

SEB Life and Pension Baltic SE

Annual Report of the Council and the Board 2022



General Company Information

Name: SEB Life and Pension Baltic SE

Legal form: European Company (SE)

Address: 9 Antonijas Street, Riga LV-1010, Latvia

Registration number: 40003012938

Licenses:

- Life insurance, issued 28.10.1998 (re-registered 27.12.2019.)
- Accident insurance, issued 28.10.1998 (re-registered 27.12.2019.)
- Health insurance (illness cover) issued 04.04.2008 (re-registered 27.12.2019.)

SEB Life and Pension Baltic SE (the Company) is a European company registered in Latvia and operating in Estonia, Latvia and Lithuania. The Company's headquarters are located in Latvia, 9 Antonijas Street, Riga LV-1010, with branches in Estonia (located at Tornimäe 2, Tallinn 15010, Estonia) and in Lithuania (located at Konstitucijos av. 24, Vilnius, Republic of Lithuania).

Main field of activity of the Company is life insurance, including personal and group risk insurance and long term savings. 100% of Company's shares are owned by SEB Life and Pension Holding AB, which is a part of SEB Group.

During 2022 SEB Life and Pension SE finalized acquisition of SEB Baltic investment management companies and pension fund in Latvia from SEB banks in Baltic. The Company has become the sole owner of AS "SEB atklātais pensiju fonds" (Latvia), IPAS "SEB Investment Management" (Latvia), UAB "SEB investicijų valdymas" (Lithuania) and AS SEB Varahaldus (Estonia).

Business Model and Strategy

Long-term vision of the Company is to continue to hold strong position in Baltic insurance and pension market by providing the best insurance and saving solutions and world class service to customers in close cooperation with SEB bank. Highly engaged and motivated Baltic team of key professionals strive to ensure high customer satisfaction, solution leadership and operational efficiency to ensure sustainable business growth.

In upcoming years, the Company is planning to focus on growing its insurance portfolios, both in private and corporate customer segments, on improving existing customer experiences and strengthening their loyalty and on investing into new simple and remote insurance and saving solutions.

Sustainability of investments, solutions, services and internal processes is among the Companies core values and at the core of the business plan and its ways of working.

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Business Result

Market

Baltic market share of the Company at the end of the reporting year was 17 % in terms of the amount of total written premiums, which was 0.6% less compared to 2021, continued focus on risk product sales in private and corporate segment allowed slightly increase risk market share in Baltic (+0.24%). Market share developments by country: increase in Estonian market (+0.4% reached 25.53%) and reduction in Lithuanian market (-0.3%, dropping to 15.98%) and in Latvia (-1.4%, dropping to 14.04% of the market).

Total amount of written premiums in 2022 was 94 million EUR, which is 2% less than in 2021. Premiums in risk products continue stable growth, compared previous year increased by 12%. Unit linked product premiums decreased by 1%.

Total amount of customer savings end of year was 540 million EUR, assets below last year (-20%) - main reason was negative investment returns across all main asset classes due to the slowing economic growth and tightening monetary policy caused by high inflation during reporting year. Unit-linked assets decreased by 17% and was 397 million EUR, partial impact from the geopolitical situation at the beginning of the year, when customers chose to withdraw savings and changes in Estonian legislation, when in order to maintain the tax benefits, the concluded contracts had to be suspended. Portfolio of guaranteed-interest contracts that are no longer offered to customers continued to decrease.

Customer Activity

In 2022 The Company issued more than 30 thousand new insurance agreements for private customers which was 9% decrease vs 2021. New risk insurance agreements in private segment decreased by 3% while agreements with savings decreased by 34%. However, while number of new risk contracts decreased, the volume of written risk premiums in newly concluded agreements have increased by 8%, which means that customers chose to conclude contracts with higher insured sums and better insurance coverage. We see growing customer interest in personal insurance solutions and we plan to continue promoting awareness of the financial protection and long term savings need and continue to develop fair, simple and transparent insurance and savings solutions for both - private and corporate customer segments.

27 thousand new employees in 2022 were insured in corporate agreements (+153% vs 2021). We forecast that the interest of employers to protect their employees with extra insurance and contribute to their insurance savings will continue to grow in Baltic market, therefore we are constantly striving to improve our corporate customer offering and services.

Financial Result

The Company finished year 2022 with operating profit of 2.8 Million EUR, which was 12 Million EUR less than compared to previous year. Profit sources by countries were following: 3.5 Million EUR of the profit came from Estonia, 3.3 Million EUR from Lithuania and 4 Million EUR loss came from Latvia.

Decrease in income compared to last year was due to investment income from the financial markets performance. While income from the risk product continues to grow.

Expenses were close to targeted.

Approved electronically by:

Chairman of the Board
/Arnolds Čulkstēns /



Chief Financial Officer
/ Rokas Gylys /

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STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT

The management of SEB Life and Pension Baltic SE confirms that the financial statements for 2022 are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, based on relevant accounting methods that have been applied in a consistent manner, and give a true and fair view of the financial position of the Company as at the end of the reporting year, as well as the results of its operations and cash flows for the year ended.

Management judgements and assumptions in preparing the financial statements were prudent and reasonable. The management of SEB Life and Pension Baltic SE is responsible for maintaining accounting records in accordance with the statutory requirements, for safeguarding of the Company's assets and immediate prevention of any fraud and other illegal activity.

Financial statements have been approved and authorised for issue by Management Board of the Company and signed on behalf by:

Approved electronically by:

Chairman of the Board
/Arnolds Čulkstēns /



Chief Financial Officer
/ Rokas Gylys /

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STATEMENT OF FINANCIAL POSITION
(EUR)

ASSETS	Note	31.12.2022	31.12.2021
Cash and cash equivalents	5	29,166,223	48,957,808
Financial Investments at fair value through profit or loss:	6		
Equity securities		472,426,461	575,385,286
Debt securities		86,564,215	125,920,136
Derivatives		1,829,924	2,178,054
Investments in subsidiaries	7	37,304,933	-
Receivables including insurance receivables	8	2,075,504	4,037,010
Intangible assets	9	81,207	102,643
Equipment	10	256,538	239,569
Right-of-use assets	11	1,258,073	1,483,225
Reinsurance contracts	12	206,766	214,824
Deferred income tax	13	54,559	47,942
Total assets		631,224,403	758,566,497
EQUITY			
Capital and reserves attributable to the Company's equity			
Ordinary shares	14	11,582,784	11,582,784
Reserve capital and other reserves	14	4,444,432	4,444,432
Retained earnings		66,763,922	63,831,687
Total equity		82,791,138	79,858,903
LIABILITIES			
Trade and other payables and deferred income	15	7,501,896	6,922,707
Insurance contracts	16	76,337,144	103,522,882
Investment contracts	18	463,978,902	568,262,005
Current tax liabilities	29	615,323	-
Total liabilities		548,433,265	678,707,594
Total equity and liabilities		631,224,403	758,566,497

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/ Rokas Gyls /

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The notes on pages 11 to 51 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
(EUR)

	Note	2022	2021
Insurance contracts premium revenue	20	32,334,354	30,128,158
Insurance premium ceded to reinsurers	20	(1,873,996)	(1,964,138)
Net insurance premium revenue		30,460,358	28,164,020
Benefits and claims paid	24	(19,252,249)	(27,322,624)
Reinsurers' share in claims paid	24	333,204	479,476
Change in insurance contracts liabilities	24	27,179,288	24,889,226
Net insurance benefit and claim expenses		8,260,243	(1,953,922)
Interest and dividend income	22	989,874	1,322,157
Net fair value gains (losses) on financial assets	23	(41,436,942)	(73,505)
Net fair value gains (losses) on investment contract liabilities	23	19,650,037	(386,117)
Net foreign exchange gains (losses)		(474)	3,175
Net investment income (expense)		(20,797,505)	865,710
Fee income	21	6,180,437	6,404,853
Reinsurance commissions and profit shares	21	364,648	424,553
Other income	21	1,593,927	1,761,374
Total other income		8,139,012	8,590,780
Commission expenses	25	(5,369,253)	(4,871,475)
Expenses for marketing and administration	25	(17,088,582)	(15,709,367)
Investment management expenses	25	(176,491)	(258,937)
Total operating expenses		(22,634,326)	(20,839,779)
Profit / (loss) before tax		3,427,782	14,826,809
Income tax expense	29	(608,706)	5,969
Profit / (loss) for the year		2,819,076	14,832,778
Total Comprehensive income / (loss) for the year		2,819,076	14,832,778

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STATEMENT OF CHANGES IN EQUITY
(EUR)

	Share capital	Reserve capital and other reserves	Share option reserves	Retained earnings	TOTAL
At 1 January 2022	11,582,784	4,444,432	116,102	63,715,585	79,858,903
Profit for the year and total comprehensive income	-	-	-	2,819,076	2,819,076
Reserves for share options	-	-	113,159	-	113,159
Realisation of reserves for share options	-	-	(116,102)	116,102	-
At 31 December 2022	11,582,784	4,444,432	113,159	66,650,763	82,791,138

	Share capital	Reserve capital and other reserves	Share option reserves	Retained earnings	TOTAL
At 1 January 2021	11,582,784	4,444,432	162,806	48,720,001	64,910,023
Profit for the year and total comprehensive income	-	-	-	14,832,778	14,832,778
Reserves for share options	-	-	116,102	-	116,102
Realisation of reserves for share options	-	-	(162,806)	162,806	-
At 31 December 2021	11,582,784	4,444,432	116,102	63,715,585	79,858,903

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STATEMENT OF CASH FLOWS
(EUR)

Cash flows from operating activities	Note	2022	2021
Insurance and investment premiums received		94,390,289	95,909,850
Insurance and investment benefits and claims paid		(88,967,603)	(80,945,492)
Payments made for ceded reinsurance		(843,737)	(908,699)
Payments made to co-insurers		(80,116)	(81,812)
Operating expenses paid		(34,929,106)	(31,545,879)
Other income		8,139,012	8,590,780
Interest paid		-	(3,920)
Acquisition of investments		(100,022,114)	(217,056,327)
Proceeds from sale of investments		137,570,303	234,316,336
Interest received		1,466,296	2,290,003
Dividends received		492,545	611,097
Net cash generated from\used in) operating activities		17,215,769	11,175,937
Cash flows from investing activities			
Acquisition of Subsidiaries	7	(37,304,933)	-
Purchases of equipment	10	(82,494)	(29,852)
Net cash used in investing activities		(37,387,427)	(29,852)
Cash flows from financing activities			
Lease payments		(288,391)	(284,495)
Net cash used in financing activities		(288,391)	(284,495)
Net (decrease)\increase in cash and cash equivalents		(20,460,049)	10,861,590
Cash and cash equivalents at the beginning of the year		48,957,808	38,238,664
Exchange (loss)\ gains on cash and cash equivalents		668,464	(142,446)
Cash and cash equivalents at the end of the year	5	29,166,223	48,957,808

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Translation from Latvian

INDEPENDENT AUDITORS' REPORT

DOCUMENT DATE IS THE TIME OF ITS ELECTRONIC SIGNATURE

To the Shareholder of SEB Life and Pension Baltic SE

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of SEB Life and Pension Baltic SE (the Company) set out on pages 7 to 51 of the accompanying Annual Report, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (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) together with the independence requirements included in the Law on Audit Services of Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the Law on Audit Services of Republic of Latvia 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 Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements of the Company.

Key audit matter	How we addressed the key audit matter
Estimates used in the calculation of insurance liabilities and Liabilities Adequacy Test	
<p>Insurance contract liabilities as at 31 December 2022 were 76 337 144 euro, which represents 12% of the Company's liabilities.</p> <p>The Company uses actuarial models to support the valuation of the insurance contract liabilities. Complex models are employed that rely on input data and model design. Economic and actuarial assumptions, such as investment return, costs, interest rates, mortality, morbidity, claims settlement expectations and patterns and customer behaviour (as disclosed in Note 2.10 and Note 3) are key inputs used to estimate these long-term liabilities.</p> <p>According to IFRS 4 <i>Insurance contracts</i> requirements, the Company's management performs a liability adequacy test (LAT) to ensure that insurance contract liabilities are adequate compared to expected cash outflows. LAT comprises assumptions that are similar to those employed for the valuation models as mentioned above and hence require making significant judgments.</p> <p>This area involves significant management estimate and judgement over uncertain future outcomes, primarily the timing and ultimate full settlement of long-term policyholder liabilities. Due to materiality of the amounts, complexity of models used in calculations and involved management judgement, we considered it a key audit matter.</p>	<p>Our audit procedures included, among others, the following:</p> <p>We involved our internal actuarial specialists to assist us in assessment of the models for calculating insurance liabilities and performing LAT test applied by the management.</p> <p>We assessed the accounting policies over the calculation of insurance contract liabilities.</p> <p>We understood the significant processes and performed tests of key controls and relevant IT general controls for selected IT systems over recognition of insurance contract premiums, recognition of claims paid, calculation of insurance contract liabilities.</p> <p>By testing on a sample basis input data from insurance policies and claim documents, we have assessed whether the data used for the measurement of insurance contract liabilities are complete and accurate. We performed analytical procedures, such as comparison of insurance contract liabilities per products to prior year. We assessed accuracy of assumptions by comparing the historical data with actual data used by the Company.</p> <p>We evaluated actuarial judgements used in the models. Furthermore we have assessed accuracy of the models by re-performing the calculation of a sample insurance contract liabilities and comparing our calculation results with those by the Company.</p> <p>We verified the validity of liability adequacy test performed by the management, which is the key test performed to check that the insurance liabilities are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests included review of the projected cash flows and of the assumptions adopted in the context of both the Company and industry experience and specific product features.</p> <p>We assessed the adequacy of the disclosures regarding these liabilities in Note 2.10 Insurance liabilities and in Note 3 Insurance risks of the financial statements to determine they were in accordance with EU-IFRS.</p> <p>We also assessed the adequacy of the qualitative disclosure regarding IFRS 17 Insurance contracts in Note 2.1 b) Standards issued but not yet effective and not early adopted to determine they were in accordance with EU-IFRS.</p>

Reporting on other information

Management is responsible for the other information. The other information comprises:

- the General information about the Company as set out on page 3 of the accompanying Annual Report;
- the Management Report, as set out on pages 4 to 5 of the accompanying Annual Report;
- the Statement on Management Responsibility, as set out on page 6 of the accompanying Annual Report.

Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as described in the Other reporting responsibilities in accordance with the legislation of the Republic of Latvia section of our report.

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

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

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

We have other reporting responsibilities in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report. These additional reporting responsibilities are beyond those required under the ISAs.

Our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Regulation No. 114 "Regulation on the Preparation of Annual Accounts and Annual Consolidated Accounts for Insurance and Reinsurance companies and Branches of foreign insurance companies" of the Financial and Capital Market Commission of the Republic of Latvia.

Based solely on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Regulation No. 114 "Regulation on the Preparation of Annual Accounts and Annual Consolidated Accounts for Insurance and Reinsurance companies and Branches of foreign insurance companies" of the Financial and Capital Market Commission of the Republic of Latvia.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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



Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and European Union when providing audit services to public interest entities

We were first appointed as auditors of the Company on 10 May 2019 by the Shareholder's decision. Our appointment has been renewed annually by Shareholder resolution representing a total period of uninterrupted engagement appointment of 4 years.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- as stipulated in paragraph 37⁶ of the Law on Audit Services of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to in EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

The responsible certified auditor on the audit resulting in this independent auditors' report is Diāna Krišjāne.

ERNST & YOUNG BALTIC SIA
Licence No. 17

Diāna Krišjāne
Chairperson of the Board
Latvian Certified Auditor
Certificate No. 124

Riga,

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