of financial statements

Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The interim financial statements have been prepared in accordance with the Accounting policy of the Company for 2022 with some exceptions.

The interim report does not include all the information required in a complete annual report and should be read in conjunction with the annual report for 2022.

The financial statements have been prepared on the assumption that the Company will be able to continue as a going concern in the foreseeable future.

Functional and Presentation Currency

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

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

In this interim report, the Company has applied IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of issued insurance contracts, and is effective from 1 January 2023. Comparable figures have been restated. The figures presented are indicative and may be altered in the audited financial statement for 2023 (please see to note 6).

IFRS 9 addresses accounting for financial instruments and is effective from 1 January 2023. Comparable figures have been restated. The figures presented are indicative and may be altered in the audited financial statement for 2023 (please see to note 2).

Significant accounting policies

Estimates

Based on the International Financial Reporting Standards EU, the management, when preparing the financial statements, has to make certain estimates and assumptions that affect the disclosure of assets, liabilities, income, expenses and contingencies.

Estimates and key assumptions are reviewed on an ongoing basis and the effects of revisions are recognized in the period in which revised if the revision itself only affects that period, or also in the future periods if the revision affects both the current and future periods.

The estimates relate mainly to the definition of the useful lives of tangible and intangible assets, impairment of doubtful insurance debts and investments, insurance liabilities and recognition of deferred tax asset, lease liability.

The result of changes in the mentioned estimates will be accounted for in the financial statements when determined.

Foreign currency

Foreign exchange transactions are translated into the functional currency of the country of operation in accordance with the exchange rate set by the European Central Bank on the date of the respective transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency in accordance with the exchange rate set by the European Central Bank on the last date of the reporting period. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated at the exchange rate as at the date fair value was determined. Non-monetary items that measured in terms of historical cost or revalued amount in foreign currency are translated using the exchange rate at the date of transaction or the date of revaluation.

Profit or loss relating to fluctuations in the exchange rate on assets and liabilities denominated in a foreign currency are recognized in the statement of comprehensive income in the period in which the fluctuation occurs. Foreign exchange rates for the key currencies at the end of the reporting period were the following:

	30.09.2023	31.12.2022
PLN	4,6283	4,6808
USD	1,0594	1,0666

Intangible assets

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

The amortisation rates of intangible assets are the following:

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

Business acquisitions

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

Business combinations between companies under common control

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

Property and equipment

a) Property

Property is carried at revalued value less any subsequent accumulated depreciation and accumulated impairment losses, if any.

In case real estate comprises important components with different useful lives, they are carried as separate units of real estate.

In cases where the value of a revalued asset unit increases, such an increase is accounted for as the asset value increase and revaluation reserve. When the asset unit value after revaluation decreases, such a decrease is registered as an impairment loss and is recognized as an accounting period loss due to asset impairment loss, if the asset was not revaluated previously by increasing its value. In cases where the value of an asset being revaluated was increased and the asset impairment loss is identified during the accounting period, at first the remaining non-depreciated revaluation reserve is written off, and where its balance is not

sufficient – the asset impairment loss expenses are registered. In cases where the value of any previously revaluated asset increases, the previous impairment loss is reversed, and the remaining portion goes to the revaluation reserve. At the end of the accounting period, the building's revaluated portion depreciation is calculated, and the revaluation reserve is adjusted accordingly. Upon the sale or write-off of any revaluated asset, the respective non-depreciated balance of the revaluation reserve is reversed.

Depreciation is calculated on a straight-line basis over the estimated useful life of buildings. The estimated useful life of buildings is 15 to 40 years.

Subsequent repair works, which do not improve the useful features of the assets or do not extend the assets useful life period, are recognized as expenses immediately when incurred. Reconstruction costs and repair works, which extend the asset useful life period, or which increase the useful features are included in the cost of the asset and are depreciated over the newly determined useful life.

Gain or loss arising on the disposal of real estate is determined as the difference between the proceeds received and the carrying amount of the sold property as well as all disposal related costs. Upon the disposal of real estate, the transaction result is reflected in profit or loss.

At the end of every year, the Company reviews the estimated useful life, carrying amount and depreciation method of its real estate and the changes in accounting estimates, if any, are recognized on a prospective basis.

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

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

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

In case non-current tangible assets comprise important components with different useful lives, they are carried as separate units of non-current tangible assets.

Subsequent repair costs are added to the carrying amount of non-current tangible assets if they prolong the useful life of the asset or improve its useful features. All other repairs and maintenance are charged to profit or loss in the period in which they are incurred.

The costs of repairs of assets that are leased and/or used under loan-for-use agreements are attributed to non-current tangible assets and recognized as expenses over the lease period, provided the repairs extend the useful life of the asset or improve its useful features.

The gain or loss arising on the disposal of an item of non-current tangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset. Gain or loss from disposal of non-current tangible asset is recognized in profit or loss when incurred.

At the end of every year, the Company reviews the estimated useful life, carrying amount and depreciation method of the tangible assets and the changes in accounting estimates, if any, are recognized on a prospective basis.

Impairment losses, write-offs and depreciation expenses are allocated to operating expenses of the Company.

Impairment of property, plant and equipment and intangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does

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

Financial assets and liabilities

Measurement categories

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

Equity instruments and derivatives do not pass the SPPI (solely payment of principal and interest) are classified at fair value through profit or loss (FVTPL). Debt instruments are classified based on the business model and on the cash flow characteristics of the financial asset.

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

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

Recognition and derecognition

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

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

Financial assets and liabilities at fair value through profit or loss

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

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

Financial liabilities at amortised cost

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

Definition of fair value

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

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

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

Quoted prices in active markets

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

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

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

Valuation based on observable market data

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

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

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

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

Valuation based on non-observable market data

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

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

Share capital and reserves

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

Legal reserve

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

Revaluation reserve

Revaluation reserve represents increase in value of Company's non-current tangible assets (real estate) resulting from revaluation. Revaluation reserve is reduced in line with write-downs on assets previously revalued upwards, when assets revalued is written off, depreciated or disposed to the ownership of other

persons. The revaluation reserve in respect of revaluation of tangible assets might be used to increase share capital. Revaluation reserve cannot be decreased to cover losses.

Insurance liabilities

On initial recognition, insurance contracts will be recognised at a risk-adjusted present value of the future cash flows plus an amount representing the unearned profit in the group of contracts (the contractual service margin). This is referred to as the building block approach (BBA) model. If a group of contracts is or becomes loss-making, the loss will be recognised immediately. The onerous test is performed at a granular level, ensuring that the group of contracts is homogenous and that profit-making contracts are not subsidising loss-making contracts. For profit-making contracts, the earnings are based on accrued services.

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

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

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

Reinsurance is presented separately from gross insurance.

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

The insurance liabilities under IFRS 17 should be based on the expected cash flows, and excess reserves beyond what is expected cannot be part of the best estimate.

General Insurance contracts: portfolios of insurance contracts

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

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

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

General Insurance contracts: grouping of contracts/onerous contracts

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

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

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

General Insurance contracts: measurement method

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

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

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

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

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

General Insurance contracts: discounting

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

LRC could also be discounted to reflect the time value of money. This adjustment is not mandatory under PAA. For LRC, most of the premiums are received in the same year as coverage is provided. In addition, a substantial part of the premium is paid monthly or quarterly. Hence, the financial component of LRC is very limited, and discounting are therefore not be performed.

General Insurance contracts: risk adjustment

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

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

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

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

Corporate income tax

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. In 2023 and 2022, the income tax applied to the Company is 15%.

The corporate income tax in Latvia is paid on the payment of dividends or other non-deductible expenses. Corporate income tax in Estonia is calculated based on the legislation effective in Estonia. The corporate income tax is paid on the payment of dividends or other non-deductible expenses.

Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference

arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

Current and deferred tax for the period

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

Other provisions

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

Employee benefits

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

Leases

IFRS 16 requires all contracts that qualify under its definition as a lease to be reported on a lessee's balance sheet as right of use assets and lease liabilities. Short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements. A lessee shall recognise a right-of-use asset and a lease liability. The interest effect of discounting the lease liability shall be presented separately from the depreciation charge for the right-of-use asset. The depreciation expense will be presented with the group's other depreciations, whereas the interest effect of discounting will be presented as a financial item.

The cost of the right-of-use asset consists of:

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

The assets managed at the right of use are depreciated by the straight-line method throughout the entire period set by the lease obligation.

The assets managed according to the right of use are broken down into the following groups:

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

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

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

To determine whether a contract contains a lease, it is considered whether the contract conveys the right to control the use of an identified asset. This is for Gjensidige considered to be the case for rental contracts, leases for cars and other assets.

The rental period is calculated based on the duration of the agreement plus any option periods if these with reasonable certainty will be exercised. Joint expenses etc. are not recognised in the lease liability for the rental contracts.

The discount rate for the rental contracts is determined by looking at observable borrowing rates in the bond market for regions in which Gjensidige operates. The interest rates are adapted to the actual lease contracts duration etc. The discount rate for the leasing cars is determined based on an assessment of which loan interest Gjensidige would achieve for financing cars from a financing company.

Statement of cash flows

The cash flow statement is prepared applying the direct method. Cash and cash equivalents comprise cash on hand and at banks. The received dividends are assigned in the cash flow statement to investment activities, and the paid dividends – to financial activities. The received interest is shown in investment activity.

Offsetting

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

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties are defined as shareholders, members of the supervisory council and management board, their close relatives and companies that directly or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company.

Regulatory requirements

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

Contingencies

Contingent liabilities are not recognized in the financial statements, except for contingent liabilities in business combinations. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow or economic benefits are probable.

Events after the end of the reporting period

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

III. RISKS AND RISK MANAGEMENT

The Company's risk management is centralised at all Company's levels and includes the development, implementation and control of risk management activities related to the Company's goals. Given the level of competence and responsibility, risk management functions are distributed from the Company's Board to employees, defining them in the approved Company's Board's and the administration's work regulations, as well as in the job descriptions of employees.

The Company's risk management strategy is based on capital adequacy assessment principles, the aggregation of the types of risks faced into the overall assessment, and the assurance of solvency needs to cover them, in accordance with the principles of precaution, conservatism and prudence.

The main objectives of capital management strategy are to ensure continuous capital management and capital adequacy, timely response to the changes in capital size and assessment of the effect on capital of important decisions. The Company measures solvency capital requirement under Solvency II using a standard formula. The Company, according to the requirements of the Solvency II Directive and overall risk management strategy of Gjensidige group, ensures the Company's risk management system on the implementation of the three level protection principles.

Risk is limited by the legislation regulating the operations of insurance companies and internal regulations, as well as by Solvency II Directive and its implementing documents. The Company's risk appetite and risk limits are approved by the Company's Board in order to determine the maximum level of the risk to be tolerated. When this limit is exceeded, the Company takes actions to manage and prevent further increases in risks.

The Company applies risk management measures having assessed the significance of identified risks to achieving the Company's goals taking account of the costs and effectiveness of risk reduction measures:

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

Detailed rules of management of specific risk types (identification, measurement, key indicators, monitoring, control, reporting and management measures) are set in the internal governing documents detailing the management of a specific risk type.

The Company is exposed to various risks which can be categorized as, underwriting (insurance) risk, financial risks (market risk, credit risk, liquidity risk), operational (including compliance) risk and business and strategic risk, emerging and sustainability risks. The Company assumes a different level of risk of each risk category and establishes risk assessment methodology individually for each risk category.

Capital risk management

The core function of insurance is the transfer of risk, and the Company is exposed to risk in both its insurance and investment operations. Identification, measurement and management of risk are essential parts of the operations. Risk and capital are and must be interlinked. Any insurance company must adapt its risk exposure to its capital base. On the other hand, solvency capital, or equity, has a cost. A key objective of capital management is to balance these two aspects. Company's overall capital management objectives are firstly to ensure that the capitalization of the Company can sustain an adverse outcome without creating a financially distressed situation and secondly that the Company's capital is used in the most efficient way.

The Company defines capital as equity which is disclosed in the statement of financial position.

Pursuant to the Law on Insurance the authorised share capital of a joint stock company must be not less than EUR 1,000,000, and pursuant to the Lithuanian Law on Companies the shareholders' equity should not be lower than 50% of the company's registered share capital. As at 30 September 2023 and 31 December 2022 the Company complied with these requirements.

Insurance risks

The risk under any insurance contract is the probability that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and must therefore be estimated.

The Company operates in Lithuania, Latvia and Estonia. The core business of the Company is acceptance and management of insurance risks. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency and/or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level calculated using statistical techniques.

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability around the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio.

The Company has an overall underwriting policy, approved by the Board, with more detailed underwriting guidelines for each of the product segments, supported by strictly defined authorisation rules. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

General insurance

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The different factors will depend on the products, or lines of business (LOB) considered.

An increase in the frequency of claims can be due to seasonal effects and more sustainable effects. During the winter season snow and cold weather will cause an increase in the frequency of claims in Motor insurance. In Property insurance cold winter will cause an increase in the frequency of claims due to frozen water pipes and increased use of electrical power and open fire places for heating of the houses. More permanent shifts in the level of frequency of claims may occur due to e.g. change of customer behaviour and new types of claims. The effect on the profitability of a permanent change in the level of the frequency of claims will be significant.

The severity of claims is affected by several factors. In some LOBs, with relatively few claims, the severity may be heavily influenced by large claims. The number of incurred large claims during a year varies significantly from one year to another. This is typically for the commercial market. In most LOBs the underlying development of the severity of claims is influenced by inflation.

Growth in severity of claims may be driven by the development of consumer price index (CPI), salary increases, social inflation and the price for material and services purchased with claims settlement. In Property insurance the inflation will consist of CPI and an increase in building costs. For accident and health the insurance policies are divided into two main groups, one with fixed sum insured and another part where the compensation is adjusted by CPI in health care sector.

The Company manages these risks mainly through close supervision of the development for each LOB, underwriting guidelines and proactive claims handling. The monthly supervision of the results for each LOB contains an overview of both premium and loss development. If there is an adverse development of the profitability, sufficient measures will be put in place. This includes necessary premium increases to ensure that the profitability is within the accepted level. The analysis of the profitability can be tracked further to different groups of customers and portfolios. The underwriting guidelines attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and location of the risks. Underwriting limits are in place to enforce appropriate risk selection criteria and to ensure that accepted risks are within the limits of the reinsurance contracts.

Premiums, deductibles and elements in the conditions may be changed at the yearly renewal of policies. Insurance companies have the right to reject the payment of a fraudulent claim. The Company has the right not to renew individual policies in cases of insurance fraud, and in some instances legislation or policy conditions give the Company the right to terminate or not to renew individual policies in cases where special reasons indicate that such termination is reasonable. In cases where a claim has been paid, the Company is entitled to pursue any third parties liable for the damage, for payment of some or all costs (recourse claim).

The claims handling procedures also include a clear strategy and routines for purchasing material and services in an optimal manner. The routines are to use purchase agreements to ensure the quality of our benefits to our customers and to reduce the inflation risk.

(i) Basic product features

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

Property insurance

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

- Fire
- Natural disasters (storm, flood)

- Theft
- Water
- Other

The risk inherent under property insurance is the rapid increase in prices for construction and renovation, as a result of which the policy holder may not be able to fully restore the property using the claim proceeds. This has an indirect impact on the relationship between the Company and policy holders.

Risk management is carried out by precisely defined assessment of the insured property to determine which property should be insured, which should be insured on special terms and which should not be accepted for insurance at all in line with the authority of the underwriter in the respective line of insurance.

In terms of loss adjustment, the Company is exposed to the risk of unfair actions on the part of policy holders. In order to reduce this risk the Company has set claim settlement administration limits for separate units and introduced high requirements for review of claim supporting documents.

The claim will usually be notified promptly and can be settled in the short term. Property business is therefore classified as 'short-tail', contrasted with the 'long-tail' classes where the ultimate claim cost takes longer to determine.

The key risks associated with this product are underwriting risk and claims experience risk.

Underwriting risk is the risk that the Company does not charge premiums appropriate for the insurance contracts. The pricing processes for the different insurance products involve estimates of future frequency and severity of claims, based on statistics from internal and external sources. Even if the underwriting criteria are adequate and the premium calculations are performed on a good statistical basis, the claims cost may deviate from the expected level, due to large claims, natural catastrophes etc. For private property insurance, it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this may not be the case. Many commercial property proposals comprise a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky.

Property classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. Insurance risk is managed primarily through pricing, independent assessment of property under international standards, product design, risk selection and reinsurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

Motor own damage insurance (CASCO)

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

- road accident
- weather claims
- fire
- falling of various objects
- illegal activities of third parties
- theft and/or robbery

Various extensions of cover are possible.

Insurance premiums are set in line with applicable insurance methodology.

The largest losses are incurred in the event of complete destruction and theft of the vehicle, but such cases are infrequent.

In order to prevent unfair dealing of policy holders, the Company performs detailed review of claim supporting documents, and ask competent institutions to perform additional investigation if necessary.

The claim will usually be notified promptly and can be settled in the short term. Casco is therefore classified as 'short-tail', contrasted with the 'long-tail' classes where the ultimate claim cost takes longer to determine.

Motor compulsory third party liability (MTPL)

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

In view of the risk of inflation which impacts the amount of claims paid, the Company performs tariff analyses for this line of insurance and the assessment of the impact on the financial ratios on a regular basis.

Even if statistics reflect that previous claims have been notified promptly and can be settled without undue delay, Motor third party liability insurance is classified as 'long-tail' classes where the ultimate claim cost takes longer to determine.

Health insurance

Health insurance is developing into a stable line of business. The Company's identified risk in this line of business is the weak health care system and the obscure government policy in this area as well as changes in economic environment.

The Company monitors and reacts to changes in prices for medical services, monitors the claim ratios on employer's bases and adjust prices accordingly each year when renewal takes place.

Health insurance is short-tail business with regular short-term reporting delays.

(ii) Concentration of insurance risks

The concentration of insurance risks is one of the key risk factors in insurance which may have an adverse impact on the Company's liabilities under insurance contracts. The concentration of insurance risks may be caused by the occurrence of a single insurance event involving large liabilities or a number of separate insurance events which results in significant liabilities for the company towards the policy holders.

Since insurance risks will never be totally independent from each other, then irrespective of the portfolio size there is always a so-called non-diversified risk when the insurer generally pays more claims than planned. Non-diversified risk is related to changes in the external environmental factors such as stages of the country economic development which have a systematic impact on the frequency and amount of claims in certain lines of business. For example, the increase of the inflation rate will increase the amounts of claims in the majority of the portfolio while government amendments relating to one of the type of the compulsory insurance may suddenly increase the insurer's liabilities.

The Company has two key methods in managing these risks.

First, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed (refer to Insurance risk management).

Second, the residual risk is managed through the use of reinsurance. The Company purchases reinsurance coverage for various classes of its liability and property business. Management reviews the reinsurance program at least on an annual basis and determines the required changes. The Company assesses the costs and benefits associated with the reinsurance programme on an ongoing basis.

Geographic and other type of concentration

The Company's insured risks are mainly located in Lithuania, Latvia and Estonia except for travel policies being effective only outside the residence country of the insured. However, there are numerous products covering insurance accidents in Baltics and abroad. The risk concentration in motor and property insurance is in the largest cities of Lithuania, Latvia and Estonia. The risk concentration in motor insurance is increasing due to the growing number of vehicles and traffic intensity, resulting in an indirect impact on claim amounts in this line of insurance. Insurance regulations and methodology determines the necessary risk assessment for property, claim amount limits and reinsurance regulations which ensure risk management in the respective insurance lines.

(iii) Potential impact of catastrophic events

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

(iv) Potential impact of individual events

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

Insurance risk management

(i) Underwriting policy

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

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

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

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

(ii) Claims development

Information on the claims development has been provided in the annual company financial statements.

(iii) Liability adequacy test

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

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

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

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

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

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

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

The estimated cost of claims includes expenses to be incurred in settling claims, net of the expected recourse amount and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liabilities established. The liabilities in the financial statements related to these contracts comprise a provision for IBNR, a provision for reported claims not yet paid (RBNS) and a liability for remaining coverage and loss component at the reporting date.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified (RBNS), where information about the claim is available. There may be cases where certain claims may not be apparent to the insured until many years after the event that gave rise to the claims.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from loss adjusters, claims handlers and information about the costs of settling claims with similar characteristics in previous periods. All claims are assessed on a case-by-case basis by a claims handler. Claims with potential for distortive effects of their development are handled separately and projected to their ultimate by an additional provision. Where possible, the Company adopts multiple techniques to estimate the

required level of provision. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Insurance contracts are often classified as risks that are short-tail and risks that are long-tail. Short-tail risk is characterized by that the period between the occurrences, reporting and final settlement of claims is short. Long-tail risk is the opposite; the period between the occurrence, reporting and settlement of claims is long. In Property and Motor hull insurance the claims are reported soon after occurrence, while bodily injury claims may be reported several years after the occurrence and settled several years after they were reported. The provisions for IBNR for short-tail risks are relatively small, while for long-tail risks the provisions for IBNR may constitute a substantial part of the total loss provision.

Financial risks and risk management

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

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

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

Market Risk

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

Market risks comprise:

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

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

i) Interest rate risk

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

Measures for management of the interest rate risk in the Company are centralized and based on the assessment of the impact of the interest rate risk on the Company's financial indices.

The Company does not have significant interest-bearing liabilities and the largest share of interest bearing assets are at a fixed interest rate, therefore, the Company is not exposed to a significant interest rate risk and to the effects of fluctuations in interest rates resulting from different maturity or interest re-pricing profile of the Company's interest bearing assets and liabilities.

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

ii) *Foreign exchange risk*

The Company holds assets and liabilities denominated in foreign currency. Foreign exchange risk is the risk of financial losses resulting from fluctuations in foreign exchange.

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

iii) *Price risk*

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

Credit risk

Credit risk is the risk of losses or adverse changes in financial position resulting from changes in the standing of issuers of securities, business partners or debtors as a default of counter party or increase in credit margin. The credit risk is managed by imposing loan restrictions on one entity, a group of entities, a sector or a country, by diversification of assets and the portfolio of financial instruments, by reinsurance of the financial insurance portfolio and other measures.

(i) *Management of financial investments*

To manage its credit risk, the Company mostly invests in markets and investments having high ratings.

ii) *Insurance amounts receivable from direct insurance activities*

Credit risk related to client balances due to failure to pay insurance premiums only exists in relation to payment schedule set in insurance certificate when the certificate is paid or terminated.

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

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

(iii) *Reinsurance*

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

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

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

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

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

Operational risk incidents are registered in the register of the Operational risk incidents when the Company's employee notices such an incident.

The effectiveness of risk management system is regularly assessed by an independent Internal Audit Service, which performs an audit of the effectiveness of risk management system.

Sustainability including climate related risks means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential negative impact on the value of the investment or on the value of the liability (ref. Solvency II)

In line with the ESG, climate related - risks for sustainable economic activities, we will work on adapting relevant products and services to meet the criteria for sustainable general insurance. By 2025, 80 per cent of the products and services that fall within the scope of the taxonomy shall meet the criteria for sustainable general insurance. The taxonomy regulations also require us to report on customer relationships relating to activities that produce or distribute fossil energy.

We are covered by the following criteria in the EU taxonomy, and will further develop measures to accommodate them:

Gjensidige uses a forward-looking modelling of climate risk as the basis for pricing.

In cooperation with Gjensidige Group we aim to further develop the use of such models and scenarios to achieve the best possible basis for pricing.

Some of our insurance products contain incentives for damage prevention measures.

Gjensidige already offers discounts to customers who carry out risk reduction and damage prevention measures. It is our ambition to offer more damage-reducing products and services going forward.

We will develop innovative insurance coverage that meets climate adaptation requirements.

We look forward to established systems for sharing data and know-how with public authorities in the areas we operate in. That would include claims data and knowledge about the consequences of climate change, and we will accommodate any requests for additional sharing of claims data, in line with the taxonomy's specifications.

The climate related risks is also relevant to our investments. The requirement for sustainability in our investment activities has been key, and we will reshape our portfolio towards net zero emissions by 2050.

1. Property and equipment, Intangible assets

The movement of intangible assets, property and equipment for the period ended 30 September 2023, was:

Items, EUR'000	Intangible assets	Property	Other fixed assets	Total
Acquisition cost				
Balance on 1 January 2022	15.011	131	4.328	19.470
Assets acquired	716	-	140	856
Assets disposed (-)	-4.323	-35	-266	-4.624
Balance on 31 December 2022	11.404	96	4.202	15.702
Assets acquired	483	-	108	591
Assets disposed (-)	72	-6	-80	-14
Balance on 30 September 2023	11.959	90	4.230	16.279
Revaluation				
Balance on 1 January 2022		57		57
Decrease in value (-)	-	-1	-	-1
Change in revaluation result on disposals +/-(-)	-	-34	-	-34
Balance on 31 December 2023		22		22
Decrease in value (-)	-	-	-	-
Change in revaluation result on disposals +/-(-)	-	-	-	-
Balance on 30 September 2023		22		22
Impairment				
Balance on 1 January 2022	351	-	-	351
Impairment recognized (released)	-351	-	-	-351
Balance on 31 December 2022	-	-	-	-
Impairment recognized (released)	-	-	-	-
Balance on 30 September 2023	-	-	-	-
Accumulated depreciation				
Balance on 1 January 2022	9.895	87	2.440	12.422
Charge for the year	1.206	1	604	1.811
Reversals of depreciation after write-off (-)	-3.797	-34	-239	-4.070
Balance on 31 December 2022	7.304	54	2.805	10.163
Charge for the year	805	-	415	1.220
Reversals of depreciation after write-off (-)	-	-6	-63	-69
Balance on 30 September 2023	8.109	48	3.157	11.314
Net book value				
Balance on 31 December 2022	4.100	64	1.397	5.561
Balance on 30 September 2023	3.850	64	1.073	4.987

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

EUR'000	Financial instruments at fair value through profit or loss (FVTPL)	Held-to-maturity investments (HTM)	Total
Balance at 31 December 2021	129.291	5.963	135.254
IFRS9 effect	-	36	36
Balance at 31 December 2021 after IFRS9 effect	129.291	5.999	135.290
Assets acquired	38.969	-	38.969
Assets disposed	-36.108	-1.980	-38.088
Increase(decrease) Value	-8.462	-50	-8.512
Balance at 31 December 2022	123.690	3.969	127.659
Assets acquired	53.898	-	53.898
Assets disposed	-53.980	-	-53.980
Increase(decrease) Value	2.352	9	2.361
Reclassification	3.978	-3.978	-
Balance at 30 September 2023	129.938	-	129.938

Valuation hierarchy 2023

EUR'000	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments designated at fair value through profit or loss	107.013	22.925	-	129.938

Valuation hierarchy 2022

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

3. Receivable amounts

Amounts receivable, EUR'000	30.09.2023	31.12.2022
Receivables from intermediaries	1.745	1.708
Other receivables	610	485
Total	2.355	2.193

4. Current accounts and cash on hand

Items, EUR'000	30.09.2023	31.12.2022
Current accounts at banks	6.398	6.554
Total	6.398	6.554

As of 30 September 2023, and 31 December 2022, the Company had no term deposits with maturity less than 3 months.

As of 30 September 2023, cash deposited in SEB bank AB for issued guarantees amounted to EUR 35 thousand (as of 31 December 2022 – EUR 60 thousand).

5. Share capital and reserves

Share capital

As of 30 September 2023, the share capital of the Company amounted to EUR 56.184 thousand (31 December 2022: EUR 56.184 thousand). The share capital of the Company is divided into 7.623.384 ordinary registered shares with the par value of EUR 7,37. All shares were fully paid as of 30 September 2023 and 31 December 2022.

	30.09.2023		31.12.2022	
	Amount	EUR'000	Amount	EUR'000
Ordinary shares with voting rights	7.623.384	56.184	7.623.384	56.184

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

Company's shareholders	30.09.2023		31.12.2022	
	Number of shares	% Of share capital	Number of shares	% Of share capital
Gjensidige Forsikring	7.621.258	99,97	7.621.258	99,97
Private persons	2.126	0,03	2.126	0,03
Total	7.623.384	100	7.623.384	100

According to the Law on Insurance of the Republic of Lithuania, the share capital of an insurance company should be not less than EUR 1 million. As of 30 September 2023, and 31 December 2022, the Company complied with this requirement.

Share premium

In 2014, after the increase of the Company's share capital by 860.000 shares, share premiums were formed, which comprise the amount of the par value surplus of the issued shares. The nominal value was EUR 28,96 per share, the issue price was EUR 43,44 per share. There were changes in the amount of share premium in 2022. The share premiums decreased in amount of EUR 6.584 thousand in 2022 due to the financial loss coverage. The share premiums decreased in amount of EUR 5.870 thousand in Q2 2023 due to the financial loss coverage. The share premiums balance on 30.09.2023 is 0 EUR (zero EUR).

Revaluation reserve

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

6. Insurance liabilities

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

EUR thousands	Liabilities for remaining coverage (LRC)		Liabilities for incurred claims (LIC)		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
Insurance contract liabilities as at opening balance	44.081	2.654	56.922	4.106	107.763
Insurance revenue	-106.361				-106.361
Incurred claims			87.097	1.983	89.080
Incurred expenses			29.373		29.373

Changes that relate to past service - adjustments to LIC			-1.173	-1.707	-2.880
Losses on onerous contracts		-324			-324
Insurance finance expenses through profit or loss			887	71	958
Total changes in income statement	-106.361	-324	116.184	347	9.846
Premiums received	109.200				109.200
Claims paid			-80.227		-80.227
Expenses paid			-29.373		-29.373
Total cash flows	109.200	0	-109.600	0	-400
Insurance contract liabilities as at closing balance	46.920	2.330	63.506	4.453	117.209

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

EUR thousands	Liabilities for remaining coverage (LRC)		Liabilities for incurred claims (LIC)		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
Insurance contract liabilities as at opening balance	43.083	2.558	56.516	4.341	106.498
Insurance revenue	-128.400				-128.400
Incurred claims			103.369	1.930	105.299
Incurred expenses			35.584		35.584
Changes that relate to past service - adjustments to LIC			-2.377	-2.165	-4.542
Losses on onerous contracts		96			96
Insurance finance expenses through profit or loss			141		141
Total changes in income statement	-128.400	96	136.717	-235	8.178
Premiums received	129.398				129.398
Claims paid			-100.727		-100.727
Expenses paid			-35.584		-35.584
Total cash flows	129.398	-	-136.311	-	-6.913
Insurance contract liabilities as at closing balance	44.081	2.654	56.922	4.106	107.763

7. Other liabilities

Items, EUR'000	30.09.2023	31.12.2022
Liabilities to customers	3.170	3.404
Salaries	557	33
Other	308	400
Total	4.035	3.837

8. Provisions

Items, EUR'000	Restructuring	Bonuses of employees	Total
Balance on 31 December 2021	249	975	1.224
New provisions	397	1.262	1.659
Provisions used during the year	-469	-1.245	-1.714
Balance on 31 December 2022	177	992	1.169
New provisions	390	1.029	1.419
Provisions used during the year	-228	-1.022	-1.250
Balance on 30 September 2023	339	999	1.338

Restructuring reserve

During 2023, the Company committed to a plan to restructure the Company's activities to improve the efficiency. Following the announcement of the plan, the Company recognised a provision of EUR 390 thousand for expected restructuring costs, including employees' termination benefits. Estimated costs were based on the terms of the relevant contracts. The provision of EUR 228 thousand was used during nine months 2023. The restructuring is expected to be completed by December 2023.

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

Bonuses of employees

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

9. Transactions with related parties

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

Related parties:

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

10. Compliance with legal regulations

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

As of 30 September 2023, and 31 December 2022, the Company complied with solvency requirements to insurance companies.

11. Operating lease

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

Right-of-use assets

EUR'000	Land and buildings	Total
Costs on 1 January 2022	9.023	9.023
New contracts	-358	-358
Changes contracts conditions (+-)	-80	-80
Costs on 31 December 2022	8.585	8.585
New contracts	-	-
Changes contracts conditions (+-)	-812	-812

Costs on 30 September 2023	7.773	7.773
Depreciation on 1 January 2022	-2.920	-2.920
Depreciation expenses per period	-1.095	-1.095
Changes contracts conditions (+-)	356	356
Depreciation on 31 December 2022	-3.659	-3.659
Depreciation expenses per period	-735	-735
Changes contracts conditions (+-)	220	220
Depreciation on 30 September 2023	-4.174	-4.174
Balance on 31 December 2022	4.926	4.926
Balance on 30 September 2023	3.599	3.599

Lease liability

EUR'000	Land and buildings	Total
Balance on 1 January 2022	6.148	6.148
New contracts	-	-
Changes contracts conditions (+-)	-84	-84
Payments	-1.174	-1.174
Interests' expenses	113	113
Balance on 31 December 2022	5.003	5.003
New contracts	-	-
Changes contracts conditions (+-)	-594	-594
Payments	-786	-786
Interests' expenses	66	66
Balance on 30 September 2023	3.689	3.689

12. Contingencies and commitments

Legal disputes – as of 30 September 2023 and 31 December 2022 the Company did not participate in any legal dispute cases that, in the opinion of the management, would have significant impact on the financial statements.

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

There were no events in the Company from 30 September 2023 until the date of issue of the financial statements that might have a significant impact on the financial statements.

Financial statements were signed on behalf of the Company's management on 19 October 2023.

General Director



Bogdan Benczak

Chief Accountant



Jolanta Markeliene

Chief Actuary



Jurgis Navikas

