GD UAB
SB draudimas

Independent Auditor's Report and Financial Statements for the year ended 31 December 2023

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Independent Auditor's Report

To the Shareholders of GD UAB SB draudimas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GD UAB SB draudimas ("the Company"). The Company's financial statements comprise:

- the statement of financial position as at 31 December 2023,
- the statement of profit or loss and other comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Company code: 111494971
VAT code: LT114949716

Insurance contract liabilities for remaining coverage

The gross amount of liabilities for remaining coverage in the financial statements as at 31 December 2023: EUR 85,181 million.

Refer to accounting policy 2.13 Classification and accounting of insurance and investment contracts and Note 11 Insurance and reinsurance contract assets and liabilities.

The key audit matter	How the matter was addressed in our audit

Liabilities for remaining coverage – LRC for life insurance contracts measured under general measurement model (GMM) and variable fee approach (VFA) ("the insurance liability") represents a significant element of insurance contract liabilities in the Company's statement of financial position. In measuring the insurance liability the Management was required to establish present value of future cash flows (PVFCFs), risk adjustment for non-financial risk (RA LRC) and contractual service margin (CSM). We focused on this area as measurement of the insurance liability requires the Management to apply professional judgement, as well as complex and subjective assumptions, including those with a long-time period.
 	
Relatively insignificant changes in the key assumptions may have a material impact on the amount of the insurance liability for remaining coverage. The key assumptions include:
• Mortality rates
• Disability/morbidity
• Lapse rates
• Expenses.
 	
These assumptions are treated as inputs for cash flow models using complex actuarial methods.
 	
For the above reasons, obtaining sufficient and appropriate audit evidence in respect of the amount of the insurance liability for remaining coverage for life insurance contracts was considered by us to be a significant risk in our audit, which required our increased attention. Accordingly, we considered the area to be a key audit matter.
	Our audit procedures in the area included, among others:
	• obtaining understanding of the methodology used when estimating Company's LRC for life insurance contracts and assessing its compliance with the relevant requirements of IFRS 17 standard and relevant legal and regulatory requirements. As part of the above, we identified the relevant methods, assumptions and sources of data, and assessed whether such methods, assumptions, data and their application are appropriate in the context of IFRS 17 requirements. Additionally, assisted by our own actuarial specialists, we have challenged the Management on whether the level of the methodology's sophistication is appropriate;
	• testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of insurance policies including, but not limited to, those over quality of the policy data.
	• challenging the Management back testing of estimated fulfilment cash flows, by:
	  o assessment of the assumptions underlying the analyses;
	  o assessment of the results of the analyses.
	• challenging the key actuarial assumptions used by the Company, including mortality rates, disability/morbidity, lapse ratios, and expenses – by reference as applicable to financial reporting standards and regulatory requirements as well as by comparison of these assumptions to their historical values and available forecasts or other statistical and market data or contractual terms;
	• assessment of the completeness and the accuracy of the input data used by the Management in valuation of the LRC for life insurance contracts.
	• recalculating, with the help of the specialists, the PVFCFs, RA LRC and CSM as at 31 December 2023 for a sample of selected groups of insurance contracts.
	
	Evaluating the accuracy and completeness of the LRC for life insurance contracts disclosures in the financial statements by reference to the requirements of the applicable financial reporting framework.

Business combination

On 1 December 2023 the Company completed business combination where control over life insurance business from UADB INVL Life was obtained based on master agreement concluded on 22 November 2022.

Identifiable net assets acquired as part of business combinations recognized in the statement of financial position as at 1 December 2023 amounted to EUR 7,8 million. Goodwill arising from the acquisition of the business amounted to EUR 1,1 million.

Refer to accounting policy 2.12 Business acquisition and Note 24 Business acquisition disclosure.

The key audit matter	How the matter was addressed in our audit

The assets and liabilities acquired were stated at their fair values which were determined by the Company during purchase price allocation and fair value determination exercises. This resulted in net assets measured at fair value in the amount of EUR 7,8 million.
 	
Management has the discretion to make judgements, estimates and assumptions in allocating the purchase price and determining fair value. Changes in these assumptions could have a significant effect on the purchase price allocation and fair values.
 	
Due to the matter described above, we considered the business combination and in particular the purchase price allocation and fair value determination as a key audit matter in our audit.
	Among others, we performed the following audit procedures:
	
	- We have gained knowledge of the management process related to acquisition accounting. We read the master agreement concluded on 22 November 2022 and analysed the relating documentation, terms and conditions of the transaction and assessed the accounting treatment of the consideration transferred and the assets and liabilities acquired in accordance with IFRS 3 'Business Combinations',
	
	- we have engaged our valuation and actuarial specialists to assist us in analysing the Company's purchase price allocation and in assessing the methodology used to determine the assets acquired and liabilities assumed, in particular:
	
	    - the methodologies and key assumptions, such as ones used in measuring insurance contract and investment contract liabilities and discount rates used in the purchase price allocation of the acquired business;
	    - a reconciliation of the key inputs used in the fair value measurement and purchase price allocation models;
	    - checking the mathematical accuracy of calculations used in fair value measurement and purchase price allocation models.
	
	- we assessed the adequacy of disclosures of financial information, including disclosure of key assumptions and estimates based on requirements of the relevant financial reporting standard.

Other Information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders‘ meeting we were appointed on 9th July 2020 for the first time to audit the Company‘s financial statements. Our appointment to audit the Company‘s financial statements is renewed each year under decision of the general shareholders‘ meeting, and the total uninterrupted period of engagement is 4 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report which we have submitted to the Company and its Audit Committee.

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

In the course of audit, in addition to the audit of financial statements, we have provided translation services.

On behalf of KPMG Baltics, UAB

DOMANTAS DABULIS

Digitally signed by DOMANTAS DABULIS
Date: 2024.03.28 20:48:10 +02'00'

Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
28 March 2024

The electronic auditor’s signature applies only to the Independent Auditor’s Report on pages 3 to 8 of this document.

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

GD UAB SB draudimas (hereinafter referred to as "the Company") was established in 2000 and is owned by AB Šiaulių bankas. The Company provides all basic life insurance, accident and critical illness insurance services to individuals. The Company is licensed to carry out pension annuity business.

1. OVERVIEW OF THE COMPANY'S POSITION, PERFORMANCE AND DEVELOPMENT

On 1 December 2023, AB Šiaulių bankas ("the Bank") and AB Invalda INVL completed the merger of their retail businesses in accordance with the agreement signed on 22 November 2022 ("the Transaction"). As of 1 December 2023, in addition to the financial services already provided, AB Šiaulių bankas group manages pillar II and III pension and investment funds, and the Company has expanded its life insurance services business. Refer to Note 24 *Business acquisition disclosure* for more details.

In addition, the Bank, aiming for the efficient organisation of the Bank and its subsidiaries, including the Company (hereinafter referred to as "Group companies"), concentration of competence, utilisation of value creation through synergy of similar functions, ensuring substitution and replacement, implemented structural changes, and Group companies transitioned to the centralisation of part of their functions. As of 1 December 2023, sales, customer service, legal, IT administration and supervision and some other functions are performed by centralised positions within the Bank and Group companies.

As part of the Transaction, the Company established branches in Estonia and Latvia in 2023.

The life insurance products have also been updated. In 2023, the Company offered the following life insurance products to its customers:

- Insurance in case of death:
  - Life risk insurance with decreasing insurance amount;
  - Mortgage insurance (to AB Šiaulių bankas customers);
  - Life risk insurance;
- Unit-linked insurance:
  - Unit-linked life insurance;
- Complimentary illness and accident insurance.

During 2023, the Company wrote a total of EUR 14,393,874 of life insurance premiums, of which EUR 13,737,857 were written in Lithuania, EUR 381,986 in Latvia and EUR 274,031 in Estonia. Compared to 2022, the amount of life insurance premiums increased by 36.5% (EUR 10,546,429)
In 2023, the Company paid out EUR 7,322,017 in insurance claims, of which EUR 5,225,649 in Lithuania, EUR 470,252 in Latvia and EUR 1,626,117 in Estonia. The total amount of insurance claims increased by 64.7% compared to 2022 (EUR 4,446,348).

2. INFORMATION ON COMPANY'S SHARES

In 2023 and 2022, the shareholder (ultimate and parent company) of the Company was AB Šiaulių bankas (company code - 112025254, address - Tilžės g. 149, Šiauliai).

As at 31 December 2023, the Company's authorised capital amounted to EUR 26,012,800 and EUR 4,057,576 as at 31 December 2022. The authorised share capital consisted of 89,817 ordinary shares as at 31 December 2023 and 14,010 ordinary shares as at 31 December 2022, each with a nominal value of EUR 289.62. All shares are fully paid. There is one class of ordinary shares. All issued shares carry equal voting rights.

The Company did not acquire or dispose of any of its own shares during the reporting period.

3. COMPANY'S FINANCIAL RESULTS

In 2023, the Company's net loss was EUR 2,226,512 (2022: net profit of EUR 3,778,810).

The largest part of the revenue was insurance revenue of EUR 4,567,833. The major part of the costs were insurance service expenses related to insurance contracts of EUR 5,999,575, including costs of insurance claims incurred of EUR 2,185,804, losses on onerous contracts of EUR 1,016,441, acquisition and other costs of EUR 2,797,330. Reinsurance resulted was EUR -149,049 and finance income from insurance and reinsurance contracts amounted to EUR 872,657. Result from investing activities amounted to EUR 404,238. The result of managing investment contracts amounted to EUR -1,993,769, of which investment contract revenue amounted to EUR 973,101 and acquisition and other costs for investment contracts amounted to EUR -2,966,870. Other operating income amounted to EUR 89,326 and other operating expenses to EUR 16,862. Income tax expense amounted to EUR 1,311.

4. RISK MANAGEMENT

In carrying on insurance business, the Company assumes the risks inherent in that business. A quality risk management process is a prerequisite for the success of the Company. The main risks to which the Company is exposed are: insurance, market, credit, liquidity, concentration and operational risks.
The Company has also included other non-financial risks related to the management of the Company in its operational risks: strategic, reputation, compliance, money laundering, terrorist financing and international sanctions, sustainability, IT, model risks. The Company's risk management is guided by a risk management policy. As part of Solvency II requirements, the Company also conducts its own risk and solvency assessment, which examines the Company's solvency position under various business and economic scenarios.

The types of risks, their management approaches and the potential impact of the risks on the Company's financial performance are described in the notes to the financial statements.

5. ENVIRONMENTAL, SOCIAL AND GOVERNANCE ACTIVITIES

The Company belongs to Šiaulių bankas Group, which is guided by the Sustainability Strategy (ESG Strategy – Environmental, Social and Governance factors). The ESG Strategy is based on the Group's business strategy and views of internal and external stakeholders on the most important impact topics. Identified common ESG significant impact areas reveal three fundamental perspectives of sustainable operations: reducing environmental impact, developing service accessibility, and engaging employees, responsible business, transparency and reliable services.
Šiaulių Bankas Group takes a holistic approach to environmental impact reduction – from improving internal processes to reviewing requirements for partners and developing new green products. Priorities include reducing the direct environmental impact of our own and our partners' activities and promoting positive change together with customers and sustainable organisations.
Service accessibility is one of the key principles of service provision and development, meaning that a wide range of the country's residents and businesses should have access to beneficial and appropriately priced services that meet their needs sustainably and responsibly. Employee engagement is ensured through initiatives such as a new employee on-boarding programme, staff development programmes, community service initiatives, ensuring equal pay, monitoring employee motivation and psychological as well as physical well-being, etc.
Initiatives such as operational risk management, climate and environmental risk management, anti-money laundering, prevention of corruption and conflicts of interest, etc., aim to achieve a responsible and transparent perspective. Reliable services are ensured by developing IT infrastructure and systems, implementing cyber security measures, improving employee qualifications, processes, developing business continuity plans, etc.

6. FORECASTS FOR 2024

In 2024, a strong focus will be placed on customer satisfaction with the Company's services, customer service and product development. Further digitisation of processes, improvement of qualification and motivation of employees and dependent intermediaries, increase of sales through AB Šiaulių bankas are planned. Insurance revenue of EUR 17 million are planned for 2024.

7. INFORMATION ON MEMBERS OF THE COMPANY'S MANAGEMENT AND SUPERVISORY BODIES

Company's Board members as of 1 December 2023:

Name Surname	Positions held in the Company
Tomas Varenbergas	Chairman of the Board
Donatas Savickas	Board member
Algimantas Gaulia	Board member

Company's Board members until 1 December 2023:

Name Surname	Positions held in the Company
Saulius Jokubaitis	Chief Executive Officer/Chairman of the Board
Diana Macevičė	Director of Commerce/Board Member
Inga Kriaučiūnienė	Director of Insurance/Board Member

As of 1 December 2023, the Company's Chief Executive Officer is Rasa Kasperavičiūtė, the Head of Finance is Mindaugas Petrošius, the Head of the Actuarial Function is Inga Kirnienė, the Head of Risk Management is Rita Butkuvienė, and the Head of Compliance is Aistė Patašiūtė. The Head of the Company's Latvian branch is Ieva Bane and the Head of the Estonian branch is Airi Heinapuu.
In 2023, the Company's external auditor was KPMG Baltics, UAB.

Chief Executive Officer Rasa Kasperavičiūtė

Vilnius
28 March 2024

GD UAB SB draudimas

Company code 110081788, Gynėjų g. 14, Vilnius

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2023

	Note	31/12/2023	31/12/2022 (restated)	01/01/2022 (restated)
ASSETS				
Intangible assets	6	1,866,866	480,569	367,067
Property, plant and equipment	5	62,633	100,896	130,699
Right-of-use assets	5	720,951	395,921	308,470
Financial assets:	7	199,022,322	44,218,396	47,167,658
Financial assets through profit or loss		187,164,810	31,014,323	33,082,003
Financial assets at amortised cost		11,857,512	13,204,073	14,085,655
Reinsurance contract assets	11	14,616	146,298	6,030
Amounts receivable	8	265,722	36,010	91,996
Deferred tax assets	14	2,296	2,296	2,436
Other assets	8	74,576	753,444	466,968
Cash and cash equivalents	9	9,522,424	1,329,189	1,515,855
TOTAL ASSETS		**211,552,406**	**47,463,019**	**50,057,179**
EQUITY				
Authorised capital	10	26,012,800	4,057,576	4,057,576
Legal reserve	10	405,758	405,758	405,758
Other reserves	10	93,031	67,917	46,240
Retained earnings		3,534,315	5,775,354	2,007,045
TOTAL EQUITY		**30,045,904**	**10,306,605**	**6,516,619**
LIABILITIES				
Insurance contract liabilities	11, 17	86,749,399	29,956,155	36,652,558
Liability for remaining coverage		85,181,360	29,240,642	36,007,140
Liability for incurred claims		1,568,039	715,513	645,418
Investment contract liabilities	11, 17	89,779,602	6,229,264	6,081,178
Reinsurance contract liabilities	11, 17	1,334	-	-
Other liabilities	13	1,497,239	712,861	565,878
Accrued costs	13	936,880	258,134	240,946
Deferred income	24	2,542,048	-	-
TOTAL LIABILITIES		**181,506,502**	**37,156,414**	**43,540,560**
TOTAL EQUITY AND LIABILITIES		**211,552,406**	**47,463,019**	**50,057,179**

The explanatory notes on pages 15 to 63 constitute an integral part of these financial statements.

The financial statements were approved and signed by the Company's management on 28 March 2024.

Chief Executive Officer	Rasa Kasperavičiūtė
Head of Actuarial Team	Birutė Masiulienė
Head of Financial Accounting	Jovita Gibavičienė

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	31/12/2023	31/12/2022 (restated)
INSURANCE REVENUE	15	**4,567,833**	**5,758,109**
INSURANCE SERVICE EXPENSES	11	**-5,999,575**	**-3,446,402**
Costs of insurance claims incurred		-2,185,804	-1,393,801
Losses on onerous contracts		-1,016,441	88,017
Acquisition costs		-918,833	-828,433
Other operating expenses		-1,878,497	-1,312,185
REINSURANCE RESULT	11	**-149,049**	**37,529**
RESULT OF INSURANCE FINANCIAL ACTIVITIES	12	**872,657**	**1,963,435**
Finance income/costs on insurance contracts		871,911	1,846,239
Finance income/costs on reinsurance contracts		746	117,196
RESULT OF INVESTING ACTIVITIES	16	**404,238**	**164,287**
Gains/losses on changes in value of financial assets		192,502	-89,102
Interest income on assets at fair value		136,856	133,325
Interest income on assets at amortised cost		260,606	280,362
Total interest expenses on assets at amortised cost		-57,026	-65,538
Other income/expenses from investing activities		-128,700	-94,760
RESULT OF MANAGING INVESTMENT CONTRACTS	16, 18, 19	**-1,993,769**	**-646,586**
OTHER INCOME/EXPENSES		**72,464**	**-5,281**
Other interest expenses	21	-16,862	-5,404
Other operating income/expenses		89,326	123
RESULT FOR THE PERIOD – PROFIT (LOSS) BEFORE TAX		**-2,225,201**	**3,825,091**
INCOME TAX	22	-1,311	-46,281
RESULT FOR THE PERIOD – PROFIT (LOSS)		**-2,226,512**	**3,778,810**
OTHER COMPREHENSIVE INCOME		**-**	**-**
PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**-2,226,512**	**3,778,810**

The explanatory notes on pages 15 to 63 constitute an integral part of these financial statements.

The financial statements were approved and signed by the Company’s management on 28 March 2024.

Chief Executive Officer — Rasa Kasperavičiūtė

Head of Actuarial Team — Birutė Masiulienė

Head of Financial Accounting — Jovita Gibavičienė

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Authorised capital	Legal reserve	Other equity	Retained earnings (restated)	Total (restated)
Balance at 31/12/2021	**4,057,576**	**405,758**	**46,240**	**4,613,964**	**9,123,538**
Impact of the transition to IFRS 17				-2,606,919	-2,606,919
Balance at 01/01/2022 (restated)	**4,057,576**	**405,758**	**46,240**	**2,007,045**	**6,516,619**
Net profit (loss) for 2022 (restated)	-	-	-	3,778,810	3,778,810
Other comprehensive income	-	-	-	-	-
Transactions with owners of the Company	-	-	-	-	-
Formation of other equity	-	-	21,677	-10,501	11,176
Balance at 31/12/2022	**4,057,576**	**405,758**	**67,917**	**5,775,354**	**10,306,605**
Increase of authorised capital	21,955,224	-	-	-	21,955,224
Net profit (loss) for 2023	-	-	-	-2,226,512	-2,226,512
Other comprehensive income	-	-	-	-	-
Transactions with owners of the Company	-	-	-	-	-
Formation of other equity	-	-	25,114	-14,527	10,587
Balance at 31/12/2023	**26,012,800**	**405,758**	**93,031**	**3,534,315**	**30,045,904**

The explanatory notes on pages 15 to 63 constitute an integral part of these financial statements.

The financial statements were approved and signed by the Company's management on 28 March 2024.

Chief Executive Officer Rasa Kasperavičiūtė

Head of Actuarial Team Birutė Masiulienė

Head of Financial Accounting Jovita Gibavičienė

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	31/12/2023	**31/12/2022 (restated)**
CASH FLOWS FROM OPERATING ACTIVITIES	**-11,050,148**	**208,499**
Cash flows from insurance contracts:	7,412,218	5,191,070
Contributions received (including investment component) and other amounts	12,396,989	9,429,116
Insurance claims paid (including investment component) and other amounts	-4,984,771	-4,238,046
Cash flows from investment contracts:	-269,459	944,380
Investment contract management amounts received	2,067,802	1,152,682
Investment component and other amounts paid	-2,337,261	-208,302
Cash flows from reinsurance contracts:	-36,672	-59,269
Premiums paid and other amounts ceded to reinsurers	-166,621	-92,037
Claims received and other amounts received from reinsurers	129,949	32,768
Operating expenses (taxes) paid	-4,969,871	-3,997,383
Interest received	463,628	536,441
Amounts received on maturity or on disposal of investments	13,677,186	14,452,644
Amounts paid on acquisition of investments	-27,274,341	-16,752,654
Investing activity fees paid	-52,837	-106,730
CASH FLOWS FROM INVESTING ACTIVITIES	**4,773,305**	**-259,176**
Amounts received on sale of property, plant and equipment	88,608	-
Amounts paid on acquisition of property, plant and equipment	-46,412	-29,158
Amounts paid on acquisition of non-current intangible assets	-315,500	-210,936
Business acquisition, net of cash acquired in the transaction	5,056,518	-
Amounts arising from other investing activities	38	526
Amounts paid in connection with other investing activities	-9,947	-19,608
CASH FLOWS FROM FINANCING ACTIVITIES	**14,469,924**	**-138,293**
Amounts received on issue of equity securities	14,595,074	-
Amounts paid on redemption of equity securities	-	-
Lease payments	-125,150	-135,433
Amounts paid in connection with other financing activities	-	-2,860
Effect of changes in exchange rates on the balance of cash and cash equivalents	**154**	**2,304**
Cash and cash equivalents at the beginning of the period	**1,329,189**	**1,515,855**
Cash and cash equivalents at the end of the period	**9,522,424**	**1,329,189**

The explanatory notes on pages 15 to 63 constitute an integral part of these financial statements.

The financial statements were approved and signed by the Company's management on 28 March 2024.

Chief Executive Officer	Rasa Kasperavičiūtė
Head of Actuarial Team	Birutė Masiulienė
Head of Financial Accounting	Jovita Gibavičienė

1 GENERAL INFORMATION

GD UAB SB draudimas (hereinafter referred to as the Company) was established and commenced its operations on 31 August 2000. The Company's registered office is located at Gynėjų g. 14, Vilnius, Lithuania, company code 110081788. The Company carries out the following groups (sub-groups) of life insurance business:

- Life insurance in case of death;
- Life insurance in case of survival;
- Unit-linked life insurance;
- Complimentary illness and accident insurance.

As at 31 December 2023 and 31 December 2022, all the shares of the Company were held by AB Šiaulių bankas, whose shares are listed on the Nasdaq Baltic Main List. The Company's ultimate parent company is located in Šiauliai, Lithuania.

The Company has branches in Estonia and Latvia.

As at 31 December 2023, the Company had 77 employees (53 in the Lithuanian branch, 15 in the Estonian branch and 9 in the Latvian branch) and 41 employees as at 31 December 2022.

The Company's financial year coincides with the calendar year.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

These financial statements were approved by the Chief Executive Officer, the Head of the Actuarial Team and the Head of Financial Accounting on 28 March 2024. The shareholders of the Company have the statutory right to approve or disapprove these financial statements and to require management to prepare a new set of financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

All amounts in the financial statements, including disclosures in the explanatory notes, are presented in the national currency the euro (EUR), unless otherwise stated.

Amendments to existing standards and interpretations effective in 2023

New standards, amendments to standards and interpretations effective from 1 January 2023 that do not have a material impact on the Company's financial statements:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12).

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

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

- Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7; not adopted by the EU);
- Non-Current Liabilities with Covenants (Amendments to IAS 1).

2.2 ACCOUNTING POLICIES REQUIRING THE COMPANY'S JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting estimates. Management is also required to make judgements regarding the application of the Company's accounting policies. Areas where judgements are complex or where assumptions and accounting estimates are significant to the financial statements are disclosed in the relevant sections:

- Transition to IFRS 9 and IFRS 17 – Chapter 2.3 *Transition*.
- Classification of insurance, reinsurance and investment contracts for assessing whether the insurance risk in a contract is significant; separation of the investment component – Chapter 2.13 *Classification and Accounting of Insurance and Investment Contracts*.
- Classification of insurance contracts into portfolios and by yield and inception date – Chapter 2.13 *Classification and Accounting of Insurance and Investment Contracts*.
- Assessment of insurance contracts, method for calculating the adjustment for non-financial risk and confidence level, and coverage units for a group of contracts – Chapter 2.13 *Classification and Accounting of Insurance and Investment Contracts*.
- The key assumptions used in the assessment of insurance contracts and the process for selecting those assumptions – Chapter 2.13 *Classification and Accounting of Insurance and Investment Contracts*, Chapter 2.14 *The Process of Establishing Insurance Assumptions*. Sensitivity analysis for changes in key assumptions – Chapter 3 *Risk Management*.
- Insurance risk and its management – Chapter 3.2 *Insurance Risk*;
- Business acquisitions – Chapter 2.12 *Business Acquisition* and Chapter 24 *Business Acquisition Disclosure*;
- Classification of financial assets – Chapter 2.6 *Classification of Financial Assets*;
- Impairment of assets – Chapter 2.7 *Impairment of Assets* and Chapter 6 *Intangible Assets*;
- Recognition of deferred tax assets – Chapter 14 *Deferred Tax*.

2.3 TRANSITION

On 1 January 2023, the Company applied IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments for the first time. Application of these standards introduced significant accounting changes for insurance and reinsurance contracts and financial instruments.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is applicable for annual periods starting on or after 1 January 2023. IFRS 17 supersedes IFRS 4. IFRS 17 is a standard based on general principles setting accounting requirements for all types of insurance contracts including reinsurance contracts held by an insurer. The Company has not applied this standard earlier.

The Company has applied all three possible methods for transition to new standard:

Product	**Transition method**
Endowment insurance (KG)	Fair value method
Endowment insurance for survival (KI)	Fair value method
Hybrid (GD, GP)	For contracts concluded till 2016 – Fair value method. For contracts concluded after 2016 – Full retrospective approach
Studies insurance (SD)	Fair value method
Pension insurance (PD)	Fair value method
Pension annuities insurance (PA)	Fair value method
Annuities (SD_pay_out, PD_pay_out)	Fair value method
Investment insurance (UG,PP,IP)	For contracts concluded till 2008 – Fair value method. For contracts concluded between 2008-2015 – Modified retrospective approach. For contracts concluded after 2016 – Full retrospective approach
Children safe future insurance (VA)	For contracts concluded till 2015 – Modified retrospective approach. For contracts concluded after 2016 – Full retrospective approach
Children future programme (VP)	Full retrospective approach
Life risk insurance (GG)	Fair value method
Life risk insurance with decreasing insurance amount (RG)	For contracts concluded till 2016 – Fair value method. For contracts concluded after 2016 – Full retrospective approach
"I'm safe" insurance (GN)	Fair value method
Life risk "Safe family" insurance (SB)	Full retrospective approach
Mortgage life insurance (BK)	Full retrospective approach

The transition methods set out in the table above have been selected for the Company's various products using the principles set out below: for insurance contracts concluded before the new standard application date and about which the Company has insufficient data to apply full or modified retrospective approach or they constitute insignificant part of total portfolio, fair value method was applied; for insurance contracts concluded until new standard application date and for which the Company has insufficiently detailed data to apply fully retrospective approach modified retrospective approach was applied; for remaining insurance contracts, full retrospective approach was applied.

For contracts concluded before 2016, a full retrospective assessment could not be carried out due to lack of data. For the relevant groups, the methods are based on the granularity of the data, the availability of data and the number of contracts in the portfolio.

The adjustment to the Company's shareholders' equity is an increase of EUR 2.6 million on 1 January 2022.

Assets	**IFRS 4**	**IFRS 17**	**restatement**
Reinsurance assets	40,930	6,030	-34,900
Deferred acquisition costs	1,717,020	469,404	-1,247,616
Restatement of asset items			**-1,282,516**
Shareholders' equity	**9,123,538**	**6,516,619**	**-2,606,919**
Liabilities			
Technical provisions/insurance contract liabilities	38,378,066	36,652,558	-1,725,508
Investment contract liabilities	3,031,267	6,081,178	3,049,911
Restatement of shareholders' equity and liabilities			**-1,282,516**

IFRS 9 Financial Instruments.

The amendments to the standard provide an optional temporary exemption for insurers to apply IFRS 9 until 2023, in conjunction with the implementation of IFRS 17, if liabilities from insurance contracts exceed 90% of total liabilities. The Company elected to apply the temporary exemption from IFRS 9 and started applying it on 1 January 2023.

The main requirements of the new standard are:

• Financial assets are required to be classified into three groups based on how they are measured: financial assets at amortised cost in subsequent periods; financial assets at fair value through other comprehensive income in subsequent periods; and financial assets at fair value through profit or loss in subsequent periods.

• The classification of debt instruments depends on the entity's business model for managing financial assets and whether the contractual cash flows include solely payments of principal and interest. If a debt instrument is held for contractual cash flows, it may be carried at amortised cost if it also meets the requirement for solely payments of principal and interest. Debt instruments that satisfy solely payments of principal and interest requirement and that form part of an entity's portfolio of assets held and sold for cash flows may be recognised as financial assets at fair value through other comprehensive income. Financial assets that do not involve cash flows that satisfy solely payments of principal and interest requirement shall be measured at fair value through profit or loss (for example, derivative financial instruments). Investments in equity instruments are always measured at fair value.

Many of the requirements in IAS 39 relating to the classification and measurement of financial liabilities have been transferred to IFRS 9 without modification. The main change is that an entity will be required to present in other comprehensive income the effect of changes in credit risk arising from changes in the fair value through profit or loss of financial liabilities classified as at fair value through profit or loss.

The Company assessed financial assets that were carried at amortised cost until 2023 to determine whether they could be classified as part of a business model that holds financial assets for the purpose of collecting contractual cash flows and whether the cash flows represent solely payment of principal and interest (SPPI). Based on its assessment, the Company has classified all financial assets, that had been classified as receivables under IAS 39, as receivables measured at amortised cost under IFRS 9.

The Company has carried out an assessment of securities business models in the context of how financial asset portfolios are managed.

The following table shows the classification of the items of the statement of financial position under IFRS 9 at their carrying amounts at 31 December 2021 (still applying IAS 39), restatement as at 1 January 2022 and carrying amounts as at 1 January 2022:

	Amortised cost	Fair value through comprehensive income	Fair value through profit or loss	Total
Assets				
Debt securities	13,185,655	-	5,831,954	19,017,609
Equity securities	-	-	27,250,049	27,250,049
Loans and receivables, including insurance receivables	991,996	-	-	991,996
Cash and cash equivalents	1,515,855	-	-	1,515,855
Total financial assets, 31/12/2021	**15,693,506**	**-**	**33,082,003**	**48,775,509**
Restatement, 01/01/2022:				
Assets				
Debt securities	-	-	-	-
Equity securities	-	-	-	-
Term deposits	900,000	-		900,000
Loans and receivables, including insurance receivables	-900,000	-	-	-900,000
Cash and cash equivalents	-	-	-	-
Total financial assets, restated, 01/01/2022	**-**	**-**	**-**	**-**
Assets				
Debt securities	13,185,655	-	5,831,954	19,017,609
Equity securities	-	-	27,250,049	27,250,049
Term deposits	900,000	-	-	900,000
Loans and receivables, including insurance receivables	91,996	-	-	91,996
Cash and cash equivalents	1,515,855	-	-	1,515,855
Total financial assets, 01/01/2022	**15,693,506**	**-**	**33,082,003**	**48,775,509**

The Company follows the requirements of the expected credit loss (ECL) model described in IFRS 9 in assessing impairment of debt securities measured at amortised cost and other assets. The ECLs are measured according to the following formula:

PD x LGD x EAD = ECL

Where:

PD – probability of default. It represents the likelihood of a borrower on defaulting on its financial obligation; PDs are assigned on the basis of external credit ratings;

LGD – loss given default. It represents the extent of loss the Group is likely to incur in case the borrower defaults;

EAD – exposure at default. It represents expected exposure at the time of the default.

The financial assets are grouped into 3 stages:

1) Stage 1 financial assets – no significant increase in credit risk is observed since initial recognition. The Company applies low credit risk exemption and assigns all equity securities exposures to Stage 1. 12-months PDs apply to Stage 1 exposures based on the external investment grade credit rating. If the exposure is not rated, PDs corresponding to a BBB- credit rating on the Moody's scale are used;
2) Stage 2 financial assets – significant increase in credit risk is observed since initial recognition. The Company uses multiple criteria to assess whether the credit risk has increased. Main criteria include: credit rating decrease (external credit rating decrease by >=3 notches; internal credit rating decrease by 1 notch), payment delays (>30 days past due financial assets are classified to Stage 2 unless there is observable evidence indicating otherwise), other observable criteria (restructuring, forbearance, inclusion in Watch List, other qualitative factors showing increased credit risk). Lifetime PDs apply to Stage 2 exposures;
3) Stage 3 financial assets – credit-impaired financial assets. Main criteria for inclusion the asset in Stage 3 include: bankruptcy of the customer; termination of the contract; payment delay >90 days; non-performing exposure status by regulatory rules (i.e. the exposure is unlikely to be repaid in full without collateral realisation (irrespective of any past-due amount or of the number of days past-due)); other observable criteria. For Stage 3 exposures, the PD ratio is always equal to 1.

The Company performed a quantitative assessment of the impact that the first-time adoption of IFRS 9 had on its IFRS financial statements:

Asset type	**Impairment**
Debt securities	10,619
Total	**10,619**

2.4 TRANSACTIONS IN FOREIGN CURRENCIES

(a) Functional and presentation currency

All amounts in the Company's financial statements are measured in the currency of the primary economic environment in which the Company operates (hereinafter referred to as "the functional currency"). The amounts in the financial statements are presented in euro (EUR), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses arising on the settlement of these transactions and on the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recorded in the statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses arising from the translation of currencies relating to investments in insurance or investment contracts are recorded through profit or loss in 'Finance income/costs on insurance contracts' and 'Result of managing investment contracts', and those relating to the Company's investments are recorded in 'Changes in value of financial assets'. All other foreign exchange gains and losses are recorded in the statement of profit or loss and other comprehensive income under 'Other operating income/expenses'.

2.5 FINANCIAL ASSETS

All regular way purchases and sales of financial assets are recognised on the purchase (selling) date. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

2.6 CLASSIFICATION OF FINANCIAL ASSETS

Under the amendments to IFRS 4 published in September 2016, insurance undertakings were provided with two options for the application of IFRS 9 before the application of IFRS 17, which will replace IFRS 4: (1) The amendments to the Standard provided an option for insurers to recognise in other comprehensive income, rather than in profit or loss, fluctuations that could arise from the adoption of IFRS 9 before the application of IFRS 17 (the overlay approach); (2) The amendments to the standard provide an optional temporary exemption for insurers to apply IFRS 9 until 2023, in conjunction with the implementation of IFRS. The Company has elected to apply the temporary exemption from IFRS 9 for the measurement of financial assets, deferring the application of the standard until 2023, because its insurance liabilities exceed 90% of its total liabilities.

All of the Company's financial assets are classified into financial assets at fair value through profit or loss and financial assets measured at amortised cost in subsequent periods.

a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss on initial recognition if they are acquired with a view to sell in the near future, if they are included in a portfolio of financial assets that are held for the purpose of generating a short-term profit, or if management determines such classification.

Financial assets designated as at fair value through profit or loss on initial recognition are:

- Financial assets held in internal funds for the purpose of covering insurance and investment contract liabilities that are linked to changes in the fair value of these assets. The Company classifies its entire client investment portfolio in this category. The designation of these assets as financial assets at fair value through profit or loss eliminates or significantly reduces measurement and recognition inconsistencies that would otherwise arise from measuring assets and liabilities differently or recognising gains or losses on those assets and liabilities differently.
- All other financial assets that do not cover insurance contract liabilities and are held by the Company's management and whose performance is measured on a fair value basis. The Company's investment strategy is to invest in equity and debt securities and to measure them on a fair value basis. Financial assets included in these portfolios are classified as financial assets at fair value through profit or loss at initial recognition.

b) Financial assets at amortised cost

Financial asset with cash flows that constitute solely payments of principal and interest and with a fixed duration is classified as at amortised cost if the Company has the positive intent and ability to hold it to maturity and has a business model that requires it to hold the financial asset to collect the expected cash flows. Financial assets at amortised cost are recognised at fair value on initial recognition. In subsequent periods, financial assets at amortised cost are carried at amortised cost using the effective interest method, less any recognised impairment losses that reflect uncollectible amounts.

Income from financial assets measured at amortised cost is recognised in profit or loss using the effective interest method.
Receivables from customers, loans and other receivables with fixed or determinable payments that are not traded in an active market are initially recognised at fair value. In subsequent periods, such financial assets are carried at amortised cost using the effective interest method, less any recognised impairment losses that reflect expected credit losses.

Interest income is recognised using the effective interest method, except for short-term receivables where the recognition of interest income would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.7 IMPAIRMENT OF ASSETS

a) Financial assets at amortised cost

For debt securities measured at amortised cost, the Company measures prospective expected credit losses (ECL). The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

b) Impairment of other non-financial (non-current) assets

Amortised assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The amount by which the carrying amount of an asset exceeds its recoverable amount is recognised as an impairment loss. The recoverable amount is the higher of the assets' fair value less costs to sell and its value in use. In determining impairment, assets are allocated to the smallest groups for which cash flows can be separately identified (i.e. cash-generating units), unless certain events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

2.8 FINANCIAL LIABILITIES

Liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Company measures all financial liabilities at fair value on initial recognition.

Financial liabilities at fair value

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

Other financial liabilities

Other financial liabilities, including loans, are measured at fair value less transaction costs. Other financial liabilities are measured at amortised cost in subsequent periods using the effective interest method, with interest expense recognised on an effective interest rate basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial liability or, if applicable, a shorter period to the net carrying amount at the time of initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's liabilities are discharged, cancelled or expire.

2.9 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value reflects the value of financial instruments at which assets can be realised or liabilities settled. Where, in the opinion of management, the fair value of financial assets and liabilities differs significantly from their carrying amounts, the fair value of those financial assets and liabilities is disclosed separately in the notes to these financial statements.

2.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and cash at banks, demand deposits and other short-term highly liquid investments with a maturity of less than 3 months at the contract date, which are readily convertible into known amounts of cash and are subject to insignificant risk of changes in value.

2.11 SHARE CAPITAL

Shares are accounted for in equity if there is no obligation to settle in cash or another asset. Additional costs directly attributable to the issue of new equity instruments are recorded in equity as a reduction of proceeds received, net of tax.

2.12 BUSINESS ACQUISITION

The Company uses the purchase method of accounting for business acquisitions:

- the cost of the business is determined;
- the business-related assets and liabilities acquired are measured at fair value on initial recognition;
- the difference between the cost of the acquired business and the net asset value of the acquired business is calculated and recognised as goodwill, gain or loss on acquisition.

Groups of insurance contracts issued are grouped as if the contracts had been issued at the transaction date. On initial recognition, the fair value of the contracts at the date of initial recognition is used as a proxy for premiums received.

2.13 CLASSIFICATION AND ACCOUNTING OF INSURANCE AND INVESTMENT CONTRACTS

Contracts concluded by the Company are classified into insurance contracts (accounted for in accordance with IFRS 17) and investment contracts (accounted for in accordance with IFRS 9, with the exception of investment contracts with a discretionary participation feature, which are also accounted for in accordance with IFRS 17) based on the insurance and/or financial risk assumed.

A contract shall not be deemed to be an insurance contract if, under the contract, the Company only bears financial risk, such as interest rate risk, financial instrument price risk, credit risk, or other financial risk, but not significant insurance risk. A contract without significant insurance risk is considered an investment contract.

A contract is only considered an insurance contract if it meets the definition of a contract with significant insurance risk. The significance of the insurance risk is assessed at the time of initial recognition at the level of the insurance contract, except for products for which the significance of the insurance risk is obvious (e.g. term life insurance, endowment insurance, etc.). Contracts for these products are not assessed separately for the significance of insurance risk and are classified as insurance contracts accounted for in accordance with IFRS 17 at initial recognition of the contract. A contract that is designated as an insurance contract at the time of initial recognition is treated as an insurance contract until the end of the insurance obligation.

10% is the Company's chosen materiality level for assessing the significance of insurance risk. The significance of insurance risk is assessed by reference to the (probability-weighted) future cash flows discounted by the risk-free interest rate curve recorded at the time of initial recognition, including any additional amounts that would be payable in the economic basis scenarios. The assessment of the materiality of insurance risk is based on the following scenarios:
1. the insured event does not occur,
2. the insured event occurs with a probability of 100%.

If the additional amounts that would be payable in the second scenario are 10% higher than in the first scenario, the insurance risk is significant.

For the portfolio acquired on 01/12/2023 and for new contracts entered into after that date, the significance of the insurance risk is assessed using the simplified approach, once it is demonstrated that the simplified approach produces reliable results that are not materially different from the exact assessment. Under the simplified approach, the significance of the insurance risk for unit-linked contracts is assessed by comparing the sum of the life and complimentary coverage insurance risk to 10% of the value of the investment fund. If the sum of the life and complimentary coverage risks is higher, then the insurance risk in the contract is considered to be significant.

IFRS 17 requires an entity to separate a distinct investment component from the host insurance contract if, and only if, the investment component is separable. Certain of the Company's insurance contracts include an investment component, but the investment component and the insurance component are interrelated and the investment component is not separable, so the Company does not apply the separation of the investment component to its existing insurance contracts. However, payments related to the investment component are not included in insurance revenue and the insurance service expenses are shown in the statement of profit or loss and other comprehensive income.

Due to the low significance of investment contracts with discretionary participation features, information relating to these contracts is not presented separately and is disclosed together with information relating to insurance contracts.

Insurance contract liabilities

IFRS 17 significantly changes the presentation and disclosure of insurance contracts in financial statements. All rights and obligations arising from a portfolio of insurance contracts are presented on a net basis. Amounts arising from reinsurance contracts are presented separately. This presentation of insurance and financial results provides a more transparent picture of the sources and quality of the income earned.

Under IFRS 17, amounts recognised in the statement of profit or loss and other comprehensive income are disaggregated into:
a) an insurance service result, comprising insurance revenue and insurance service expenses; and
b) insurance finance income or expenses.

Insurance revenue consists of expected claims and expenses on insurance contracts, changes in risk adjustment, recognition of contractual service margin for services rendered and recovery of the insurance contract acquisition costs. The insurance service expenses comprise claims incurred on insurance contracts, directly attributable costs incurred, losses on onerous contracts (and reversals of such losses), changes in the liability for claims incurred in respect of past services, and amortisation of insurance acquisition cash flows. Insurance service result shall exclude any investment components and changes in cash flows related to future service (the amount of these changes is adjusted to the contractual service margin).

The finance income and expenses of insurance contracts comprise the effect of the time value of money (discounting) and changes in the financial risks associated with groups of insurance contracts. The Company has chosen not to disaggregate insurance finance income and expenses between profit or loss and other comprehensive income.

In accordance with the requirements of IFRS 17, the Company aggregates insurance contracts into "Unit of Account" groups. The purpose of this grouping is to ensure that profits are recognised over time in proportion to the service provided under the insurance contract and losses are recognised as soon as the Company assesses that the contract is/becomes onerous. The offsetting of profit and loss between the identified classes of insurance contracts is not possible. Insurance contracts are aggregated into groups of insurance contracts according to the following three levels:

1. Portfolio - level of insurance contracts subject to similar risks and managed together
    - Endowment insurance (General Measurement Model, GMM)
    - Endowment insurance for survival (GMM)
    - Life insurance portfolios with participation features acquired on 01/12/2023 in the Baltics (GMM)
    - Hybrid (Variable Fee Approach, VFA)

- Endowment insurance with guaranteed interest
- Safe future with guaranteed interest
- Endowment insurance portfolios acquired on 01/12/2023 in Latvia and Estonia

Studies insurance (GMM)
Pension insurance (GMM)
Pension annuities insurance (GMM)
Annuities (GMM):

- Studies insurance annuities
- Pension insurance annuities
- Annuity portfolios acquired on 01/12/2023 in the Baltics

Investment insurance (VFA):

- Endowment insurance with variable capital
- Pension scheme
- Safe future investment scheme
- Unit-linked portfolios acquired on 01/12/2023 in the Baltics

Children safe future insurance (VFA)
Children future programme (VFA)
Life risk insurance (GMM)
Life risk insurance with decreasing insurance amount (GMM)
"I'm safe" insurance (GMM)
Life risk "Safe family" insurance (GMM)
Mortgage life insurance (GMM)
Life risk insurance portfolios acquired on 01/12/2023 in the Baltics (GMM)

2. Profitability – the level of contracts in the same profitability group
   The Company decided to classify insurance contracts as onerous and other, with onerous contracts being those contracts that have a loss component at initial recognition. An insurance contract has a loss component if the present value of the future cash flows of the contract, after adjustments for non-financial risks, is negative. After initial recognition, insurance contracts are not reclassified for changes in profitability.

3. Cohort – contracts which date of entry into force differ by more than one year.
   Portfolio cohort period beginning is January 1st of each calendar year and contracts of each portfolio are accounted using a one year interval principle (annual cohort). The contracts of the portfolio acquired on 01/12/2023 were recognised at the moment of acquisition and were allocated to the 2023 cohort.

The Company has elected to apply two of the approaches in IFRS 17 to groups of direct business insurance contracts:

- The General Measurement Model, GMM, is used for insurance contracts that cover a specific risk over a longer period of time.
- The variable Fee Approach, VFA, is applied to insurance contracts with investment components that meet the definition of a direct participation feature (DPF) (see the list of insurance contract portfolios above for an indication of which model applies to which insurance contract portfolio).

In accordance with the requirements of IFRS 17, the carrying amount of a group of insurance contracts at the end of each reporting period is calculated by adding the liability for remaining coverage and the liability for incurred claims. In assessing these liabilities, the risk-adjusted present value of future cash flows (fulfilment cash flows) is calculated for each group of insurance contracts, separately assessing the present value of future cash flows and the risk adjustment for non-financial risk.

For groups of insurance contracts without a loss component, the liability for remaining coverage consists of the sum of fulfilment cash flows and the contractual service margin. On initial recognition, the contractual service margin is equal to an amount that reduces the liability for remaining coverage to zero. If the contractual service margin is negative at initial recognition, then the contractual service margin is reduced to zero and the corresponding negative amount is recognised as a loss component affecting the statement of profit or loss and other comprehensive income.

For insurance contracts, future cash flows are projected up to the contract boundary to measure the remaining insurance cover. The contract boundary is assumed to coincide with the contract term set out in the insurance contract due to the long period of insurance and the limited ability to reassess the portfolio risk. The Company includes all future cash flows that fall within the contract boundaries of each contract within the group in the measurement of a group of insurance contracts.

Insurance Acquisition Cash Flows, IACF, are a separate cost category which is taken into account to determine future cash flows for the remaining coverage. Such cash flows include cash flows arising from insurance contracts group disposal, distribution and commencement costs directly attributable to portfolio of insurance contracts to which that group belongs. Applying GMM and VFA methods future expected attributable costs affect the amount of contractual service margin and are recognised in profit (loss) over the period of coverage in accordance with the relevant coverage units.

In the Company's judgement, the present value of future cash flows is calculated using discount rates determined using a bottom-up approach (described as a formula of a risk-free rate plus an illiquidity premium). The discounting of cash flows is based on the Company's decision to use the risk-free rate curves published by the European Insurance and Occupational Pensions Authority (EIOPA). In order to reflect the cash flow and liquidity characteristics of the contract, the EIOPA risk-free rate without volatility adjustment is applied to liquid products, i.e. unit-linked products, and the EIOPA risk-free rate with volatility adjustment is applied to the rest of the illiquid products.

Risk-free rate with volatility adjustment:

EUR	1 year	5 years	10 years	20 years	30 years	40 years	50 years
31/12/2023	3.6%	2.5%	2.6%	2.6%	2.7%	2.8%	3.0%
31/12/2022	3.4%	3.3%	3.3%	3.0%	2.9%	3.0%	3.1%

Risk-free rate without volatility adjustment:

EUR	1 year	5 years	10 years	20 years	30 years	40 years	50 years
31/12/2023	3.4%	2.3%	2.4%	2.4%	2.5%	2.7%	2.8%
31/12/2022	3.2%	3.1%	3.1%	2.8%	2.7%	2.9%	3.0%

Under the General Measurement Approach, the liabilities of groups of insurance contracts are measured using discount rates recorded at the time of initial recognition of the relevant group of insurance contracts. As newly issued insurance contracts are added to the annual cohort throughout the year, a weighted discount rate is recorded for the groups of insurance contracts, which is derived using the discount rates at the end of each quarter/month and the number of contracts written/premiums written during the relevant period.

The Company includes a risk adjustment for non-financial risk in the measurement of insurance contract liabilities, which is calculated separately from other cash flows and is defined as the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the Company fulfils insurance contracts. The Company chose to calculate risk adjustment based on Solvency II capital requirement calculation methodology before diversification, gross. Assumption is made that all IFRS 17 insurance contract non-financial risk (mortality, longevity, disability, validity, outflows and catastrophe risk) is distributed by normal distribution. Calculation of the risk adjustment is based on determining risks at the reference date (t=0) and forecasting them based on a run-off pattern appropriate for each non-financial risk based on coverage units. The risk adjustment corresponds, in the Company's judgement, to a confidence level of 75% of the derived distribution of non-financial risks. Entire change in risk adjustment for non-financial risk will be included as part of the insurance service result.

The contractual service margin at the reporting date demonstrates the profit of a group of insurance contracts which has not yet been recognised as it is related to future service, which will be provided under group contracts. According to IFRS 17, the CSM for a group of insurance contracts is recognised as profit or loss of each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount allocated to a certain period is determined by identifying coverage units within the portfolio. The number of coverage units within a group of insurance contracts is the quantity of insurance contracts services provided by the contracts in the group, determined by considering for each contract the quantity of the claims paid under a contract and its expected coverage period (including possible cancellations). The Company decided not to discount the coverage units.

The fulfilment cash flows related to claims already incurred are calculated for each group of insurance contracts, separately assessing the present value of future cash flows and the adjustment for non-financial risk. The present value of future cash flows for claims already incurred is calculated by estimating the best estimate of claims outstanding, forecasting cash flows based on the Company's historic claim rates, and discounting the cash flows at a specified risk-free rate. The risk adjustment for non-financial risk for the measurement of the incurred liabilities reflects the risk compensation related to the amount and expected timing of already incurred claim payments and corresponds to a 75% confidence level.

Investment contract liabilities

An investment contract is a contract without significant insurance risk. Under such contract, the Company only bears financial risk, such as interest rate risk, financial instrument price risk, credit risk, or other financial risk, but not significant insurance risk. The liabilities of investment contracts are measured at the market value of the portfolio of such contracts and the value of the liabilities varies with changes in the market value of the related investments. After the business acquisition, an additional liability may arise as the difference between the fair value of the acquired portfolio of contracts and the market value of the portfolio of contracts. This additional liability is amortised on a straight-line basis over the average life of the acquired portfolio. Management and insurance risk fees charged on investment contracts reduce the investment contract liabilities and are recognised as income of the Company.

2.14 THE PROCESS OF ESTABLISHING INSURANCE ASSUMPTIONS

The Company's assumptions used in the measurement of the liabilities (hereinafter referred to as "the assumptions") are based on the characteristics, structure and development changes of the Company's portfolio of insurance liabilities, and the impact of external factors on these changes. In the event of insufficient statistical data on the Company's portfolio of insurance liabilities, which makes it impossible to calculate insurance liabilities in a prudent, reliable and objective manner, the assumptions are not based on the characteristics of the Company's portfolio of insurance liabilities, but on the characteristics of a portfolio of insurance liabilities of a similar nature (e.g. the Republic of Lithuania, the Lithuanian insurance market, etc). Where historical statistical data are not usable due to internal and/or external circumstances and reliable statistical analysis cannot be performed, approximations, expert judgement based on generally accepted statistical principles, laws, professional experience, etc. may be used to determine assumptions.

The assumptions for measuring insurance liabilities are used consistently and may not be revised for more than three (3) years, but assumptions whose change has a material effect on the amount of the liabilities are revised at least annually. If, after a review of the assumptions, the assumptions are found to have deviated significantly from experience, the amount of statistical data increased or decreased, then the assumptions may be changed and the method of setting the assumptions shall be revised. The method of setting the assumptions is subject to change when the assumptions have deviated significantly from experience for 3 (three) consecutive years or clear evidence exists that they will change in the future. After the assumptions have expired, the assumptions may remain unchanged provided they have not deviated significantly from experience and from the assumptions that were previously in place, that no increase in the amount of statistical data has occurred that would make it possible to calculate the insurance liabilities in a prudent, reliable and objective manner.

The main assumptions for the calculation of insurance liabilities are mortality/longevity, disability/morbidity, cancellations, expenses, and indicators related to changes in financial markets. The sensitivity of the Company's contractual service margin, profit (loss) and equity value to changes in assumptions is described in Note 3 *Risk Management* which shows how a change in key assumptions could affect the Company's future results.

2.15 REINSURANCE CONTRACTS HELD

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of receivables that relate to the outstanding claims and benefits of the reinsurance contracts, which are determined by reference to the terms of the reinsurance contract.

Reinsurance liabilities are premiums payable to the reinsurer and are recognised as costs when incurred. The Company has surplus reinsurance contracts under which the Company and the reinsurers agree on the share of the insurance risk and premiums to be borne by the reinsurer. Depending on the outcome of the reinsurance, the reinsurers pay profit commissions to the Company.

Under IFRS 17, the accounting for reinsurance contracts depends on the terms of the contract and the nature of the risk ceded. If a reinsurance contract meets the definition of an insurance contract in accordance with IFRS 17, it is accounted for in accordance with the requirements of this Standard. The Premium Allocation Approach is used to measure the reinsurance liabilities of the Company's portfolio contracts acquired on 01/12/2023 and new contracts concluded after the business combination, as the reinsurance term recorded in the reinsurance contract is less than one year. For contracts accounted for under the Premium Allocation Approach, the Company excludes the effect of changes in the time value of money and financial risk and future acquisition cash flows from valuation. For the Company's reinsurance contract prior to the business combination, the General Measurement Approach is applied.

2.16 AMOUNTS RECEIVABLE AND PAYABLE IN RESPECT OF INSURANCE AND INVESTMENT CONTRACTS

Amounts receivable from and payable to policyholders and insurance intermediaries are recognised when incurred. If there is objective evidence that an impairment loss/increase in receivables exists, the Company reduces/increases the carrying amount of the receivable and recognises the change in profit or loss.

2.17 INCOME TAX AND DEFERRED INCOME TAX FOR THE REPORTING PERIOD

Income tax expense comprises the current year's income tax expense and deferred income tax expense. The tax is recognised in the statement of profit or loss and other comprehensive income.

Income tax

Current income tax expenses are calculated on the current year's profit, adjusted for certain expenses/income that do/do not reduce taxable profit. The income tax expense is calculated using the income tax rate enacted at the reporting date. In 2023, Lithuanian companies are subject to a standard income tax rate of 15 per cent (2022: 15 per cent).

In Estonia and Latvia, retained earnings are exempt from income tax.
Under current Estonian law, the branch of the Company is subject to income tax on profits and assets taken over from its permanent establishment, both in cash and in kind. In 2023, the tax rate was 20/80 of the amount.

According to the Law on Corporate Income Tax of the Republic of Latvia, the tax rate is 20% of the distributed profit (calculated dividends, dividend-equivalent payments, conditional dividends). The Law on Corporate Income Tax also provides for a tax rate of 20% to be applied to the taxable base of conditionally or theoretically allocated profit (e.g. non-operating expenses and other cases provided for by the Law). In accordance with IAS 12 *Income Taxes*, only taxes based on taxable profit are included in income taxes, so that income taxes calculated on the taxable amount of the tax base, which consists of the conditional or theoretical allocation of profit, are recognised in other expenses.

2.18 REMUNERATION FOR EMPLOYEES

The Company has fixed remuneration and variable remuneration.

Fixed remuneration is the main portion of the remuneration. Competence, experience, qualifications, specific knowledge, internal equity, market trends, etc. are all taken into account when determining the remuneration of a given employee. Fringe benefits are applied without regard to the individual performance of employees and without providing an incentive to take risks. Fringe benefits are based on predefined criteria.

Variable remuneration is paid to link the individual performance targets of employees to the long-term interests of the Company in order to ensure sustainable business development and to encourage employees to act in a respectful, honest, transparent and professional manner, respecting the rights and interests of customers.

In accordance with the Remuneration Policy, annual variable remuneration may only be granted to nominated employees. Nominated employees are divided into nominated employees of AB Šiaulių bankas group and nominated employees of the Company.

The annual variable remuneration of the **Group's nominated employees** is divided into two equal parts:

- the immediately payable portion amounting to 50 per cent of the total annual variable remuneration awarded, which is paid in cash;
- the deferred portion amounting to 50 per cent of the total annual variable remuneration award is allocated in the shares of AB Šiaulių bankas. The award of this part of the remuneration is deferred for a period of 3 years from the date of award of the annual variable remuneration to the date of award of the deferred portion, taking into account the potential risks associated with the employee's annual performance review. The deferred portion for a nominated employee is approved annually on a pro-rata basis or is not approved (where targets are not met, i.e., the qualitative criterion is not met), even if the Company's financial targets are achieved.

The annual variable remuneration, including the immediately payable portion and the deferred portion thereof, may be paid and/or granted only provided the financial position of the Company is sustainable and without prejudice to the legislative requirements. Annual variable remuneration must be reduced or not paid at all, if the performance of the Company fails to meet the indicators set out in the strategy, or where losses are recorded, where the nominated employee has acted in bad faith or where his/her actions resulted in a loss to the Company. Entitlement to the shares of Šiaulių bankas as part of variable remuneration is based on the application of the same performance review criteria that apply to the cash portion.

The deferred part of the variable pay is paid out in the Bank's shares on expiry of the deferral period. Shares are granted under Option Agreement concluded with a nominated employee.

The grant-date fair value of equity-settled share-based payment arrangements granted to these employees is recognised as salaries and related expenses in the statement of profit or loss with a corresponding increase in other equity line in the statement of financial position, over the vesting period of the awards. Liabilities to settle contracts with equity instruments are recognised as share-based payments. To account for the benefits received by the Company's employees, the Company recognises share-based payment arrangements as a component of salaries and related expenses in the statement of profit or loss and other comprehensive income and a corresponding amount in other equity in the statement of financial position. The amount recognised as an expense is adjusted to reflect the number of awards for which the service and conditions (not directly based on market performance of shares) are expected to be met, such that the amount ultimately recognised is based on the benefits that meet the related service and conditions at vesting date. Any deviation from the original amount is recognised in the statement of profit or loss and other comprehensive income and a corresponding adjustment is recognised in other equity in the statement of financial position.

The annual variable remuneration of the **Company's nominated employees** for 2021 is divided into two equal parts: the immediately payable portion amounting to 50 per cent of the total annual variable remuneration awarded, which is paid in cash; and the deferred portion amounting to 50 per cent of the total annual variable remuneration award is allocated in cash. This part of the remuneration is subject to a deferral period of 3 years, taking into account the potential risks associated with the employee's annual performance review. For 2022 and subsequent periods, the annual variable remuneration allocated to the Company's nominated employees is paid immediately.

2.19 REVENUE RECOGNITION

<u>a) Revenue from insurance and investment contracts</u>

Revenue from insurance and investment contracts is recognised according to the type of contract (refer to Note 2.13 *Classification and accounting of insurance and investment contracts*).

b) Interest income

Interest income is recognised in the statement of profit or loss and other comprehensive income for all interest-bearing financial instruments using the effective interest method. The effective interest method is a method of calculating the adjusted cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and allocating interest income or expense to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. In calculating the effective interest rate, the Company estimates cash flows taking into account all contractual terms and conditions, but without taking into account future discounting. This calculation includes all significant contractual service fees paid or received by the parties to the contract from each other in the transaction.

If a financial asset or a group of similar financial assets is written down for impairment, interest income is recognised using the same interest rate as that used to discount future cash flows to measure the impairment loss.

2.20 LEASES

A contract is, or contains, a lease if, in return for consideration, it conveys the right to control the use of a specified asset for a specified period.

- **Leases where the Company is the lessee**

The Company assesses each contract for potential lease components. If the contract is a lease or contains a lease, the Company accounts for each lease component of the contract as a lease separately from the non-lease (service) components of the contract. The Company does not apply the lease recognition provisions to short-term leases (leases of less than one year) and low-value leases (computers, telephones, printers, furniture etc.). The Company assesses each asset individually to determine whether it is impaired. In determining whether an asset is impaired, lease revenue over the lease term are not considered. Assets with a value of up to EUR 5 thousand are considered to be low-value assets. Lease payments relating to short-term leases and leases of low-value assets are recognised directly as an expense in the statement of profit or loss and other comprehensive income. The Company does not apply the lease recognition provisions to all intangible assets. The Company applies the provisions of IAS 38 *Intangible Assets* to such assets. The Company recognises the right-of-use asset and the lease liability in the statement of financial position at the commencement date. The Company measures the right-of-use assets at cost at the commencement date. After the commencement date, right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for any remeasurement of the liability. At the commencement date, the Company measures the lease liability at the present value of the outstanding lease payments at that date. The lease payments are discounted using the interest rate provided for in the lease agreement if that rate is readily determinable. If that rate is not readily determinable, the Company uses the incremental borrowing rate charged by the lessee. The Company records the lessee's incremental borrowing rate at the beginning of each year and uses it for all new contracts signed during that year and for contracts for which the terms (only those that cause the remeasurement of lease liability) have changed during that year. A lease liability is remeasured if the cash flows change based on the original terms of the lease, for example, if the lease term changes or the lease payments change based on an index or a rate. Changes that were not part of the original terms of the lease are lease modifications.

Initial measurement of right-of-use assets. The Company measures the right-of-use assets at cost at the lease commencement date. The cost of a right-of-use asset comprises: the initial measurement amount of the lease liability, any lease payments at or before the commencement date less any lease incentives received; any initial direct costs incurred by the Company; and an estimate of the costs the Company will incur in dismantling and removing the leased asset, in handling the area of the leased asset, or in restoring the leased asset to the condition required under the terms of the lease, except to the extent that such costs are incurred in the production of inventories. The Company incurs a liability for those costs at the commencement date or after the leased asset has been used for a specified period. The Company recognises these costs as part of the cost of the right-of-use asset when a liability for these costs is incurred.

Subsequent measurement of right-of-use assets. Under the cost method, the Company measures right-of-use assets at cost: less any accumulated depreciation and any accumulated impairment losses; and after adjusting for the remeasurement of the lease liability. The Company applies the depreciation requirements of IFRS 16 *Property, Plant and Equipment* in calculating depreciation of right-of-use assets.

Initial measurement of lease liability. At the commencement date, the Company measures the lease liability at the present value of the outstanding lease payments at that date. The lease payments are discounted using the interest rate provided for in the lease agreement if that rate is readily determinable. If that rate is not readily determinable, the Company uses the borrowing rate published by the European Commission. A margin of 100 basis points, i.e. 1%, is added to the base rate calculated in accordance with the Communication of the European Commission.

Remeasurement of lease liability. After initial recognition, the lease liability is remeasured to reflect changes in lease payments. The Company recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of a right-of-use asset is reduced to zero and the measurement of the lease liability is further reduced, the Company recognises any remaining remeasurement amount as profit or loss. The Company presents lease liabilities separately from other liabilities in the statement of financial position. Interest expense on the lease liability is presented separately from depreciation of right-of-use assets. Interest expense on the lease liability is a component of finance costs presented in the statement of profit or loss and other comprehensive income.

- **Leases where the Company is the lessor**

The lessee classifies each of its leases as either an operating lease or a finance lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

Operating leases. The Company recognises operating lease payments as income on a straight-line basis. The Company recognises expenses (including depreciation) incurred in generating lease income as an expense. The Company includes the initial direct costs incurred in obtaining an operating lease in the carrying amount of the leased asset and recognises those costs as an expense over the lease term on the same basis as the lease income. The Company accounts for a modification of an operating lease as a new lease from the effective date of the modification and treats prepaid or accrued lease payments related to the original lease as part of the new lease payments.

3 RISK MANAGEMENT

3.1 RISK MANAGEMENT FRAMEWORK

The Company's risk management policy sets out the risk management framework, risk management principles, objectives, types of risks and the organisational structure of risk management. The Company's risk management framework comprises a set of methods, processes, information procedures necessary to identify, assess, manage and monitor risks on an ongoing basis. An effective risk management framework uses the Three Lines Model, which ensures the independence of functions and a clear definition of responsibilities:

- The business units (1st line) are responsible for assuming risks within the limits set by the Board, implementing risk management measures, and providing risk-related information;
- The second line functions (risk management, actuarial, compliance) provide control, monitoring, advice, information to the Board and maintain and improve the risk management framework;
- Internal audit assesses the effectiveness of the risk management framework and makes recommendations for its improvement.

The Company's Board is responsible for the design and regular review of the risk management strategy and policies, for defining risk appetite and tolerance limits, approving the risk management policy and other internal documents governing risk management.

The Company has a Risk Management Committee as an advisory body on risk management matters. The Committee monitors risk management in all risk areas and the Company's risk profile at an aggregate level, assesses the risk management framework, and makes proposals to the Board on improvements to the risk management framework, key risk indicators and risk limits.

The Risk Management function is responsible for implementing the risk management framework.

The Company assesses risks not only internally, but also in accordance with the risk assessment methods set out in Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). The Company implements and carries out the processes and procedures required under the Solvency II Directive. The Company's decision-making process also takes into account changes in the capital requirements for individual risks and the Company's overall Solvency Capital Requirement, Solvency Ratio.

The main process of the risk management framework is the Own Risk and Solvency Assessment (ORSA). It determines the Company's projected solvency position as well as the amount of own funds required to ensure that the Company's overall solvency needs are met at all times during the planning period. It takes into account the nature, extent and complexity of the risks inherent in the business. The ORSA process starts with the business planning process. A prospective solvency capital assessment is carried out, taking into account the objectives, financial performance, projected assets and insurance liabilities in the Company's business plan. Taking into account possible internal and external changes in the environment, historical data, market forecasts or other criteria relevant to the Company, test scenarios are developed and an assessment of the solvency position is carried out in accordance with the identified adverse scenarios. This is followed by analysis and documentation of the results, review of the risks to be assumed and the strategy and finalisation of the business plan.

Risks faced and managed by the Company: insurance, market, credit, liquidity, operational, strategic, reputational, compliance, money laundering, terrorist financing and international sanctions, sustainability, IT, model risks. The risk management process, assessment methods, key risk indicators, limits and responsibilities for each risk are set out in the internal documents governing risk management.

The following information provides information on measures to manage insurance and financial risks (market, credit, liquidity), their impact on financial results and potential sensitivity to changes in assumptions.

3.2 INSURANCE RISK

Insurance risk is a risk of a loss or an unfavourable change in the value of insurance liabilities, resulting from incorrect assumptions regarding measurement and recognition of provisions. The Company assumes the protection of a person's property interests in the event of insured events in return for an insurance premium, and is therefore exposed to the risk of loss due to inadequate assessment of the insurance risk assumed, and to estimated premiums which may be inadequate to cover actual claims and expenses with regard to insurance risk assumed by the Company.

The Company issues the contracts with mortality, morbidity, survival, lapses, expenses, casualty risks.

Mortality, morbidity, survival, casualty risks occur because the frequency or severity of claims and benefits are greater than estimated, that will cause that future premiums will not be sufficient to cover the future claims in case of death, illnesses or trauma. For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS or SARS) or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. The survival insurance risk appears due to the longer life-time than planned. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. The most significant factor that could increase the casualty insurance risk is the departure from occupational safety, use of obsolete equipment, increasing rate of accidents.

The Company manages the risks by assessing the insured person's health, lifestyle habits and family medical history. The Company has a multi-level risk assessment system, depending on the size of the risks assumed. The aim of this system is to ensure that the premium paid by the policyholder corresponds to the insured person's state of health.

3.2.1 Insurance risk concentration

Concentration of risk is measured by the insurance amount of the accepted risks:

Risk	2023 (EUR thousand)	2023 (%)	2022 (EUR thousand)	2022 (%)
Maturity	9,214	0.47	9,410	2.03
Death	511,698	25.98	159,296	34.4
Illness	342,477	17.39	43,086	9.3
Death in case of accident	299,259	15.19	68,239	14.74
Trauma	807,257	40.97	183,050	39.53
Total	**1,969,905**	**100**	**463,081**	**100**

3.2.2 Insurance risk sensitivity analysis

The sensitivity analysis is carried out by changing the relevant assumption by the specified value, while leaving the values of the other variables constant. The impact of reinsurance on the sensitivity analysis performed is negligible.

The Company's sensitivity to the changes in key variables that have a material impact as at 31 December 2023:

On the portfolio of SB draudimas before business combination dated 01/12/2023:

	Change in variable	Change in contractual service margin (EUR thousand)	Change in profit (loss) (EUR thousand)	Change in equity (EUR thousand)
Mortality rates	+10%	-193	-121	121
Mortality rates	-10%	206	125	-125
Disability/Morbidity	+10%	-218	-162	162
Disability/Morbidity	-10%	218	162	-162
Lapse rates	+10%	-252	-42	42
Lapse rates	-10%	288	35	-35
Expense rate	+10%	-477	-582	582
Expense rate	-10%	488	571	-571

On the portfolio of SB draudimas merged on business combination dated 01/12/2023:

	Change in variable	Change in contractual service margin (EUR thousand)	Change in profit (loss) (EUR thousand)	Change in equity (EUR thousand)
Mortality rates	+10%	-1,768	-42	42
Mortality rates	-10%	1,643	34	-34
Disability/Morbidity	+10%	-1,612	-45	45
Disability/Morbidity	-10%	1,613	45	-45
Lapse rates	+10%	-2,470	-17	17
Lapse rates	-10%	2,797	25	-25
Expense rate	+10%	-2,643	-113	113
Expense rate	-10%	2,643	113	-113

The Company's sensitivity to the changes in key variables that have a material impact as at 31 December 2022 (restated):

	Change in variable	Change in contractual service margin (EUR thousand)	Change in profit (loss) (EUR thousand)	Change in equity (EUR thousand)
Mortality rates	+10%	-150	-91	91
Mortality rates	-10%	171	95	-95
Disability/Morbidity	+10%	-181	-126	126
Disability/Morbidity	-10%	181	128	-128
Lapse rates	+10%	-165	-87	87
Lapse rates	-10%	226	74	-74
Expense rate	+10%	-491	-508	508
Expense rate	-10%	515	484	-484

3.3 MARKET RISK

Market risk a risk of a loss or an unfavourable change in the financial position, resulting directly or indirectly from changes in the level or volatility of market prices of assets, value of liabilities and financial instruments.

Direct market risk arises from the Company's management of an equity portfolio covering the Company's equity and all liabilities, except investment insurance financial liabilities. The Company invests funds in accordance with an Investment Strategy, which sets out the principles and limits for the investment of funds.

Indirect market risk arises from fluctuations in the value of an investment portfolio. The investment portfolio relates to unit-linked insurance contracts. The Company is exposed to the risk of receiving less fee income which commensurate with the value of the fund. The market risk of the investment portfolio is managed in accordance with the investment direction management policy.

Fair value and composition of key items for insurance contracts with direct participation features:

	31/12/2023	**31/12/2022**
Cash and cash equivalents	2,103,240	136,761
Financial investments	78,370,556	21,801,000
Total	80,473,796	21,937,761

The main market risks to which the Company is exposed are interest rate, foreign exchange and equity securities risks.

The Company assesses market risk components individually in accordance with the risk management methods approved by the Board of the Company. The Company also uses a standard methodology for calculating the Solvency Capital Requirement. Therefore, in accordance with the Solvency II Directive, the market risk components are assessed (1) individually by calculating the risk-based capital requirements and (2) collectively by calculating the total market risk capital requirement, taking into account the correlations between the risks specified in the Solvency II Directive.

3.3.1 Interest rate risk

Interest rate risk is primarily the risk of losses due to fluctuations in market interest rates, which can reduce the value of debt securities.

Under unit-linked contracts, the insurance claim payable in the event of termination of the contract is fixed and guaranteed at the commencement of the contract. The Company is exposed to the risk that the investment income from the financial assets backing the liabilities may not be sufficient to fund the guaranteed insurance claim.

Interest rate risk is managed by selecting financial instruments with yields and maturities that match the Company's guaranteed interest rate product liabilities. The Company's investments covering the liabilities of guaranteed interest rate products include bond funds and individual government and corporate debt securities exposures with an average duration of 2 to 3 years.

Values of insurance contracts (other than unit-linked insurance) are compared to the investment yield of the own portfolio on the basis of the guaranteed interest rate. As at 31 December 2023, the average yield to maturity of the Company's financial assets backing insurance liabilities with guaranteed interest rates is higher than the guaranteed interest rates that will be paid to policyholders.

Guaranteed interest rate	Value of insurance contracts (except investment insurance)	Yield intervals	Assets
No guarantees	1,717,731	-	-
0.00%	50,231	(0.00-0.50)%	0
0.50%	5,251	(0.50-0.75)%	201,770
0.75%	1,438,823	(0.75-0.90)%	915,203
0.90%	65,752	(0.90-1.00)%	3,839,575
1.00%	754,094	(1.00-1.25)%	621,654
1.25%	930,383	(1.25-1.30)%	196,381
1.30%	142,649	(1.30-1.50)%	1,813,029
1.50%	1,008,225	(1.50-1.75)%	961,604
1.75%	403,887	(1.75-2.00)%	1,989,792
2.00%	4,930,922	(2.00-2.5)%	4,949,922
2.50%	1,657,138	(2.50-3.00)%	915,550
3.00%	291,762	(3.00-3.50)%	9,570,250
3.50%	4,083,245	(3.50-4.00)%	6,592,033
4.00%	1,680,807	≥4.00%	313,748
Total	**19,160,901**		**32,880,509**

3.3.2 Foreign currency exchange risk

Foreign exchange risk is a risk to incur losses due to adverse fluctuations in exchange rates. In 2023, almost all insurance contracts were in euros, except for a very small number of contracts in US dollars. The Company manages risk by matching the structure of its assets and liabilities by currency. As the amount of currency liabilities is insignificant, the Company does not currently invest its own funds in foreign currencies.

Unit-linked liabilities do not create currency risk, even if the liabilities are in different currencies. Indirectly, this risk may arise from a decrease in the value of the investment portfolio due to exchange rate fluctuations – as the value of the fund decreases, the Company's income decreases due to the collection of lower fees, which are proportional to the value of the investment portfolio.

3.3.3 Risk of equity securities

Equity securities risk is the risk of losses due to fluctuations in share prices. As part of the Company's investment strategy, the equity portfolio is not invested in equity securities and therefore the Company is not directly exposed to this risk.

Equity securities risk has an indirect impact on the Company's investment insurance portfolio: some contract and asset management fees are based on the net asset value of the investment lines – if the value of an investment line decreases, the Company receives less fee income. A decrease in the value of an investment line of business may result in an increase in the number of cancellations and therefore a decrease in the value of the Company's investment insurance assets and income.

3.3.4 Market risk sensitivity analysis

The sensitivity analysis is carried out by changing the relevant assumption by the specified value, while leaving the values of the other variables constant.

The Company's sensitivity to the changes in key variables that have a material impact as at 31 December 2023:

Risk ratio	31/12/2023, EUR thousand	Change in contractual service margin		Change in profit (loss)		Change in equity	
		Increase	Decrease	Increase	Decrease	Increase	Decrease
Interest rate (parallel shift by 100bp)	SB draudimas IFRS 17 contracts before business combination dated 01/12/2023	-26	67	502	-622	502	-622
	SB draudimas IFRS 17 contracts merged during business combination dated 01/12/2023	-2,791	3,283	1,391	-1,833	1,391	-1,833
	Own investments	0	0	-717	750	-717	750
	Total	-2,818	3,350	1,177	-1,705	1,177	-1,705
Share price (shift by 10%)	SB draudimas IFRS 17 contracts before business combination dated 01/12/2023	0	0	0	0	0	0
	SB draudimas IFRS 17 contracts merged during business combination dated 01/12/2023	437	-442	-3,600	3,600	-3,600	3,600
	Own investments	0	0	0	0	0	0
	Total	437	-442	-3,600	3,600	-3,600	3,600
Currency price (shift by 10%)	SB draudimas IFRS 17 contracts before business combination dated 01/12/2023	0	0	0	0	0	0
	SB draudimas IFRS 17 contracts merged during business combination dated 01/12/2023	349	-352	-2,868	2,868	-2,868	2,868
	Own investments	0	0	0	0	0	0
	Total	349	-352	-2,868	2,868	-2,868	2,868

The Company's sensitivity to the changes in key variables that have a material impact as at 31 December 2022:

Risk ratio	31/12/2022, EUR thousand	Change in contractual service margin		Change in profit (loss)		Change in equity	
		Increase	Decrease	Increase	Decrease	Increase	Decrease
Interest rate (parallel shift by 100bp)	SB draudimas IFRS 17 contracts	29	17	523	-626	523	-626
	Own investments	0	0	-412	716	-412	716
	Total	29	17	111	90	111	90

3.4 CREDIT RISK

Credit risk is the risk of loss or adverse change in the financial position to which the related undertaking is exposed, resulting from fluctuations in the credibility and creditworthiness of the issuers of securities, contractors and any debtors, materialised by the counterparty's default.

The Company manages the credit risk of these entities: banks with which the Company's cash is held and/or with which time deposit agreements are in place; electronic and payment money institutions with which the Company's cash is held; reinsurers with which reinsurance agreements are in place; depositories with which the Company's securities are deposited; insurers, intermediaries and other entities from which receivables are due; and issuers, the value of whose securities may fluctuate as a result of credit spread of their securities or its volatility in relation to the structure of risk-free interest rates by maturity.

The Company has procedures in place to ensure that a transaction is only made with an entity that meets the limits set by the Company. These limits are set on a per-entity basis, e.g. sufficiently high credit rating, date of credit rating, sector, country, etc.

Reinsurance is a tool to manage insurance risk. However, it does not eliminate the Company's obligations as a primary insurer. If the reinsurer fails to pay a claim under an insured event for certain reasons, the Company shall be liable to pay such claim to the insured.

The maximum amount related to reinsurance contracts held at the end of the reporting period was EUR 93,423,640. However, the reinsurer's credit risk is managed by choosing only reinsurance companies with a high financial strength rating; therefore, in the Company's assessment, the reinsurance risk and the potential losses due to the reinsurer's default are extremely low. The creditworthiness of the reinsurer shall also be assessed in relation to its financial stability prior to contracting.

Ratings assigned to reinsurance undertakings by international rating agencies as at 31 December 2023:

Reinsurance undertaking	Standard & Poor's rating	Moody's rating	Fitch rating
VIG RE zajišťovna, a.s.	A+	-	-
HANNOVER RÜCK SE	AA-	-	A+

The credit risk related to bank balances is limited as the Company transacts with banks that have sufficiently high credit ratings from international rating agencies (or bank group). The credit risk of electronic and payment money institutions is limited by the strict limits that the Company imposes on the amounts held with such institutions.

Credit risk related to issuers of debt securities is also limited and the Company selects issuers that meet the Company's criteria for credit ratings, yield, liquidity, sectors, countries, etc. Investments in debt securities of not rated issuers are subject to a separate decision and a limit for such investments.

Assets covering unit-linked contracts are invested in accordance with the criteria set out in the policies on investment lines, so that the policyholder is aware of the credit risk to which he or she may be exposed when choosing specific investment lines. The Company's debt securities (corporate bonds and government securities), deposits, cash in current accounts, classified according to ratings issued by international rating agencies:

31/12/2023	Debt securities (not unit-linked)	Loans, receivables, including insurance receivables	Cash and cash equivalents
AAA/ Aaa	595,344	-	-
From AA- to AA+ / from Aa3 to Aa1	1,196,457	-	6,877,735
From A- to A+ and/ from A1 to A3	11,352,629	-	886,788
From BBB- to BBB+ and/ from Baa3 to Baa1	4,267,352	500,000	1,756,300
From BB- to BB+ and/ from Ba3 to Ba1	1,116,880	-	-
From B- to B+ and/ from B3 to B1	-	-	-
Not rated	252,486	-	1,601
Total	18,781,148	500,000	9,522,424

31/12/2022	Debt securities (not unit-linked)	Loans, receivables, including insurance receivables	Cash and cash equivalents
AAA/ Aaa	-	-	-
From AA- to AA+ / from Aa3 to Aa1	204,703	-	626,241
From A- to A+ and/ from A1 to A3	6,178,522	-	-
From BBB- to BBB+ and/ from Baa3 to Baa1	5,587,522	500,000	521,887
From BB- to BB+ and/ from Ba3 to Ba1	2,001,708	-	-
From B- to B+ and/ from B3 to B1	-	-	-
Not rated	1,765,130	-	5,467
Total	15,737,585	500,000	1,153,595

Depository risk is managed by selecting depositories that have a sufficiently high credit rating from international rating agencies or that are central depositories and banks in European Union Member States.

The table below shows the depositories where the Company's investments are held and their average credit rating as at 31 December 2023 and 2022, based on the credit ratings from international rating agencies (Standard & Poor's, Moody's Investors Service and Fitch Ratings):

Depository	Credit rating
SEB bankas	1
AB Šiaulių bankas	3
Hauck Aufhäuser Lampe Privatbank AG	3
State Street Custodial Services (Ireland) Limited	3

Impairment
For financial assets measured at amortised cost, prospective expected credit losses (ECL) are measured. At each reporting date, the Company recognises the change in the amount of the ECL as an impairment gain or loss in profit or loss. In assessing impairment of financial assets, the Company follows the requirements of the ECL model described in IFRS 9 (see Chapter 2.3 for details). The Company uses PDs and LGDs published by rating agencies for debt securities. The gross exposure value is used as an estimate of the EAD for debt securities. The Company uses a simplified model and relies on historical data provided by Moody's to assess the probability of default; forward-looking macroeconomic information is only included in the ECL model to the extent that it is included in the rating agencies' assessment.
All of the Company's debt securities measured at amortised cost are classified as Stage 1 financial assets. A significant increase in credit risk is defined by the Company as a decrease of at least 3 notches in its external credit risk assessment. No significant increase in credit risk was observed since initial recognition.

The carrying amount of assets carried at amortised cost is measured for impairment using the ECL model:

	2023	2022
Government bonds		
Gross value	5,769,288	5,987,369
Impairment	-3,527	-4,200
Carrying amount	5,765,761	5,983,169
Corporate bonds		
Gross value	5,596,911	6,727,322
Impairment	-5,161	-6,419
Carrying amount	5,591,750	6,720,903

The amount of debt securities measured at amortised cost has decreased during the reporting period, so the impact of impairment on the statement of profit of loss is lower than in the previous year.

Reconciliation of allowance for impairment of investment debt securities is presented in the table below:

	2023	2022
Allowance for impairment of investment debt securities as of 1 January:	10,619	13,971
Change in allowance for impairment	-1,931	-3,352
Update in the methodology for loss allowance estimation	-	-
The effect of changes in exchange rates	-	-
Allowance for impairment of investment debt securities as of 31 December:	8,688	10,619

Cash flows and other movements of investment securities at amortised cost:

	2023	2022
1 January:	12,714,692	13,185,655
Acquisitions	-	-
Redemptions	1,280,000	-410,000
Disposals	-	-
Accrued interest	245,108	262,731
Received coupon payment	-258,125	-253,891
Foreign currency exchange rate impact	-	-
Impairment	-55,475	-59,184
Reclassification	-	-
Impact of IFRS 9 application together with IFRS 17	-8,688	-10,619
31 December:	11,357,512	12,714,692

The table below shows the maximum credit risk exposures. For on-balance sheet assets, the exposures presented above are net carrying amount as reported in the balance sheet.

	2023	2022
Cash and cash equivalents	9,522,424	1,329,189
Financial assets at fair value through profit or loss:		
Government bonds	6,966,755	277,660
Corporate bonds	456,880	2,745,232
Investment fund units	13,599,361	0
Financial assets at amortised cost:		
Government bonds	5,765,761	5,983,169
Corporate bonds	5,591,750	6,720,903
Term deposits	500,000	500,000
Total	**42,402,932**	**17,556,154**

No material reclassifications between securities portfolios were performed during 2023 and 2022.
The Company does not use collaterals or other credit risk mitigation measures.

3.4.1 Credit concentration risk

The Company monitors the concentration of credit risk arising from investments in debt securities by country of issuer and sector.

Geographical distribution of debt instruments:

Country	2023	2022
Republic of Lithuania	9,066,475	6,391,763
French Republic	1,278,761	822,423
Federal Republic of Germany	995,578	513,119
Romania	838,696	892,118
Republic of Finland	691,204	207,999
United States of America	576,018	634,642
Commonwealth of Australia	569,100	612,540
United Mexican States	499,456	556,810
Kingdom of Spain	450,049	495,227
Czech Republic	396,940	416,297
Kingdom of the Netherlands	386,417	404,046
United Kingdom	384,015	413,916
Republic of Indonesia	305,832	336,445
Republic of Slovenia	259,252	266,301
Kingdom of Morocco	239,101	301,521
Grand Duchy of Luxembourg	223,251	250,070
Republic of Austria	206,141	422,349
Republic of Poland	196,876	208,159
Republic of Poland	190,628	200,841
Saudi Arabia	183,923	195,266
Italian Republic	-	604,323
Kingdom of Sweden	-	403,545
Republic of North Macedonia	-	187,865
Total	**17,937,712**	**15,737,584**

Breakdown of debt instruments by sector of economic activity:

Sector	2023	2024
Government	12,253,466	6,265,030
Manufacturing	1,385,634	1,480,116
Electricity, gas, steam and air conditioning	1,156,662	1,242,239
Construction	252,486	253,917
Wholesale and retail trade; repair of motor vehicles and motorcycles	597,514	1,193,615
Information and communications	389,113	408,390
Financial and insurance activities	1,528,292	3,777,334
Real estate operations	192,228	203,521
Human health care and social work	182,316	208,499
Administrative and service activities	-	503,904
Arts, entertainment and recreation activities	-	201,020
Total	**17,937,712**	**15,737,584**

3.5 LIQUIDITY RISK

Risks of failure to realise investments and assets in a timely and efficient manner (without incurring unreasonable costs) in order to meet financial obligations as they fall due. The Company manages this risk by continuously monitoring cash levels, expected drawdowns, calculating liquidity ratios and diversifying the Company's investments. The Company has possible measures in place to cope with liquidity crises (including: termination of time deposits or sale of debt securities, obtaining a loan from the Company's shareholder AB Šiaulių bankas, other banks or other credit institutions).

For unit-linked activities, the liquidity risk is low as the Company pays out to clients only after the sale of the relevant units. The table below shows the cumulative value of IFRS 17 contracts and the amounts expected to be paid on demand (a large part under unit-linked insurance contracts):

	31/12/2023	31/12/2022
Amount payable on demand, unit-linked insurance contracts	79,369,135	21,545,804
Amount payable on demand, remaining contracts	14,875,220	8,748,983
Total cumulative value	95,681,885	30,943,948

The table below shows the periods until the assets and liabilities are realised as at 31 December 2023. The information in the table is grouped and presented by asset and liability groups in order to facilitate the assessment of the situation reflecting the specific nature of the business. Insurance contract liabilities are shown at present value and reinsurance liabilities accounted for using the Premium Allocation Approach are not included in the presented analysis.

	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	indefinite terms
Intangible assets					720,180	1,146,686
Other financial investments	3,832,416	4,575,942	5,616,539	23,001,287	9,622,659	152,373,479
Reinsurance contract assets						14,616
Amounts receivable	158,372					107,350
Property, plant and equipment						62,633
Cash and cash equivalents	9,522,424					
Other assets		720,951				
Accrued income and deferred costs						76,872
Total assets:	**13,513,212**	**5,296,893**	**5,616,539**	**23,001,287**	**10,342,839**	**153,781,636**
Capital and reserves						30,045,904
Insurance contract liabilities	1,025,434	536,865	1,785,815	3,684,884	2,801,274	76,815,127
Investment contract liabilities						89,779,602
Reinsurance contract liabilities						1,334
Other liabilities	646,268		739,421			111,550
Accrued expenses and deferred income	670,312					2,808,616
Total liabilities:	**2,342,014**	**536,865**	**2,525,236**	**3,684,884**	**2,801,274**	**199,662,133**
Difference	11,171,198	4,760,028	3,091,303	19,316,403	7,541,565	-45,880,497

Periods until the assets and liabilities are realised as at 31 December 2022:

	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	indefinite terms
Intangible assets					480,569	
Other financial investments	3,536,156	1,669,177	988,481	1,551,048	5,449,903	31,023,631
Reinsurance contract assets						146,298
Amounts receivable						36,010
Property, plant and equipment						100,896
Cash and cash equivalents	1,329,189					
Other assets		395,921				
Accrued income and deferred costs						755,740
Total assets:	**4,865,345**	**2,065,098**	**988,481**	**1,551,048**	**5,930,472**	**32,062,575**
Capital and reserves						10,306,605
Insurance contract liabilities	-801,332	-218,691	605,126	1,154,090	1,602,589	27,614,373
Investment contract liabilities						6,229,264
Other liabilities	141,467	398,877				172,517
Accrued expenses and deferred income	202,603					55,531
Total liabilities:	**-457,262**	**180,186**	**605,126**	**1,154,090**	**1,602,589**	**44,378,290**
Difference	5,322,607	1,884,912	383,355	396,958	4,327,883	-12,315,715

3.6 CAPITAL ADEQUACY MANAGEMENT

The Company must at all times ensure that eligible own funds are in excess of the Solvency Capital Requirement to enable the Company to absorb potential losses and to provide reasonable assurance to policyholders and beneficiaries that amounts due to them will be paid.

Shareholders' equity comprises paid-up ordinary share capital, the reconciliation reserve, which is reduced by expected dividends and other distributions, and the net value of deferred tax assets.

	2023	**2022**
Ordinary share capital	26,012,800	4,057,576
Reconciliation reserve	27,450,522	6,712,443
Deferred tax assets	2,296	2,296
Total	53,465,618	10,772,315

The Solvency Capital Requirement and own funds are calculated quarterly. These ratios are continuously monitored and, if there are indications that they might change, calculations are made to determine the potential change in these ratios and its significance.

The Company has set a "risk appetite" level that it considers acceptable, i.e. the number of times own funds should exceed the Solvency Capital Requirement and the Minimum Capital Requirement. This ensures that own funds in relation to the Solvency Capital Requirement and the Minimum Capital Requirement always exceed the requirements of Solvency II Directive. During the reporting period, the Company complied with all capital requirements, with own funds amounting to EUR 53.5 thousand (31 December 2022: EUR 10.8 thousand) and exceeding the Solvency Capital Requirement by a factor of 1.90 (31 December 2022: 1.97).

The Company conducts an annual assessment of its risk and solvency, taking into account the nature, scale and complexity of the Company. The forward-looking assessment is carried out three years in advance, thus guaranteeing that the Company will ensure that own funds will meet the Solvency Capital Requirement and the Minimum Capital Requirement for the next three years, and that compliance with the technical provisions requirements will be ensured at all times.

The Company monitors its risk levels, the projected levels of risk capital requirements and the overall solvency of the Company on a quarterly basis, and compares them with actual results. The comparison shall determine whether the Company's overall level of risk and the levels of individual risks have not changed and are acceptable.

4 FAIR VALUE MEASUREMENT

Financial assets and liabilities not measured at fair value

a) Loans and advances from banks
The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value. The fair value of fixed interest bearing deposits is estimated using valuation technique attributable to Level 3 in the fair value hierarchy, based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. The fair value method used corresponds to Level 3 of the fair value hierarchy.

b) Loans and advances from customers
Loans and advances are net of charges for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates (average interest rates on outstanding loans published by the Bank of Lithuania) to determine fair value. The fair value method used corresponds to Level 3 of the fair value hierarchy.
c) Investment securities
The fair value for held-to-collect assets is based on market prices or broker/dealer price quotations – i.e. it is estimated using valuation technique attributable to Level 1 in the fair value hierarchy.
d) Other financial assets and other financial liabilities
The fair value of lease liabilities is estimated by discounting the cash flows of existing lease liabilities at the interest rates that would be applied to new lease liabilities with similar maturities. The fair value method used corresponds to Level 3 of the fair value hierarchy. The estimated fair value of other financial assets and other financial liabilities is not materially different from their carrying amounts due to the short maturity of these assets and liabilities.

The following are the carrying amounts and fair values of financial instruments that are presented at amortised cost in the statement of financial position:

	31/12/2023		**31/12/2022**	
	Carrying amount	**Fair value**	**Carrying amount (restated)**	**Fair value**
Financial assets at amortised cost:				
Government bonds	5,765,761	5,286,459	5,983,169	5,292,289
Corporate bonds	5,591,751	5,227,365	6,720,904	5,981,074
Term deposits	500,000	500,000	500,000	500,000
	11,857,512	**11,013,824**	**13,204,073**	**11,773,363**

Financial assets and liabilities measured at fair value

Financial assets and liabilities that are measured at fair value in the financial statements are presented according to levels of the fair value hierarchy.

Level 1 are such quoted prices (unadjusted) in active markets for identical assets or liabilities that are available as at the measurement date. This level includes listed equities and debt instruments.

Level 2 are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs comprise:

- quoted prices in active markets for similar assets or liabilities;
- quoted prices in inactive markets for similar or identical assets or liabilities;
- other observable data on assets or liabilities other than quoted prices;
- market-based data.

Financial liabilities at fair value through profit or loss (unit-linked) are also classified as Level 2 because their value is directly attributable to the value of the related assets traded in an active market and whose value is determined by reference to quoted prices in the market (classified as Level 1).

Level 3 – data on assets and liabilities that are not based on observable market data (unobservable data). Unobservable data are used in fair value measurements to the extent that relevant observable data are not available, and may be used in situations where there is little or no market activity in the market for the asset or liability at the measurement date. However, the objective of fair value measurement is the same, namely to determine the final price to the market participant holding the asset or liability at the measurement date. Therefore, unobservable data must be consistent with the assumptions on which market participants rely in pricing the asset or liability.

Where practicable, the Company measures a financial asset at fair value using the quoted price of that financial asset in an active market. A market is considered active if it trades in those financial instruments with sufficient frequency and volume to provide continuous price information.
Units of collective investment undertakings that are not publicly traded and/or whose net asset value or unit value is not determined on a daily basis are valued on the basis of the last determined net asset value or the last published/reported unit value, subject to adjustment for changes (e.g. material events, calls, distribution of a portion of liabilities, distribution of a portion of income, other events). The Company's valuation is based on information provided by asset managers on net asset value or unit price; no quantitative unobservable data is prepared by the Company or available to the Company.

Investment contracts may be terminated at any time and contract holders may recover the value of those contracts equal to the value of the related assets. Therefore, investment contract liabilities are measured on the basis of the market value of the financial instruments related to those contracts.

The following table provides an analysis of financial instruments, grouping financial instruments into Levels 1 to 3 depending on the degree of observability with which their fair value can be measured:

	31/12/2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	136,064,005	38,583,879	12,516,926	187,164,810

	31/12/2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	17,114,668	12,715,830	1,183,825	31,014,323

The following table presents the changes in Level 3 instruments during 2023 and 2022

	Liabilities from insurance contracts with direct participation features						**Investment contract liabilities**		**Other**	
	Investment fund units		**Unlisted equity securities**		**Derivative financial instruments**				**Corporate bonds**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Value at 1 January	**155,016**	**1,549,004**	**569,239**	**467,752**	**0**	**0**	**205,653**	**494,715**	**253,917**	**251,678**
acquisitions	0	61,188	0	0	4,495	0	5,087	17,375	0	250,000
acquisitions at the time of transaction	8,412	0	705,932	0	0	0	10,579,648	0	0	0
disposals	-835	-635,516	0	0	0	0	-255,297	-180,456	0	-250,000
reclassification*	-154,367	-46,627	-510,036	-14,080	0	0	664,402	60,708	0	0
revaluation through profit or loss	217	-773,033	17,875	115,567	0	0	268,998	-186,688	-1,431	2,239
Value at 31 December	**8,442**	**155,016**	**783,011**	**569,239**	**4,495**	**0**	**11,468,492**	**205,653**	**252,486**	**253,917**

*from/to liabilities from insurance contracts with direct participation features to investment contract liabilities

Total result from revaluation of Level 3 instruments included in the statement of profit or loss	**2023**	**2022**
from corporate bonds	13,569	12,003
from investment fund units	66,415	-992,537
from unlisted equity securities.	220,675	148,383
Total	**300,659**	**-832,151**

The tables below provide a breakdown of financial instruments carried at fair value by level within the fair value hierarchy at the end of the reporting period. In the table below, the value of investment contract liabilities does not include the value of the cash backing such liabilities.

31/12/2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities from insurance contracts with direct participation features				
Financial investments				
government bonds	7,793,293			7,793,293
corporate bonds	11,695,334			11,695,334
investment fund units	42,431,071	15,340,438	8,442	57,779,952
unlisted equity securities	314,472		783,011	1,097,483
derivatives			4,495	4,495
Total	**62,234,169**	**15,340,438**	**795,948**	**78,370,556**
Investment contract liabilities		**76,302,765**	**11,468,492**	**87,771,257**
Other				
government bonds	6,966,756			6,966,756
corporate bonds	204,394		252,486	456,880
investment fund units	5,004,224	8,595,138		13,599,361
Total	**12,175,374**	**8,595,138**	**252,486**	**21,022,998**

31/12/2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities from insurance contracts with direct participation features				
Financial investments				
government bonds				
corporate bonds	54,101			54,101
investment fund units	11,118,976	9,903,667	155,016	21,177,660
unlisted equity securities			569,239	569,239
derivatives				
Total	**11,173,077**	**9,903,667**	**724,255**	**21,801,000**
Investment contract liabilities		**5,984,777**	**205,653**	**6,190,430**
Other				
government bonds	277,660			277,660
corporate bonds	2,491,316		253,917	2,745,232
investment fund units				
Total	**2,768,976**		**253,917**	**3,022,893**

5 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Assets are recognised as property, plant and equipment if they meet these criteria: assets are controlled and managed by the Company, it is reasonably expected to gain economic benefit from the assets in the future periods, assets will be used in the supply of services or for administrative purposes (not for investing activities) by the Company for more than one year, it is possible to reliably measure the acquisition cost of the asset, which is from EUR 1,000. The useful lives of property, plant and equipment are as follows:

Vehicles	6 years
Office equipment	3–6 years

	Vehicles	Office equipment	Right-of-use assets	Total
Acquisition cost				
31 December 2022	193,205	187,394	510,070	890,669
Acquired assets	-	46,412	122,310	168,722
Assets acquired on transaction	-	11,987	351,970	363,957
Assets disposed, written off	-168,205	-88,930	-96,306	-353,441
31 December 2023	**25,000**	**156,863**	**888,044**	**1,069,907**
Accumulated depreciation				
31 December 2022	124,726	154,977	114,149	393,852
Depreciation accumulated on transaction	-	3,597	-	3,597
Calculated depreciation	18,693	26,464	148,749	193,906
Depreciation of disposed, written off assets	-122,169	-87,058	-95,805	-305,032
31 December 2023	**21,250**	**97,980**	**167,093**	**286,323**
Carrying amount				
31 December 2022	68,479	32,417	395,921	496,817
31 December 2023	**3,750**	**58,883**	**720,951**	**783,584**

Depreciation expenses are charged to operating expenses (Note 19).

6 INTANGIBLE ASSETS

Intangible assets comprise software and goodwill.
Software is measured at acquisition cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method over the estimated useful life of the asset, which is 5 years. Software impairment, asset write-off losses and amortisation costs are charged to the Company's operating expenses. Software amortisation expenses are charged to operating expenses (Note 19).

The result of the acquisition of the insurance business from UADB INVL Life was recognised as goodwill. The value of goodwill was booked as a difference of consideration paid and net value of assets and liabilities obtained. The business was taken over on 1 December 2023. Goodwill arising in a business acquisition process is accounted for at cost determined at business acquisition date. Goodwill acquired in a business combination is not amortised, but is tested for impairment annually or more frequently, when indications of impairment losses exist.

The calculation of goodwill is presented in Note 24.

	Software	Goodwill	Total intangible assets
Acquisition cost			
31 December 2022	865,029	0	865,029
Acquired assets	315,500	0	315,500
Assets acquired on transaction	2,017,238	1,146,686	3,163,924
Assets disposed, written off	-237,662	0	-237,662
31 December 2023	**2,960,105**	**1,146,686**	**4,106,791**
Accumulated depreciation			
31 December 2022	384,460	0	384,460
Depreciation accumulated on transaction	1,944,456	0	1,944,456
Calculated depreciation	127,886	0	127,886
Depreciation of disposed, written off assets	-216,877	0	-216,877
31 December 2023	**2,239,925**	**0**	**2,239,925**
Carrying amount			
31 December 2022	480,569	0	480,569
31 December 2023	**720,180**	**1,146,686**	**1,866,866**

7 FINANCIAL ASSETS

During the year ended 31 December 2023, movements in financial assets at fair value through profit or loss were as follows:

	Government bonds	Corporate bonds	Equity securities	Derivative financial instruments	Total
Acquisition cost					
31 December 2022	276,635	3,840,018	27,348,495	-	31,465,148
acquisitions	5,894,225	1,516,358	11,782,622	9,582	19,202,787
Acquisitions at the time of transaction	15,617,478	22,143,075	102,721,079	-	140,481,632
assets sold, disposed and redeemed	-225,135	-4,110,188	-8,079,661	-	-12,414,984
The effect of changes in exchange rates	-	21	-	-	21
31 December 2023	**21,563,203**	**23,389,284**	**133,772,535**	**9,582**	**178,734,604**
Revaluation and impairment					
31 December 2022	1,025	-1,025,322	573,472	-	-450,825
At the time of transaction	588,408	442,806	-	-	1,031,214
increase in value	46,510	790,993	8,949,954	-	9,787,457
decrease in value	-12,216	-223,184	-1,840,399	-	-2,075,799
assets sold, disposed and redeemed	14,790	-54,682	178,072	-	138,180
the effect of changes in exchange rates	-	-21	-	-	-21
31 December 2023	**638,517**	**-69,410**	**7,861,099**	**-**	**8,430,206**
Carrying amount					
31 December 2022	**277,660**	**2,814,696**	**27,921,967**	**-**	**31,014,323**
31 December 2023	**22,201,720**	**23,319,874**	**141,633,634**	**9,582**	**187,164,810**

	31/12/2023	31/12/2022 (restated)
Financial assets at fair value through profit or loss:		
Listed trading securities		
government bonds	22,201,720	277,660
corporate bonds	23,067,388	2,814,696
equity securities	89,635,108	-
Not listed trading securities		
corporate bonds	252,486	-
equity securities	51,998,526	27,921,967
Derivative financial instruments	9,582	-
	187,164,810	**31,014,323**
Financial assets at amortised cost:		
government bonds	5,765,761	5,983,169
term deposits	500,000	500,000
corporate bonds *	6,611,790	7,740,922
impairment of bonds*	-1,020,039	-1,020,018
	11,857,512	**13,204,073**

*In 2015, information was received that Banka Srpske was experiencing payment problems, for which the supervisory authority appointed an interim administrator to take over the management of the bank. Therefore, the Company formed provisions for 100% of the nominal value of the bonds held by this bank.

8 AMOUNTS RECEIVABLE INCLUDING INSURANCE RECEIVABLES, AND OTHER ASSETS

	31/12/2023	31/12/2022
Insurance receivables		
from policyholders	47,377	7,742
from intermediaries	105,751	22,035
doubtful receivables from intermediaries	-14,446	-15,307
from reinsurers	-	-
Other receivables		
other amounts	102,311	21,540
advance income tax	24,729	-
Other assets		
prepayments and deferred costs	74,576	25,068
deferred acquisition costs	-	728,376
Total	**340,298**	**791,750**

Other receivables are not interest-bearing.

The Company calculated an impairment charge for receivables from intermediaries (over 180 days past due), which was recorded in operating expenses.

During 2023 and 2022, the Company recognised impairment losses of EUR 0 for other receivables. The receivables are not secured by collateral. Past due but not impaired insurance receivables are immaterial and are therefore not disclosed below.

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

	31/12/2023	31/12/2022
Cash balances in bank accounts	9,570,771	1,377,536
Reserves created*	-48,347	-48,347
Total	**9,522,424**	**1,329,189**

In 2023 and 2022, the interest rate on cash balances in bank accounts was around 0 per cent.

* Provisions of 100% were created for the bankruptcy proceedings of AB Ūkio bankas and AB Snoro bankas.
As the other banks holding cash and deposits are of high creditworthiness, Management considers provision as immaterial due to minimal risk.

10 AUTHORISED CAPITAL AND RESERVES

In 2023 and 2022, the shareholder (ultimate and parent company) of the Company was AB Šiaulių bankas (company code - 112025254, address - Tilžės g. 149, Šiauliai).

	Number of shares issued	Ordinary shares	Total
31/12/2022	14,010	4,057,576	4,057,576
31/12/2023	89,817	26,012,800	26,012,800

Ordinary shares

Under the current Law on Insurance, the minimum authorised capital of an insurance undertaking must be at least EUR 1,000,000. The authorised share capital consisted of 89,817 ordinary shares as at 31 December 2023 (14,010 as at 31 December 2022), each with a nominal value of EUR 289.62. All shares are fully paid. There is one class of ordinary shares. All issued shares carry equal voting rights.

Legal reserve

The legal reserve is formed in accordance with the Law on Companies of the Republic of Lithuania, with annual transfers of 5% of net profit until the reserve reaches 10% of the authorised capital. This reserve is non-distributable and is only used to cover losses.

In 2022, the legal reserve amounted to EUR 405,758, i.e. 10% of the authorised capital, and the reserve was therefore considered formed. After the increase of the authorised capital in 2023, the legal reserve is considered to be insufficient and will be increased annually by a transfer of 5% of the net profit.

Other equity

Other equity consists of amount that corresponds to the obligation to grant the shares of Šiaulių bankas to nominated employees as part of variable remuneration. The remuneration policy of Šiaulių bankas group prescribes two main components of remuneration – fixed remuneration and variable remuneration, and various additional benefits. Employees whose professional activities and/or decisions might have a significant impact on the risk accepted by the group, receive deferred variable remuneration. Under the group's incentive scheme employees whose professional activities and/or decisions may have a significant impact on the risk assumed by the group receive 50% of the annual long term incentive program in cash and 50% in form of Šiaulių bankas shares options executable after 3 years. The number of share options is based on the currency value of the achieved results divided by the weighted average price at which the shares of Šiaulių bankas are traded on Nasdaq Vilnius during the period of five months prior the approval of remuneration. Each option is convertible into one ordinary share.

AB Šiaulių bankas has assessed fair value of shares option by the Black-Scholes model which is attributable to Level 3 in fair value hierarchy. Model inputs comprise:

- For the option granted 31 March 2023: grant date (31 March 2023), expiry day (9 April 2027 and14 April 2028), share price 0.747 on grant day, exercise price 0.65, expected price volatility of the bank's shares 26%, risk free interest rates – 5% and 2.3%;

- For the option granted 30 March 2022: grant date (30 March 2022), expiry day (11 April 2025), share price 0.656 on grant day, exercise price 0.588, expected price volatility of the bank's shares 28%, risk free interest rate – 0.1%;

- For the option granted 31 March 2021: grant date (31 March 2021), expiry day (12 April 2024), share price 0.538 on grant day, expected price volatility of the bank's shares 25%, risk free interest rate - 0.1%.

As at 31 December 2023, the Company had 3 nominated employees holding the Nominated Positions, which were determined by the Bank's Board in accordance with the qualitative and quantitative criteria set out in the Delegated Regulation (EU) No. 604/2014 of the European Commission and additional criteria (if appropriate) for determining the categories of employees whose professional activities have a material impact on the risk profile of the institution (Group).
The value of the option is included in other equity line in the statement of financial position. Other equity comprises:

	31/12/2023	**31/12/2022**
Options	93,031	67,917
Total	**93,031**	**67,917**

No options were forfeited during the year ended 31 December 2023. During 12 months period ended 31 December 2023, 48,217.7 units of share options were exercised for the benefit of nominated employees on exercise date at weighted average share price of EUR 0.75 (2022: 30,047 units for EUR 0.742 each).

11 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES

	31/12/2023	**31/12/2022**
Insurance contract assets	0	0
Reinsurance contract assets	14,616	146,298
Insurance contract liabilities	86,749,399	29,956,155
Reinsurance contract liabilities	1,334	0

11.1 MOVEMENT OF INSURANCE AND REINSURANCE CONTRACT BALANCE

The amounts in this section are presented with the opposite sign to the amounts presented in the statements of financial position and profit or loss and other comprehensive income.

Reconciliation of the remaining insurance coverage and liabilities for incurred claims in insurance contracts at 31/12/2023:

	Liability for remaining coverage		Liability for incurred claims	Amount
	Except loss component	Loss component		
Insurance contract assets at the beginning of the period	1,633,639	-572,610	15,957	1,076,986
Insurance contract liabilities at the beginning of the period	-29,180,865	-1,120,806	-731,471	-31,033,142
Net insurance contract balance at the beginning of the period (restated)	-27,547,226	-1,693,416	-715,513	-29,956,155
Insurance revenue	4,567,833	0	0	4,567,833
Insurance service expenses				
- Claims incurred under insurance contracts	0	0	-1,096,884	-1,096,884
- Changes in liability for incurred claims related to past services	0	0	-2,967,417	-2,967,417
- Losses on onerous contracts (and their elimination)	0	-1,016,441	0	-1,016,441
- Amortisation of insurance contracts acquisition costs	-918,833	0	0	-918,833
Finance income/costs on insurance contracts	-5,107,085	-24,811	-22,942	-5,154,838
Investment component	3,031,757	0	-3,031,757	0
Profit (loss) from insurance activities	1,573,673	-1,041,251	-7,119,001	-6,586,580
Received premiums	-58,588,916	0	0	-58,588,916
Claims paid	0	0	4,387,978	4,387,978
Directly attributable insurance expenses	0	0	1,878,497	1,878,497
Insurance contracts acquisition costs	2,115,777	0	0	2,115,777
Total cash flows	-56,473,139	0	6,266,475	-50,206,664
Insurance contract assets at the end of the period	5,015,566	-339,809	-185,352	4,490,406
Insurance contract liabilities at the end of the period	-87,462,259	-2,394,859	-1,382,686	-91,239,804
Net insurance contract balance at the end of the period	-82,446,693	-2,734,667	-1,568,039	-86,749,399

Reconciliation of the remaining insurance coverage and liabilities for incurred claims in insurance contracts at 31/12/2022 (restated):

	Liability for remaining coverage		**Liability for incurred claims**	**Amount**
	Except loss component	**Loss component**		
Insurance contract assets at the beginning of the period	908,158	-758,141	-55,035	94,981
Insurance contract liabilities at the beginning of the period	-35,098,655	-1,058,502	-590,382	-36,747,539
Net insurance contract balance at the beginning of the period	-34,190,497	-1,816,643	-645,418	-36,652,558
Insurance revenue	5,758,109	0	0	5,758,109
Insurance service expenses				
- Claims incurred under insurance contracts	0	0	-1,241,449	-1,241,449
- Changes in liability for incurred claims related to past services	0	0	-1,464,537	-1,464,537
- Losses on onerous contracts (and their elimination)	0	88,017	0	88,017
- Amortisation of insurance contracts acquisition costs	-828,433	0	0	-828,433
Finance income/costs on insurance contracts	5,331,629	35,210	95,716	5,462,555
Investment component	2,701,434	0	-2,701,434	0
Profit (loss) from insurance activities	12,962,741	123,226	-5,311,705	7,774,262
Received premiums	-8,412,760	0	0	-8,412,760
Claims paid	0	0	3,929,424	3,929,424
Directly attributable insurance expenses	0	0	1,312,185	1,312,185
Insurance contracts acquisition costs	2,093,291	0	0	2,093,291
Total cash flows	-6,319,469	0	5,241,609	-1,077,860
Insurance contract assets at the end of the period	1,243,866	-965,719	-8,836	269,311
Insurance contract liabilities at the end of the period	-28,791,092	-727,697	-706,677	-30,225,466
Net insurance contract balance at the end of the period	-27,547,226	-1,693,416	-715,513	-29,956,155

Reconciliation of the remaining insurance coverage and liabilities for incurred claims in reinsurance contracts at 31/12/2023:

	Liability for remaining coverage	**Liability for incurred claims**	**Amount**
Reinsurance contract assets at the beginning of the period	24,228	122,071	146,298
Reinsurance contract liabilities at the beginning of the period	0	0	0
Net reinsurance contract balance at the beginning of the period	24,228	122,071	146,298
Reinsurance contracts income/expenses			
- Reinsurance premiums	-175,562	0	-175,562
- Repayable amounts from reinsurer	0	94,819	94,819
- Changes in liability for incurred claims related to past services	0	-68,306	-68,306
Finance income/costs on reinsurance contracts	-235	981	746
Profit (loss) from reinsurance activities	-175,798	27,546	-148,304
Premiums payable to reinsurer	146,519	0	146,519
Repayable amounts from reinsurer	0	-131,232	-131,232
Total cash flows	146,519	-131,232	15,287
Reinsurance contract assets at the end of the period	-5,051	19,667	14,616
Reinsurance contract liabilities at the end of the period	-4,898	3,564	-1,334
Net reinsurance contract balance at the end of the period	-9,950	23,232	13,282

Reconciliation of the remaining insurance coverage and liabilities for incurred claims in reinsurance contracts at 31/12/2022:

	Liability for remaining coverage	**Liability for incurred claims**	**Amount**
Reinsurance contract assets at the beginning of the period	0	0	0
Reinsurance contract liabilities at the beginning of the period	-985	0	-985
Net reinsurance contract balance at the beginning of the period	-985	0	-985
Reinsurance contracts income/expenses			
- Reinsurance premiums	25,294	0	25,294
- Repayable amounts from reinsurer	0	131,009	131,009
- Changes in liability for incurred claims related to past services	0	637	637
Finance income/costs on reinsurance contracts	-81	-1,149	-1,230
Profit (loss) from reinsurance activities	25,213	130,497	155,710
Premiums payable to reinsurer	0	0	0
Repayable amounts from reinsurer	0	-8,426	-8,426
Total cash flows	0	-8,426	-8,426
Reinsurance contract assets at the end of the period	24,228	122,071	146,298
Reinsurance contract liabilities at the end of the period	0	0	0
Net reinsurance contract balance at the end of the period	24,228	122,071	146,298

Reconciliation of insurance contract liabilities components at 31/12/2023:

	Best estimate of liabilities	Risk adjustment	Contractual service margin	Amount
Insurance contract assets at the beginning of the period	1,831,135	-410,027	-344,121	1,076,986
Insurance contract liabilities at the beginning of the period	-24,856,063	-2,160,999	-4,016,080	-31,033,142
Net insurance contract balance at the beginning of the period (restated)	-23,024,928	-2,571,026	-4,360,201	-29,956,155
Changes related to current-period services				
- Recognition of contractual service margin for services rendered	0	0	818,601	818,601
- Change in risk adjustment	0	-595,614	0	-595,614
- Adjustments based on historical data	2,867,736	-362,902	0	2,504,833
Changes related to future services				
- Contracts recognised during the reporting period	37,801,987	-13,851,082	-24,646,982	-696,077
- Changes in estimates that adjust contractual service margin	1,797,075	16,564	-1,813,639	0
- Changes in estimates that adjust losses on onerous contracts	-594,124	98,056	0	-496,068
Changes related to past services				
Changes in liability for incurred claims related to past services	-3,219,479	252,062	0	-2,967,417
Finance income/costs on insurance contracts	-5,143,975	0	-10,863	-5,154,838
Profit (loss) from insurance contracts	33,509,219	-14,442,916	-25,652,884	-6,586,580
Received premiums	-58,588,916	0	0	-58,588,916
Claims paid	4,387,978	0	0	4,387,978
Directly attributable insurance expenses	1,878,497	0	0	1,878,497
Insurance contracts acquisition costs	2,115,777	0	0	2,115,777
Total cash flows	-50,206,664	0	0	-50,206,664
Insurance contract assets at the end of the period	8,731,337	-1,094,965	-3,145,966	4,490,406
Insurance contract liabilities at the end of the period	-48,453,710	-15,918,976	-26,867,119	-91,239,804
Net insurance contract balance at the end of the period	-39,722,373	-17,013,941	-30,013,085	-86,749,399

Reconciliation of insurance contract liabilities components at 31/12/2022 (restated):

	Best estimate of liabilities	Risk adjustment	Contractual service margin	Amount
Insurance contract assets at the beginning of the period	771,715	-474,326	-202,408	94,981
Insurance contract liabilities at the beginning of the period	-30,528,380	-2,475,153	-3,744,005	-36,747,539
Net insurance contract balance at the beginning of the period	-29,756,665	-2,949,480	-3,946,413	-36,652,558
Changes related to current-period services				
- Recognition of contractual service margin for services rendered	0	0	651,582	651,582
- Change in risk adjustment	0	1,013,296	0	1,013,296
- Adjustments based on historical data	2,380,831	-123,061	0	2,257,770
Changes related to future services				
- Contracts recognised during the reporting period	134,770	-411,975	-328,740	-605,946
- Changes in estimates that adjust contractual service margin	878,508	-142,694	-735,814	0
- Changes in estimates that adjust losses on onerous contracts	538,337	-78,795	0	459,542
Changes related to past services				
Changes in liability for incurred claims related to past services	-1,586,221	121,684	0	-1,464,537
Finance income/costs on insurance contracts	5,463,371	0	-815	5,462,555
Profit (loss) from insurance contracts	7,809,596	378,454	-413,788	7,774,262
Received premiums	-8,412,760	0	0	-8,412,760
Claims paid	3,929,424	0	0	3,929,424
Directly attributable insurance expenses	1,312,185	0	0	1,312,185
Insurance contracts acquisition costs	2,093,291	0	0	2,093,291
Total cash flows	-1,077,860	0	0	-1,077,860
Insurance contract assets at the end of the period	1,238,756	-640,924	-328,521	269,311
Insurance contract liabilities at the end of the period	-24,263,685	-1,930,102	-4,031,680	-30,225,466
Net insurance contract balance at the end of the period	-23,024,928	-2,571,026	-4,360,201	-29,956,155

Reconciliation of reinsurance contract liabilities components at 31/12/2023:

	Best estimate of liabilities	Risk adjustment	Contractual service margin	Amount
Reinsurance contract assets at the beginning of the period	140,525	5,774	0	146,298
Reinsurance contract liabilities at the beginning of the period	0	0	0	0
Net reinsurance contract balance at the beginning of the period	140,525	5,774	0	146,298
Changes related to current-period services				
- Recognition of contractual service margin for services rendered	0	0	26,288	26,288
- Change in risk adjustment	0	-5,453	0	-5,453
- Adjustments based on historical data	-109,899	8,321	0	-101,578
Changes related to future services				
- Contracts recognised during the reporting period	-10,894	3,488	7,406	0
- Changes in estimates that adjust contractual service margin	33,483	460	-33,944	0
Changes related to past services				
Changes in liability for incurred claims related to past services	-57,903	-10,403	0	-68,306
Finance income/costs on reinsurance contracts	496	0	249	746
Profit (loss) from reinsurance contracts	-144,716	-3,587	0	-148,304
Premiums payable to reinsurer	146,519	0	0	146,519
Repayable amounts from reinsurer	-131,232	0	0	-131,232
Total cash flows	15,287	0	0	15,287
Reinsurance contract assets at the end of the period	12,430	2,186	0	14,616
Reinsurance contract liabilities at the end of the period	-1,334	0	0	-1,334
Net reinsurance contract balance at the end of the period	11,096	2,186	0	13,282

Reconciliation of reinsurance contract liabilities components at 31/12/2022:

	Best estimate of liabilities	Risk adjustment	Contractual service margin	Amount
Reinsurance contract assets at the beginning of the period	0	0	0	0
Reinsurance contract liabilities at the beginning of the period	-985	0	0	-985
Net reinsurance contract balance at the beginning of the period	-985	0	0	-985
Changes related to current-period services				
- Recognition of contractual service margin for services rendered	0	0	34,411	34,411
- Change in risk adjustment	0	-291	0	-291
- Adjustments based on historical data	118,096	4,087	0	122,183
Changes related to future services				
- Contracts recognised during the reporting period	-83,849	273	83,577	0
- Changes in estimates that adjust contractual service margin	116,004	1,983	-117,988	0
Changes related to past services				
Changes in liability for incurred claims related to past services	916	-279	0	637
Finance income/costs on reinsurance contracts	-1,230	0	0	-1,230
Profit (loss) from reinsurance contracts	149,936	5,774	0	155,710
Premiums payable to reinsurer	0	0	0	0
Repayable amounts from reinsurer	-8,426	0	0	-8,426
Total cash flows	-8,426	0	0	-8,426
Reinsurance contract assets at the end of the period	140,525	5,774	0	146,298
Reinsurance contract liabilities at the end of the period	0	0	0	0
Net reinsurance contract balance at the end of the period	140,525	5,774	0	146,298

11.2 EFFECT OF CONTRACTS CONCLUDED DURING THE REPORTING PERIOD

Separation of insurance contracts recognised during the reporting period from the acquired portfolio:

	Acquired portfolio contracts	Newly issued contracts
Present value of future cash flows	-36,920,744	-881,244
Risk adjustment	13,413,540	437,542
Contractual service margin	23,803,674	843,308
Loss component	296,471	399,606

Insurance contracts recognised during the reporting period 2023:

	Remaining contracts	Onerous contracts	Amount
Present value of expected future premiums	182,787,355	9,552,319	192,339,673
Present value of expected future claims	144,879,401	9,658,285	154,537,686
- Including claims and directly attributable expenses	144,150,097	8,134,676	152,284,773
- Including insurance acquisition costs	729,304	1,523,608	2,252,913
Present value of future cash flows	-37,907,953	105,966	-37,801,987
Risk adjustment	13,557,442	293,640	13,851,082
Contractual service margin	24,646,982	0	24,646,982
Loss component	296,471	399,606	696,077

Insurance contracts recognised during the reporting period 2022:

	Remaining contracts	Onerous contracts	Amount
Present value of expected future premiums	5,065,575	9,933,355	14,998,931
Present value of expected future claims	4,609,928	10,254,233	14,864,161
- Including claims and directly attributable expenses	3,938,744	8,846,371	12,785,115
- Including insurance acquisition costs	671,184	1,407,861	2,079,045
Present value of future cash flows	-455,647	320,877	-134,770
Risk adjustment	126,907	285,068	411,975
Contractual service margin	328,740	0	328,740
Loss component	0	605,946	605,946

Reinsurance contracts recognised during the reporting period 2023:

	Remaining contracts	Onerous contracts	Amount
Present value of expected future claims	0	128,226	128,226
Present value of expected future premiums	0	139,121	139,121
Present value of future cash flows	0	-10,894	-10,894
Risk adjustment	0	3,488	3,488
Contractual service margin	0	7,406	7,406
Reinsurance contract assets	0	0	0

Reinsurance contracts recognised during the reporting period 2022:

	Remaining contracts	Onerous contracts	Amount
Present value of expected future claims	0	8,466	8,466
Present value of expected future premiums	0	92,316	92,316
Present value of future cash flows	0	-83,849	-83,849
Risk adjustment	0	273	273
Contractual service margin	0	83,577	83,577
Reinsurance contract assets	0	0	0

Insurance contract liabilities from the acquired portfolio at 31/12/2023:

	Acquired portfolio	Remaining portfolio	Amount
Present value of future cash flows	11,798,316	26,489,187	38,287,503
Risk adjustment	14,208,646	2,672,126	16,880,772
Contractual service margin	24,960,854	5,052,231	30,013,085
Liability for remaining coverage	50,967,816	34,213,544	85,181,360
Liability for incurred claims	1,196,695	371,344	1,568,039

11.3 CONTRACTUAL SERVICE MARGIN

Projection of recognition of contractual service margin for services rendered:

	31/12/2023	31/12/2022
Less than 1 year	2,525,485	567,456
1-2 years	2,285,038	501,425
2-3 years	2,084,348	445,033
3-4 years	1,907,435	397,720
4-5 years	1,748,912	355,641
More than 5 years	19,461,866	2,076,394
Amount	30,013,085	4,343,670

Reconciliation of contractual service margin and insurance revenue under the transition method at 31/12/2023:

Insurance contracts	Modified retrospective approach	Fair value method	Remaining contracts
Contractual service margin at the beginning of the period	2,140,432	1,054,233	1,165,535
Changes related to current-period services			
- Recognition of contractual service margin for services rendered	-278,902	-143,813	-395,886
Changes related to future services			
- Contracts recognised during the reporting period	0	0	24,646,982
- Changes in estimates that adjust contractual service margin	128,476	113,149	1,572,014
Changes related to financial developments			
Finance income/costs on insurance contracts	0	35	10,828
Contractual service margin at the end of the period	1,990,007	1,023,604	26,999,474
Insurance revenue	938,413	1,094,644	2,534,776

Reconciliation of contractual service margin and insurance revenue under the transition method at 31/12/2022:

Insurance contracts	Modified retrospective approach	Fair value method	Remaining contracts
Contractual service margin at the beginning of the period	2,121,026	1,139,928	685,459
Changes related to current-period services			
- Recognition of contractual service margin for services rendered	-291,430	-152,263	-207,889
Changes related to future services			
- Contracts recognised during the reporting period	0	0	328,740
- Changes in estimates that adjust contractual service margin	310,837	67,229	357,748
Changes related to financial developments			
Finance income/costs on insurance contracts	0	-661	1,476
Contractual service margin at the end of the period	2,140,432	1,054,233	1,165,535
Insurance revenue	1,202,582	2,286,900	2,268,628

Reconciliation of contractual service margin under the transition method at 31/12/2023:

Reinsurance contracts	**Modified retrospective approach**	**Fair value method**	**Remaining contracts**
Contractual service margin at the beginning of the period	0	0	0
Changes related to current-period services			
- Recognition of contractual service margin for services rendered	0	0	26,288
Changes related to future services			
- Contracts recognised during the reporting period	0	0	7,406
- Changes in estimates that adjust contractual service margin	0	0	-33,944
Changes related to financial developments			
Finance income/costs on reinsurance contracts	0	0	249
Contractual service margin at the end of the period	0	0	0

Reconciliation of contractual service margin under the transition method at 31/12/2022:

Reinsurance contracts	**Modified retrospective approach**	**Fair value method**	**Remaining contracts**
Contractual service margin at the beginning of the period	0	0	0
Changes related to current-period services			
- Recognition of contractual service margin for services rendered	0	0	34,411
Changes related to future services			
- Contracts recognised during the reporting period	0	0	83,577
- Changes in estimates that adjust contractual service margin	0	0	-117,988
Changes related to financial developments			
Finance income/costs on reinsurance contracts	0	0	0
Contractual service margin at the end of the period	0	0	0

11.4 CLAIM DEVELOPMENT TABLE

The development of insurance claims demonstrates the Company's ability to forecast the total value of claims. Claim development does not include claims specification for the acquired portfolio.

The Company's ten-year claim development as at 31 December 2023:

Claims (EUR)											
	Year of event										
Date	**<=2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
<=2014	11,189,804										
2015	122,681	2,006,671									
2016	12,147	111,034	2,182,886								
2017	3,363	4,859	177,640	2,924,828							
2018	9,427	3,225	17,392	161,338	2,728,462						
2019	724	-	4,043	1,720	163,683	3,166,934					
2020	-	-	-	398	8,554	71,783	2,806,058				
2021	-	290	58	-	-	12,057	206,190	3,040,120			
2022	-	116	2,182,886	-	70	300	37,811	153,392	4,254,658		
2023	-	-	-	1,448	579	1,150	952	31,700	243,913	4,278,639	4,558,381
Claims outstanding (EUR)											
Date	**<=2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	
<=2014	1,994,349										
2015	21,189	161,247									
2016	8,344	3,747	182,637								
2017	8,055	1,883	10,275	195,908							
2018	8,055	1,883	5,465	11,019	194,963						
2019	8,055	1,883	5,520	6,279	15,922	106,055					
2020	8,055	1,883	5,520	6,279	13,953	27,604	200,436				
2021	8,055	1,883	5,086	6,279	12,686	6,024	19,599	154,932			
2022	8,055	1,883	5,086	6,279	13,121	3,441	13,204	9,836	287,706		
2023	8,053	1,877	5,086	6,275	12,686	3,334	10,560	4,396	56,002	283,013	391,282
Discounting effect											-3,056
Risk adjustment for non-financial risk											32,650
Total liabilities											420,876
Gross liability (EUR)											
Date	**<=2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	
<=2014	13,184,154										
2015	11,333,675	2,167,918									
2016	11,332,977	2,121,451	2,365,523								
2017	11,336,050	2,124,446	2,370,800	3,120,736							
2018	11,345,477	2,127,670	2,383,383	3,097,184	2,923,424						
2019	11,346,201	2,127,670	2,387,481	3,094,164	2,908,066	3,272,989					
2020	11,346,201	2,127,670	2,387,481	3,094,562	2,914,651	3,266,320	3,006,494				
2021	11,346,201	2,127,960	2,387,104	3,094,562	2,913,385	3,256,797	3,031,847	3,195,052			
2022	11,346,201	2,128,076	2,387,104	3,094,562	2,913,889	3,254,514	3,063,264	3,203,348	4,542,365		
2023	11,346,200	2,128,071	2,387,104	3,096,006	2,914,033	3,255,558	3,061,571	3,229,608	4,554,573	4,561,652	
Development result	**577,820**	**39,847**	**-21,582**	**24,730**	**9,391**	**17,431**	**-55,077**	**-34,556**	**-12,208**		**545,797**
Change in 2022 and 2023	-1	5	**-**	-1,444	-144	-1,044	1,693	-26,260	-12,208		-39,401

The Company’s ten-year claim development, net of reinsurers’ share, as at 31 December 2023:

Insurance claims, net of reinsurance (EUR)											
Date	**<=2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
<=2014	11,151,480										
2015	115,161	2,006,671									
2016	12,147	111,034	2,182,886								
2017	3,363	4,859	177,640	2,924,828							
2018	9,427	3,225	17,392	141,779	2,724,824						
2019	724	-	4,043	1,720	153,942	3,166,934					
2020	-	-	-	398	8,554	71,783	2,799,255				
2021	-	290	58	-	-	12,057	206,190	3,020,612			
2022	-	116	-	-	70	300	37,811	153,392	4,246,232		
2023	-	-	-	1,448	579	1,150	952	31,700	243,913	4,148,690	4,428,432
Claims outstanding, net of reinsurance (EUR)											
Date	**<=2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	
<=2014	1,839,696										
2015	23,990	161,247									
2016	9,966	3,747	182,637								
2017	8,055	1,883	10,275	176,350							
2018	8,055	1,883	5,465	11,019	185,222						
2019	8,055	1,883	5,520	6,279	15,922	105,445					
2020	8,055	1,883	5,520	6,279	13,953	26,994	184,636				
2021	8,055	1,883	5,086	6,279	12,686	6,024	19,599	153,632			
2022	8,055	1,883	5,086	6,279	13,121	3,441	13,204	9,836	168,461		
2023	8,055	1,877	5,086	6,275	12,686	3,334	10,559	4,396	56,002	264,914	373,184
Discounting effect											-3,056
Risk adjustment for non-financial risk											32,650
Total liabilities											402,778
Gross liability, net of reinsurance (EUR)											
Date	**<=2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	
<=2014	12,991,176										
2015	11,290,631	2,167,918									
2016	11,288,754	2,121,451	2,365,523								
2017	11,290,205	2,124,446	2,370,800	3,101,178							
2018	11,299,633	2,127,670	2,383,383	3,077,626	2,910,046						
2019	11,300,357	2,127,670	2,387,481	3,074,606	2,894,688	3,272,379					
2020	11,300,357	2,127,670	2,387,481	3,075,004	2,901,273	3,265,710	2,983,891				
2021	11,300,357	2,127,960	2,387,104	3,075,004	2,900,007	3,256,797	3,025,044	3,174,244			
2022	11,300,357	2,128,076	2,387,104	3,075,004	2,900,511	3,254,514	3,056,461	3,183,840	4,414,693		
2023	11,300,357	2,128,071	2,387,104	3,076,448	2,900,655	3,255,558	3,054,767	3,210,100	4,546,147	4,413,604	
Development result, net of reinsurance	**579,268**	**39,847**	**-21,582**	**24,730**	**9,391**	**16,821**	**-70,877**	**-35,856**	**-131,454**		**410,289**
Change in 2022 and 2023	**-**	5	-	-1,444	-144	-1,044	1,693	-26,260	-131,454		-158,648

11.5 INSURANCE ACQUISITION COSTS

Insurance acquisition cash flows on insurance contract assets and liabilities:

	31/12/2023	31/12/2022
Insurance contract liabilities		
- Insurance contract balance	-91,239,804	-30,225,466
- Insurance acquisition cash flow assets	5,627,775	6,435,245
Insurance contract assets		
- Insurance contract balance	4,490,406	269,311
- Insurance acquisition cash flow assets	2,059,597	55,183
Reinsurance contract assets	14,616	146,298
Reinsurance contract liabilities	-1,334	0

Expected derecognition of insurance acquisition costs assets:

	31/12/2023	31/12/2022
Less than 1 year	820,216	713,903
1-2 years	816,673	713,365
2-3 years	787,283	688,462
3-4 years	771,999	675,202
4-5 years	769,889	671,142
5-6 years	763,215	665,543
6-7 years	756,074	661,733
7-8 years	733,177	647,439
8-9 years	652,600	516,924
9-10 years	521,251	348,286
More than 10 years	294,994	188,428
Amount	7,687,372	6,490,428

Reconciliation of insurance acquisition cash flows:

	31/12/2023	31/12/2022
Insurance acquisition cash flow assets at the beginning of the period	6,490,428	5,225,569
Change from newly issued contracts	2,281,969	2,073,364
Changes in estimates	-166,192	19,927
Amortisation	-918,833	-828,433
Insurance acquisition cash flow assets at the end of the period	7,687,372	6,490,428

12 RESULT OF INSURANCE FINANCIAL ACTIVITIES

Financial result of insurance contracts is presented in the table below:

	31/12/2023	31/12/2022
Interest accrued on insurance contracts	-1,049,001	102,846
Change in financial assumptions	-4,228,279	5,389,218
Changes related to the effect of discount rates at initial recognition	122,442	-29,509
Change in the value of assets related to insurance contracts	6,026,749	-3,616,316
Financial result of insurance contracts	**871,911**	**1,846,239**

Financial result of reinsurance contracts held is presented in the table below:	31/12/2023	31/12/2022
Interest accrued on insurance contracts	747	-746
Change in financial assumptions	-2	117,942
Changes related to the effect of discount rates at initial recognition	0	0
Change in the value of assets related to insurance contracts	0	0
Financial result of reinsurance contracts	**746**	**117,196**

13 OTHER LIABILITIES AND ACCRUED COSTS

	31/12/2023	31/12/2022 (restated)
Lease liabilities, whereof:	739,301	398,877
Non-current lease liabilities	*349,612*	*290,755*
Current lease liabilities	*389,689*	*108,122*
Employment related liabilities	24,714	-
Social security contributions and other payable taxes	124,936	82,182
Policyholders	90,164	90,787
Reinsurers	2,527	38,995
Intermediaries	-	8,755
Current lease liabilities	-	300
Trade payables, whereof:	515,597	92,965
Amounts payable to related parties	*423,658*	*15,730*
Total other liabilities	**1,497,239**	**712,861**
Accrued commission costs	362,590	91,881
Vacation and pension accruals	266,569	79,296
Accrued variable remuneration for employees	90,000	66,724
Other accrued costs	217,721	20,233
Total accrued costs	**936,880**	**258,134**
Total	**2,434,119**	**970,995**

Amounts of lease liabilities recognised in the Company's statement of financial position:

	Lease liabilities
31 December 2022	398,877
Contract additions/value increases	471,423
Contract cancellations/reductions in value	-502
Actual lease payments	-147,359
Related interest expenses	16,862
31 December 2023	**739,301**

14 DEFERRED TAX

Deferred tax assets and liabilities are recognised for the purposes of future taxes on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used. Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised 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 and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are calculated at the effective tax rates that are expected to apply for the calculation of taxable profit in the period when the temporary differences are expected to be settled or paid.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current taxes on a net basis.

	31/12/2023	31/12/2022
Deferred tax assets that will be recovered after more than 12 months	-	-
Deferred tax assets that will be recovered within 12 months	2,296	2,296
	2,296	**2,296**

Net change in deferred tax account:

	31/12/2023	31/12/2022
At the beginning of the year	2,296	2,436
Recognised in the statement of profit or loss and other comprehensive income	-	-140
At the end of the year	**2,296**	**2,296**

Deferred tax is calculated at the approved income tax rate of 15%.

No deferred tax asset was recognised in 2023 and 2022 on provisions made in respect of the bankruptcies of Banka Srpske, Bankas Snoras and AB Ūkio bankas, as the Company does not expect to recover these amounts.

15 INSURANCE REVENUE

Total insurance revenue of the Company:

	31/12/2023	**31/12/2022**
Amounts related to the remaining insurance coverage		
- Expected claims under insurance contracts	1,660,319	2,212,749
- Expected insurance contracts expenses	1,763,063	1,136,435
- Change in risk adjustment	-592,983	928,911
Recognition of contractual service margin for services rendered	818,601	651,582
Reversal of insurance contract acquisition costs	918,833	828,433
Total insurance revenue	**4,567,833**	**5,758,109**

The table below shows the portion of the Company's insurance revenue that relates to the portfolio acquired on 01/12/2023:

	31/12/2023
Amounts related to the remaining insurance coverage	
- Expected claims under insurance contracts	257,521
- Expected insurance contracts expenses	328,453
- Change in risk adjustment	-622,956
Recognition of contractual service margin for services rendered	171,613
Reversal of insurance contract acquisition costs	2,977
Insurance revenue for portfolio acquired on 01/12/2023	**137,608**

16 INCOME AND EXPENSES FROM FINANCIAL ASSETS

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS:

Investment profit (loss)	**31/12/2023**	**31/12/2022**
Government securities	424,859	-231,433
Corporate bonds	738,656	60,936
Equity securities	6,927,387	-4,756,705
Total	**8,090,902**	**-4,927,202**

Management fees	**31/12/2023**	**31/12/2022**
Government securities	-29,100	-7,576
Corporate bonds	-15,309	-17,530
Equity securities	-131,704	-101,232
Total	**-176,113**	-126,338

FINANCIAL ASSETS AT AMORTISED COST:

Investment profit (loss)	**31/12/2023**	**31/12/2022**
Government securities	76,241	78,889
Corporate bonds	107,284	132,657
Term deposits and cash balances in bank accounts (interest)	15,052	16,277
Total	**198,578**	**227,823**

	31/12/2023	**31/12/2022**
Total income/expenses from financial assets:	**8,113,368**	**-4,825,717**

The breakdown of these income and expenses in the statement of profit or loss is shown below:

	31/12/2023	31/12/2022
Income/expenses from assets related to insurance contracts	6,026,749	-3,616,317
Income/expenses from assets related to investment contracts	1,682,381	-1,373,687
Income/expenses from the Company's own investments	404,238	164,287

17 CHANGES IN INSURANCE AND INVESTMENT CONTRACT LIABILITIES

	Best estimate of liabilities	Risk adjustment for non-financial risk	Contractual service margin	Investment units	Total
Gross					
1 January 2022	29,756,665	2,949,480	3,946,413	6,081,178	42,733,736
Change during the period	-6,731,737	-378,454	413,788	148,086	-6,548,317
31 December 2022	23,024,928	2,571,026	4,360,201	6,229,264	36,185,419
Change during the period	16,697,444	14,442,916	25,652,884	83,550,338	140,343,581
31 December 2023	39,722,373	17,013,941	30,013,085	89,779,602	176,529,001
Reinsurers' share					
1 January 2022	0	0	0	0	0
Change during the period	0	0	0	0	0
31 December 2022	0	0	0	0	0
Change during the period	1,334	0	0	0	1,334
31 December 2023	1,334	0	0	0	1,334
Net					
31 December 2022	23,024,928	2,571,026	4,360,201	6,229,264	36,185,419
31 December 2023	39,723,707	17,013,941	30,013,085	89,779,602	176,530,335

18 RESULT OF MANAGING INVESTMENT CONTRACTS

	2023	2022
Contract management income	915,432	503,088
Other income (insurance)	38,265	28,050
Income from assets related to investment contracts	1,682,381	-1,373,687
Change in value of investment contracts	-1,744,904	1,360,542
Recognition of deferred income (see Disclosure 24)	19,405	-
Expenses	-2,904,348	-1,164,579
Total	**-1,993,769**	**-646,586**

19 COSTS BY TYPE

	2023	2022
Insurance commissions	3,237,814	1,319,688
Expenses of employee benefits	1,677,078	1,154,970
Purchases of goods and services*	893,097	410,411
Depreciation and amortisation	318,417	284,008
Marketing	158,364	124,331
Software	486,386	93,053
Other	127,466	187,978
Total	**6,898,622**	**3,574,439**

* audit firm's services to the Company:

	2023	2022
Audit of financial statements	145,200	53,845
Assurance and other related services	-	-
Tax advisory	-	-
Other services	-	-
Total	**145,200**	**53,845**

The breakdown of costs between insurance and investment contracts is shown below:

	2023	2022
Insurance contracts acquisition costs	2,115,777	1,615,668
Directly attributable insurance expenses	1,878,497	1,312,185
Investment contracts acquisition costs	605,143	280,706
Write-off of deferred commission costs on investment contracts	728,376	-288,370
Investment contract costs, acquisition	510,363	229,231
Investment contract costs, administrative	1,060,466	425,019
Total	**6,898,622**	**3,574,439**

20 EMPLOYEE BENEFITS

	2023	2022
Remuneration	1,601,147	1,126,214
Social security contributions	48,116	22,101
Vacation/pension reserve	27,815	6,655
	1,677,078	1,154,970
Number of employees (at year-end)	77	41

21 OTHER OPERATING INCOME/(EXPENSES)

	2023	2022
Lease interest expenses	16,862	5,404
Total	**16,862**	**5,404**

22 INCOME TAX EXPENSE

	2023	2022
Income tax for the current year	1,311	46,141
Deferred tax	-	140
Income tax expense	**1,311**	**46,281**

Retained earnings are exempt from tax under Estonian and Latvian legislation, refer to Note 2.17.
The calculated tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2023	2022
Profit (loss) before tax for the reporting year	-2,225,201	-20,217
Income tax expense (income) calculated at the statutory income tax rate (15%)	-333,780	-3,033
Non-taxable income	-1,934,033	-2,004,851
Non-deductible expenses	2,269,124	2,054,025
Post-valuation adjustments to income tax	-	-
Post-valuation adjustments to deferred tax assets	-	140
Income tax expense	**1,311**	**46,281**

A breakdown of the taxable and non-taxable income and expenses attributable to the Lithuanian branch in 2023 is provided below. Income and expenses directly related to insurance contracts are classified as taxable/non-taxable income and allowable/non-allowable deductions directly. If it is not possible to attribute the expenses directly to the insurance contract, the provision of the Law on Corporate Income Tax that only the portion of operating expenses attributable to taxable income may be deducted is taken into account. In this case, the allowable deductions are calculated on the basis of the proportion of taxable premiums to total premiums.

Items of income and expenses	Total	Of which non-taxable	Of which taxable
Insurance premiums	13,737,855	13,104,393	633,462
Insurance claims	-5,225,649	-5,076,153	-149,496
Reinsurance premiums	-172,367	-159,668	-12,699
Reinsurance commissions	28,798	23,036	5,762
Change in insurance contract liabilities	-5,358,229	-5,177,462	-180,767
Change in investment contract liabilities	-3,716,255	-3,668,178	-48,077
Change in reinsurance assets/liabilities	10,118	8,060	2,058
Recognition of deferred income	19,405	18,510	895
Operating expenses	-6,698,025	-6,386,754	-311,271
Investment income/expenses	7,119,127	7,119,127	0
Sale of non-current assets	42,333	0	42,333
Other income	719	0	719
One-off impact of transition to IFRS 9 and IFRS 17	1,274,445	1,248,623	25,822
Total profit (loss) attributable to the Lithuanian branch	**1,062,275**	**1,053,534**	**8,741**

23 TRANSACTIONS WITH RELATED PARTIES

All shares of the Company are owned by AB Šiaulių bankas.

Related parties of the Company include: the Company's shareholder, the Company's Chief Executive Officer, Board members and persons performing key functions (actuarial, risk management, compliance and internal audit), the Chief Executive Officer of the Company's shareholder, Board members, Supervisory Board members; and legal entities controlled by the Company's shareholder.
As at 31 December 2023 and 2022 and for the years then ended, transactions with related parties were:

	2023			
	Assets (EUR)	**Liabilities (EUR)**	**Income (EUR)**	**Expenses (EUR)**
Shareholder				
Term deposits	500,000	-	9,500	-
Currency transactions	-	-	-	233
Amounts payable	-	406,220	-	-
Investment management fees	-		-	48,747
Other	-		-	703,684
Shareholder, total	**500,000**	**406,220**	**9,500**	**752,664**
Other related parties				
Other income	-	-	17,674	-
Other	19,394	17,438	-	92,237
Other related parties, total	**19,394**	**17,438**	**17,674**	**92,237**
Total	**519,394**	**423,658**	**27,174**	**844,901**

	2022			
	Assets (EUR)	**Liabilities (EUR)**	**Income (EUR)**	**Expenses (EUR)**
Shareholder				
Term deposits	500,000	-	16,277	-
Currency transactions	-	-	11,312	6,031
Amounts receivable	21,000	-	-	-
Amounts payable	-	9,809	-	-
Investment management fees	-		-	83,190
Other	-		-	102,223
Shareholder, total	**521,000**	**9,809**	**27,589**	**191,444**
Other related parties				
Other	703	5,921	-	78,866
Other related parties, total	**703**	**5,921**	**-**	**78,866**
Total	**521,703**	**15,730**	**27,589**	**270,310**

The amounts charged to the Company's key management personnel comprised amounts related to employment relations:

	2023	2022
Remuneration of the key management of the Company	283,588	265,920
Average number of managers during the year	3	3

In management's opinion, due to minimal risk, provision for expected credit losses for related party transactions is not material. The most significant transaction here is a term deposit which, at the time of preparing these financial statements, had already matured and been transferred to the Company's account. Settlement of invoices between related parties is not delayed.

24 BUSINESS ACQUISITION DISCLOSURE

On 1 December 2023, GD UAB SB draudimas acquired insurance business from UADB INVL Life. The amount of the transaction is EUR 8,955 thousand. AB Šiaulių bankas entered into a liability transfer agreement, on the basis of which the Bank assumed from the Company the obligation to pay part of the transaction price – EUR 7,360 thousand. The Bank thereby acquired the right to claim payment of the same amount from the Company, and the Company consequently acquired a debt obligation to pay the Bank the said amount. At the same time, after the Bank and the Company entered into the subscription agreement for the newly issued shares of the Company, an additional agreement for the set-off of a counter-claim which is of the same kind was signed. According to this agreement, the Bank's claim of EUR 7,360 thousand to the Company in respect of the assumed obligation in relation to UADB INVL Life was offset against the Company's claim to the Bank of EUR 7,360 thousand in respect of the payment of the corresponding part of the issue price of the Company's newly issued shares. The remaining part of the issue of EUR 1,595 thousand was paid by the Bank into the Company's account and the Company paid the same amount to UADB INVL Life. Thus the Company is fully settled for the acquired insurance business. Following this transaction, the Company significantly expanded its life insurance business in the Baltic States (in Latvia and Estonia through branches), which was the main goal of the transaction. The business combination was accounted for using the acquisition method. No minority interest was created in this business acquisition. Acquisition costs directly attributable to this transaction were written off to operating expenses.

The fair values of the assets, liabilities and net assets acquired on transaction at the acquisition date are presented in the table below.

	EUR thousand
Fair value	
Intangible assets	73
Property, plant and equipment	76
Financial assets through profit or loss	137,994
Reinsurance assets	4
Insurance receivables	32
Deferred costs	38
Other receivables	22
Cash and cash equivalents	1,784
Total assets	**140,023**
Liabilities for remaining coverage	47,775
Liabilities of incurred claims	1,147
Investment contract liabilities*	82,983
Liabilities related to insurance activities	43
Other amounts payable	255
Accrued costs	11
Total liabilities	**132,215**
Total recognised net assets	**7,809**
Goodwill	**1,147**
Total acquisition price	**8,955**
Paid in cash	1,595
Transferred to the Bank by way of an increase of authorised capital	7,360

* The investment contract liabilities have been separated on initial recognition into the fair value of the contracts, determined by the fair value of the assets backing the liabilities, of EUR 80,421,758, and deferred income of EUR 2,561,453, which is recognised as income over 11 years (based on the average duration of the investment contracts acquired), starting from December 2023. The deferred income arose because the expected income from the acquired portfolio of investment contracts will not cover the expected costs and an adequate return on capital required to manage the portfolio. The deferred income will ensure an adequate return on the portfolio.

The Company's management decided to recognise goodwill arising from the transaction in the financial statements as the transaction is expected to generate significant synergies and efficiencies by leveraging the extensive experience and knowledge of the employees of UADB INVL Life in the renewal of existing and development of new life insurance products as well as in the review and improvement of processes.

Fair value measurements of the assets acquired and liabilities assumed are described below.

Assets acquired and liabilities assumed	**Measurement**
Financial investments	Financial investments were valued using quoted prices on active markets. The financial investment price was set within the range of the bid and ask prices by calculating an average price. Units of collective investment undertakings that are not publicly traded and/or whose net asset value or unit value is not determined on a daily basis were valued on the basis of the last determined net asset value or the last published/reported unit value, which was adjusted for changes (e.g. material events, calls, distribution of a portion of liabilities, distribution of a portion of income, other events).
Other assets	Due to the insignificance and/or nature of other assets, the carrying amounts of the repossessed assets were assumed to be the fair values of those assets.
Liabilities for remaining coverage	The fair value of these liabilities was measured using the Solvency II technical reserve valuation methodology with certain adjustments (not using premium limits, using different cost of capital and an increased target solvency ratio).
Liabilities of incurred claims	These liabilities were valued based on expected future cash flows and additionally increased by a risk adjustment calculated using a confidence level technique.
Investment contract liabilities	The fair value of these liabilities was measured using the Solvency II technical reserve valuation methodology with certain adjustments (not using premium limits, using different cost of capital and an increased target solvency ratio).
Other liabilities	Due to the insignificance and/or nature of other liabilities, the carrying amounts of the repossessed liabilities were assumed to be the fair values of those liabilities.

Information about the post-acquisition income from the acquired insurance business is disclosed in Note 16. The results of the insurance business after the acquisition and the income and results of operations before the acquisition are not disclosed because technical and administrative constraints make it impossible to obtain the information without incurring disproportionate costs.

25 SUBSEQUENT EVENTS

There were no events after the reporting period which would have effect on these financial statements or require additional disclosure.