



UAB Artea Life Insurance

Solvency and Financial Condition Report

3 April 2026, Vilnius

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SUMMARY

Artea Life Insurance UAB (formerly Life insurance company „SB draudimas“ UAB until 4 May 2025 and Life insurance company BONUM PUBLICUM UAB until 1 July 2020) (hereinafter – the Company) Solvency and Financial Condition Report for 2025 covers the period from 1 January 2025 to 31 December 2025. This report provides information on the Company’s activities and performance, governance system, valuation for solvency purposes and capital management, as well as the key developments during the reporting period. In addition, in accordance with Article 45(6) of Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II), it includes information on the Company’s Own Risk and Solvency Assessment.

INSURANCE ACTIVITY

On 5 May 2025, Šiaulių Bankas Group became Artea Group, and the Company’s name was changed accordingly.

In 2025, the Company placed the greatest emphasis on products review and governance, the improvement and optimisation of insurance contracts and claims administration processes, the optimisation of accounting processes, the enhancement of communication with customers, and the maintenance and strengthening of risk and compliance culture. In addition, in 2025, the process of concluding mortgage loan borrowers’ life insurance contracts was transferred to the sales portal, and distribution was assigned to a unit specialising in the distribution of life insurance products.

In 2025, in implementing the guidelines for Insurance-Based Investment Products (hereinafter – IBIPs), the Company, among other changes, introduced in its self-service platform a termination process for unit-linked life insurance contracts, enabling customers to submit requests more easily, complete all information related to contract termination, indicate reasons for termination, and choose a shorter contract termination period, among other options.

The Company operates in Lithuania and, through branches in Latvia and Estonia, administers previously concluded insurance contracts, while no new contracts are concluded in these branches. In addition, the Company is authorised to provide services without establishing a branch in Latvia, Ireland and Norway.

In 2025, the Company offered the following life insurance products to its customers:

- Death insurance:
 - Life risk insurance for consumer loan recipients (for clients of Artea lizingas UAB);
 - Insurance for mortgage borrowers (for clients of Artea bankas AB);
 - Life risk insurance;
- Life insurance linked to investment funds;
- Supplementary sickness and accident insurance.

The Company also administers previously concluded insurance contracts belonging to the above-mentioned groups as well as to the survival life insurance sub-group.

In 2025, the Company’s newly assumed insurance risks (death and critical illness) were reinsured with Hannover Rück SE, Tyskland Filial.

OPERATING RESULTS

In 2025, the Company wrote a total of EUR 35,676,700 in life insurance premiums, of which EUR 31,779,512 were written in Lithuania, EUR 1,903,740 in Latvia, and EUR 1,993,448 in Estonia. The total amount of written premiums increased by 6% compared to 2024 (EUR 33,512,345), with a 9% increase in Lithuania. In 2025, the Company’s net profit amounted to EUR 6,226,316 (2024: EUR 5,202,345).

Condensed statement of profit or loss of the Company

	31/12/2025	31/12/2024
Insurance revenue	12,654,549	10,893,657
Insurance service expenses	-7,012,778	-7,384,073
Reinsurance result	-138,097	-83,873
Insurance finance result	-78,107	81,991
Investment result	1,167,762	1,300,152
Result from investment contract management	646,692	645,286
Other revenue	6,358	23,395
Other expenses	-250,999	-224,150
Profit (loss) before tax	6,995,380	5,252,385
Corporate tax	-769,064	-50,040
Net profit (loss)	6,226,316	5,202,345

SYSTEM OF GOVERNANCE

The Company has established an effective governance system that is appropriate to the nature, scale and complexity of its operations and ensures sound and prudent management of activities.

The Company's governance system covers the following key areas:

- Organisational structure with clearly defined and appropriately segregated responsibilities;
- Requirements for reputation, qualifications, knowledge and experience;
- Key functions (risk management, actuarial, compliance and internal audit);
- Business continuity planning;
- Risk management system;
- Own Risk and Solvency Assessment;
- Operational framework;
- Internal control system;
- Information flow system;
- Remuneration system;
- Prevention and management of conflicts of interest;
- Complaints handling.

SOLVENCY II

The Company values balance sheet items and the Solvency Capital Requirement in accordance with the requirements of the Law on Insurance of the Republic of Lithuania. This assessment is performed on a quarterly basis using the standard formula calculation model, and the Company also conducts stress testing (sensitivity analysis). Certain balance sheet items valued for Solvency Capital Requirement purposes differ from those presented in the balance sheet prepared for financial reporting purposes due to different requirements of IFRS and Solvency II Directive.

As at 31 December 2025, the Company's solvency ratio was 188.16% (2024 m. – 206.68%).

	31/12/2025	31/12/2024
Own funds (equity), EUR	49,244,415	53,898,674
Solvency Capital Requirement, EUR	26,171,884	26,078,852
Solvency ratio, %	188.16 %	206.68 %

The minimum solvency ratio required is 100%.

CAPITAL MANAGEMENT

The Company's capital management process is closely linked to the risk management function. Before making decisions, the Company considers all risks identified within the Company as well as potential future risks, and assesses how the capital requirements for risks, the Solvency Capital Requirement, and the risk profile (as determined during the forward-looking Own Risk and Solvency Assessment) may change.

On a periodic basis, on a quarterly basis, the capital requirements for risks and the Company's solvency ratio are calculated, and it is assessed whether the Company's defined risk appetite and risk tolerance limits are met. During the forward-looking Own Risk and Solvency Assessment (2026–2028), the Company determined that its solvency ratio will exceed the established risk appetite and that no changes in the risk profile are anticipated.

A. BUSINESS AND PERFORMANCE

A.1. BUSINESS

Name and legal form of the Company	UAB Artea Life Insurance UAB (formerly Life insurance company „SB draudimas“ UAB until 4 May 2025 and Life insurance company BONUM PUBLICUM UAB until 1 July 2020)
Registration number	110081788 Registered in the Register of Legal Entities of the Republic of Lithuania
Address	Gynėjų g. 14, LT-01109 Vilnius
Tel.	(370) 610 44447
E-mail	info@artea.lt
Website	www.artea.lt
Supervisory authority	Bank of Lithuania, Totorių g. 4, LT-01121 Vilnius (for correspondence) Toll-free information line: +370 800 50 500 E-mail: info@lb.lt Website: www.lb.lt
External auditor	KPMG Baltics, UAB, Lvivo g. 101, LT-08104 Vilnius Tel. +370 5 210 26 00, e-mail: vilnius@kpmg.lt

As at 31 December 2025, all shares of the Company were owned by Artea bankas AB (formerly „Šiaulių bankas“ AB until 4 May 2025), whose shares are listed on the NASDAQ Baltic Official List. The registered address of the Company's parent undertaking is Tilžės g. 149, LT-46348, Šiauliai, website: www.artea.lt.

In 2025, the Company placed the greatest emphasis on product review and governance, the improvement and optimisation of insurance contract and claims administration processes, the optimisation of accounting processes, the enhancement of communication with customers, the maintenance and strengthening of risk and compliance culture, and the development of insurance self-service. In 2025, in implementing the guidelines for Insurance-Based Investment Products approved by the Bank of Lithuania, the Company, among other changes, introduced in its self-service platform a termination process for unit-linked life insurance contracts, enabling customers to submit requests more easily, complete all information related to contract termination, indicate reasons for termination, and choose a shorter contract termination period, among other options..

The Company operates in Lithuania, through branches in Latvia and Estonia, and is also authorised to provide services without establishing a branch in Latvia, Ireland and Norway.

The Company's major classes of insurance

In 2025, the Company conducted activities in the following insurance groups:

Solvency II insurance group	Product group	Possible supplementary covers classified as health insurance¹
Life insurance with profit participation	Endowment, annuities ²	<ul style="list-style-type: none"> • Accidental death • Accidental disability • Trauma (personal injury) • Severe trauma • Critical illness
	Universal life insurance with guaranteed interest	<ul style="list-style-type: none"> • Accidental death • Accidental disability • Trauma (personal injury) • Severe trauma • Total and permanent disability • Critical illness
Unit-linked life insurance	Wealth management	-
	Unit-linked life insurance	<ul style="list-style-type: none"> • Accidental death • Accidental disability • Trauma (personal injury) • Severe trauma • Total and permanent disability • Medical expenses • Critical illness
Other life insurance	Term life insurance	<ul style="list-style-type: none"> • Accidental death • Accidental disability • Trauma (personal injury) • Severe trauma • Total and permanent disability • Critical illness
	Annuities (payout phase) ³	-

¹ The option to select supplementary covers is specified in the terms and conditions of the respective insurance product (or product group), which are publicly available on the Company's website.

² Pension annuity (PA)

³ Annuities without profit sharing

A.2. UNDERWRITING PERFORMANCE

In 2025, both the Company's insurance service income and insurance service expenses⁴ increased. The Company wrote a total of EUR 35,676,700 in life insurance premiums, of which EUR 31,779,512 were written in Lithuania, EUR 1,903,740 in Latvia, and EUR 1,993,448 in Estonia. The total amount of written premiums increased by 6% compared to 2024 (EUR 33,512,345). In 2025, the Company incurred insurance service expenses of EUR 22,974,477, which is 2% higher than in 2024 (EUR 22,556,124) (Table 1).

Table 1. Insurance service income and insurance service expenses, excluding the reinsurers' share, EUR.

Insurance group	Insurance service income		Insurance service expenses	
	2025	2024	2025	2024
Life insurance with profit participation	1,232,183	1,374,423	1,902,688	2,001,293
Unit-linked life insurance	26,730,160	24,835,801	18,719,510	18,625,972
Other life insurance	1,423,416	1,395,232	481,215	294,876
Health insurance	6,290,941	5,906,889	1,871,064	1,633,983
Total	35,676,700	33,512,345	22,974,477	22,556,124

The growth in insurance revenue was mainly driven by the increase in volumes in the unit-linked and health insurance groups.

The largest share of insurance service expenses (55%) consisted of surrender values and partial withdrawals of accumulated capital, while benefits paid upon the maturity of insurance contracts accounted for 32%, claims due to accidents or illness for 8%, and death benefits for 5%.

A.3. INVESTMENT PERFORMANCE

In 2025, the Company's total net investment profit amounted to EUR 17,536,175 EUR (Table 2).

Table 2. The Company's net investment profit, EUR

	31/12/2025	31/12/2024
Investment profit	1,471,847	1,717,625
Profit from investments related to unit-linked life insurance*	16,064,328	25,291,731
Total	17,536,175	27,009,356

* Investment result of assets related to insurance contracts where the investment risk is borne by the policyholders

The net investment result in 2025 decreased by EUR 245,778 compared to 2024, while the result from investments related to unit-linked life insurance decreased by EUR 9,227,403.

The year 2025 continued to be profitable for both equity and bond markets. By April, equity markets experienced a significant correction of up to 20%, following the announcement of a new tariff policy by D. Trump affecting many countries. However, after the US President softened his stance, equity prices began to rise rapidly, and the markets ended the year successfully. Although equity returns in the United States—whose weight dominates global equity indices—were in double digits in US dollar terms, returns in euros were somewhat lower due to the depreciation of the US dollar. Accordingly, when measured in euros, European and emerging market equities outperformed US equities and delivered double-digit returns over the calendar year. Bond prices continued to be positively affected by interest rate cuts implemented by the ECB in the first half of the year, while representatives of the US Federal Reserve introduced additional cuts in the second half of the year. As investors sought to allocate capital to bonds offering higher expected returns, credit spreads continued to narrow, resulting in somewhat faster price growth for corporate and emerging market bonds (including Central and Eastern Europe) compared to lower-risk government bonds such as those of Germany or France.

The Company's investment performance by type of income and expenses is presented in Table 3.

Table 3. The Company's investment performance by type of income and expenses, EUR

Investment income (expenses)	31/12/2025	31/12/2024
Net unrealised gains (losses)	764,870	1,151,513
Net realised gains (losses)	20,637	-29,391
Coupon interest	579,452	398,764
Interest on term deposits	-	1,319
Interest on bank account balances	696	17,470
Dividends	120,969	190,716
Change in value due to foreign exchange rate movements	-	23
Investment management fees	-21,729	-12,847
Other investment income	6,952	58
Total	1,471,847	1,717,625

The largest share of the investment portfolio income in 2025 consisted of changes in the fair value of investment fund units (Table 4).

Table 4 presents the investment portfolio income and expenses by asset class, while Table 5 presents the Company's investments by asset type.

⁴ In this report, insurance activity income is understood as written insurance premiums, while insurance activity expenses are understood as insurance benefits, surrender values and partial surrender values.

Table 4. Investment portfolio income and expenses by asset class, EUR**2025**

	Government securities	Corporate bonds	Term deposits	Investment fund units	Cash and cash equivalents	Total
Investment income	458,342	404,899	-	1,113,484	696	1,977,421
Investment expenses	-126,483	-140,191	-	-238,900	-	-505,574
Total	331,859	264,708	-	874,584	696	1,471,847

2024

	Government securities	Corporate bonds	Term deposits	Investment fund units	Cash and cash equivalents	Total
Investment income	486,935	184,711	1,319	1,363,849	17,470	2,054,284
Investment expenses	-72,183	-75,534	-	-188,942	-	-336,659
Total	414,752	109,177	1,319	1,174,907	17,470	1,717,625

Table 5. The Company's investments by asset type, EUR

Investment assets	31/12/2025	31/12/2024
Government securities	15,796,484	13,285,236
Corporate bonds	10,756,706	7,617,339
Investment fund units	21,338,093	19,878,146
Term deposits	-	-
Cash and cash equivalents	2,085,963	3,683,358
Total	49,977,246	44,464,079

The Company did not invest its investment portfolio assets in derivative financial instruments.

A.4. PERFORMANCE OF OTHER ACTIVITIES

During 2025, the Company did not receive any other significant income or incur significant expenses that are not related to insurance or investment activities.

A.5. ANY OTHER INFORMATION

The Company allocated part of the 2025 profit related to insurance contracts with guaranteed interest to policyholders (EUR 93,878).

B. SYSTEM OF GOVERNANCE

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The Company's governing bodies are:

- General Meeting of Shareholders;
- Management Board (a collegial management body also performing supervisory functions);
- Chief Executive Officer (Director) (a single-person management body).

An advisory body established by a decision of the Management Board – the Risk Management Committee – operates within the Company. Investment decisions are taken by the Investment Committee, which is also accountable to the Management Board.

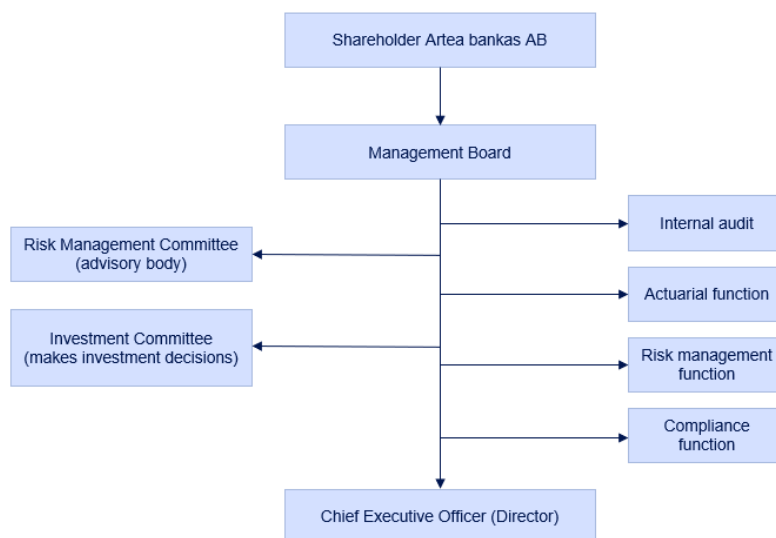
The Company's governance system consists of a transparent management (organisational) structure and an effective system for ensuring the flow of information.

The Company's governance system (Figure 1) is appropriate to the nature, scale and complexity of the Company's operations and is based on the principles of accountability and reporting.

The Company's governance system also includes the following key functions:

- Risk management function – headed by the Head of Risk Management (performed by the Head of Risk Management and a Risk Management Specialist);
- Actuarial function – performed by the Head of the Actuarial Function;
- Internal audit function – ensured by the Head of Internal Audit of AB Artea Bank (a centralised function at the Artea Bank Group level, performed by the Internal Audit Service);
- Compliance function – implemented under the responsibility of the Head of Compliance (performed by the Head of Compliance, a Compliance Expert and a Compliance Specialist).

Figure 1. The Company's governance system



The processes and procedures carried out within the Company are regulated and described in the Company's internal policies, which are approved by the Management Board, the Chief Executive Officer, or heads of departments. The Company also follows the internal policies approved by Artea Bankas AB, as the sole shareholder of the Company, which are applicable to companies within the Artea Bankas Group and specify their applicability to the Company.

These internal policies define their objectives, tasks to be performed and the persons responsible for them, control procedures and measures, reporting and information requirements, as well as responsibilities.

General Meeting of Shareholders

The General Meeting of Shareholders is the highest governing body of the Company. Since 3 March 2013, all shares of the Company have been owned by a single legal entity – Artea Bankas AB, whose written decisions are equivalent to the decisions of the General Meeting of Shareholders.

Management Board

The Company's key decisions are taken by the Management Board.

The Management Board is a collegial management body responsible for the development of the Company's business strategy, the organisation of its implementation, the representation and protection of shareholders' interests, as well as other areas stipulated by legal acts.

The Management Board of the Company consists of three members elected for a four-year term by the sole shareholder.

The Management Board is responsible for ensuring safe and stable operations as well as transparent, reliable and prudent management. The Board actively participates in the management of the Company, with each member coordinating specific areas of the Company's activities.

The Management Board is regularly informed about the risks faced by the Company, developments that have occurred, existing or potential threats, the Company's operating results, the internal control system, and the assessment of compliance with external and internal legal requirements.

The Management Board analyses and evaluates the information presented in the financial statements as well as in the reports of internal audit, risk management, actuarial and compliance functions, and, taking into account the recommendations provided, makes decisions regarding the improvement of the Company's operations, the implementation of additional measures, and other related matters.

Chief Executive Officer

The Chief Executive Officer is the single-person management body of the Company.

The Chief Executive Officer organises the Company's day-to-day operations, ensures the implementation of decisions of the sole shareholder and resolutions of the Management Board, implements the personnel management policy, and addresses operational issues arising in the Company's activities.

The Chief Executive Officer acts on behalf of the Company: within the scope of his/her authority, enters into transactions, represents the Company in courts and before public authorities, and in relations with natural and legal persons, and performs legal actions ensuring the Company's commercial operations.

Risk management committee

The Risk Management Committee is a committee established by a decision of the Company's Management Board and acts as an advisory body to the Board on risk management matters. It analyses the risks faced by the Company, monitors risk management across all risk areas, and provides recommendations to the Management Board on risk management and internal control matters. The objective of the Risk Management Committee is to ensure that the Company's operations are efficient, that an effective risk management and internal control system is in place, and that the level of risk is assessed and maintained in line with the Company's risk appetite.

Investment committee

The Investment Committee is a collegial decision-making body responsible for making decisions regarding the Company's managed unit-linked assets, ensuring that such decisions are in the best interests of the Company's clients (policyholders, insured persons and beneficiaries). The Committee is a permanent non-structural unit of the Company. The objective of the Committee is, in accordance with investment policies, strategies, best practice standards and risk management principles, to ensure that investment decisions are aligned with the objectives, investment strategy and risk limits applicable to the assets managed by the Company, and to oversee the implementation of such investment decisions.

Responsibilities and accountability of key function holders

The Head of the Actuarial Function, the Head of Risk Management and the Head of Compliance are directly subordinate and accountable to the Company's Management Board. Internal audit is carried out objectively and independently of other operational functions. The internal audit function is accountable to the Audit Committee of Artea Bankas AB and is also accountable to the Company's Management Board.

The responsibilities of key function holders are defined in the Company's internal policies governing their respective functions (procedures, rules) and in their job descriptions.

The Head of the Actuarial Function ensures that insurance premiums and technical provisions are calculated in accordance with the requirements set out in legal acts, assesses the adequacy and quality of the data used for the calculation of technical provisions, evaluates the overall underwriting policy and the adequacy of reinsurance arrangements, contributes to the effective implementation of the risk management system, in particular with regard to risk modelling underlying the calculation of the Solvency Capital Requirement and the Minimum Capital Requirement, and contributes to the Company's Own Risk and Solvency Assessment.

The responsibilities of the Head of Risk Management include organising the Company's risk management system, overseeing the implementation of risk management processes within the Company, and ensuring the execution of the risk management function.

The Head of Compliance is responsible for the annual compliance risk assessment and the application of a risk-based approach to identify key areas of compliance monitoring and advisory activities, as well as for the continuous monitoring and assessment of measures and procedures established, implemented and maintained by the Company to identify compliance risk and other related risks, and of measures and procedures designed to mitigate such risks, including the evaluation of the adequacy of non-compliance prevention measures.

The internal audit function systematically and comprehensively evaluates and promotes the improvement of the effectiveness of the Company's risk management, control and governance processes, thereby contributing to the achievement of the organisation's objectives.

Key function holders prepare and regularly submit reports on their activities to the Company's Management Board.

Material changes in the governance system during the reporting period

No material changes in the governance system occurred during the reporting period.

Information on the remuneration policy and practices of the administrative, management and supervisory body and employees

The Company applies Remuneration Policy of Artea Bankas Group, which aims to promote sound and effective risk management. The policy encourages responsible business conduct, fair treatment of customers, and the avoidance of conflicts of interest. The key principles of the Remuneration Policy are internal equity and external competitiveness, as well as transparency and flexibility. The Company also applies its own Remuneration Policy approved by the Company's Management Board.

The Company uses the following elements of the remuneration system: fixed remuneration (base salary); variable remuneration, including annual variable remuneration, bonuses, one-off payments, and additional benefits (long-term benefits, allowances, and benefits in kind).

All employees of the Company receive fixed remuneration. Guaranteed variable remuneration is not paid in the Company.

Employees who have a material impact on the Company's risk profile may be granted variable remuneration in accordance with the Remuneration Policy. The variable remuneration of key function holders is not linked to the performance of the business units and areas they oversee.

All employees of the Company who have completed their probation period are eligible to participate in a pension programme or a unit-linked life insurance programme, under which the Company pays part of the contributions on behalf of the employee.

Information on material transactions entered into during the reporting period with shareholders, persons having significant influence over the Company, and members of the administrative, management and supervisory body

The Company did not enter into any material transactions during the reporting period with its shareholder, persons having significant influence over the Company, or members of the administrative and management bodies.

B.2. FIT AND PROPER REQUIREMENTS

The suitability of the members of the Company's Management Board, the Chief Executive Officer (hereinafter – the managers), and key function holders is assessed in accordance with the Artea Bankas Group Policy on the Assessment of managers and Procedures for the selection and assessment of key function holders and persons making investment decisions, which are also applied within the Company.

Description of specific Company requirements for the skills, knowledge and experience of persons effectively running the Company or responsible for key functions

Members of the Company's Management Board must be of good repute, and their qualifications and competencies must be sufficient to ensure that their collective decisions and actions provide for effective management and supervision of the Company. Collectively, the members of the Management Board must possess experience and knowledge in the areas of insurance and financial markets, business strategy and business model, governance and legal framework, as well as financial and actuarial analysis.

The Chief Executive Officer must also be of good repute, possess knowledge of actuarial science and financial mathematics, have a good understanding of the laws and other legal acts of the Republic of Lithuania governing the Company's activities, and be capable of applying them in achieving the Company's objectives, tasks and functions.

Persons performing key functions are subject to requirements of good repute as well as appropriate qualifications and experience.

When assessing the qualifications and experience of managers or key function holders, consideration is given to their education, professional experience, participation in training, seminars, conferences and internships, as well as their specific skills, knowledge and language proficiency.

Description of the specific Company procedures for assessing the competence and suitability of persons effectively running the Company or responsible for key functions

The Human Resources Department, which centrally performs the human resources management function within the Artea Bankas Group, is responsible for the assessment of the Company's managers and key function holders. The suitability of the Company's managers and key function holders is assessed prior to assuming their duties (initial assessment), following events that may affect their suitability, or on a periodic basis (re-assessment).

When assessing the reputation of managers or key function holders, consideration is given to the overall set of circumstances that may affect an individual's reputation, including criminal convictions, ongoing or past investigations by law enforcement or other authorities, applied or previously applied sanctions, disqualification from managing a legal entity, failure to meet financial obligations, and other relevant circumstances.

As part of the assessment process, the Chief Executive Officer, members of the Management Board and key function holders are required to provide information about themselves in a prescribed questionnaire, submit supporting documents, and undertake to promptly notify of any changes to the information provided.

The Company's internal policies include provisions governing the prevention of conflicts of interest at both the highest level of management and at lower organisational levels.

B.3. RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

The Company's risk management system, including its principles, strategy, objectives, processes, responsibilities and types of risks, is defined in the Company's internal policies.

The objectives of risk management are to continuously identify, assess (analyse), control and disclose all types of risks arising from the Company's operations and in the pursuit of its strategic objectives, and to ensure forward-looking risk assessment. The Company aims to maintain an acceptable level of risk so that unexpected changes in the economic environment, fluctuations in market variables, or unforeseen events in the Company's internal processes and systems do not threaten the stability of the Company's operations or undermine confidence in the Company.

An effective risk management system is an essential element in controlling uncertainty and ensuring that the Company is prepared for potential future threats. The risk management system comprises a set of methods, processes and reporting procedures necessary to continuously identify, assess, manage, monitor and report risks. The key elements of the risk management system are as follows:

- Internal environment – the Company's internal environment, including its internal culture, risk management philosophy and ethical values, establishing the principles on which risk management is based;
- Setting of objectives and strategy – the process of defining the Company's objectives and strategy, including the determination of risk appetite;
- Risk management process – a cyclical process involving the identification, prioritisation, assessment, management and monitoring of risks, as well as ensuring appropriate reporting.

The three lines of defence model is applied to ensure the effective implementation of the risk management system. This model ensures that responsibilities are clearly defined and that the independence of functions is maintained.

According to the defined three lines of defence model:

- Business units (first line) are responsible for taking on risks within the limits set by the Management Board, implementing risk management measures, and providing information related to risks;
- Risk management, actuarial and compliance functions (second line) ensure control, monitoring, advisory support, reporting to the Company's Management Board, and the maintenance and development of the risk management system;
- Internal audit (third line) evaluates the effectiveness of the risk management system and provides recommendations for its improvement.

Taking into account the identified risks, the Company has established internal policies and methodologies for each type and group of risks, ensuring risk assessment, monitoring, management (response) and reporting. The Company has also defined risk management methods, assessment procedures, control processes, risk limits, and the roles of management and employees in the assessment and management of risks. The internal policies and other documents governing risk management are continuously reviewed, assessed and updated in light of the latest internal and external developments.

The Company applies the standard formula to calculate risk capital requirements.

Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment (hereinafter – ORSA) is carried out in the Company at least annually. The Company has established ORSA processes, described in its internal policies, as well as appropriate and sufficient assessment methods that are aligned with the Company's organisational structure and risk management system. The Company prepares an ORSA report at least once a year, which includes all relevant information on the ORSA.

Upon instruction from the Bank of Lithuania or following a proposal from the Company's Risk Management Committee and a decision of the Management Board, an ad hoc ORSA must be performed in the event of significant changes in the risk profile, material risk events, or indications that the Company's own funds may be insufficient in relation to Solvency II capital requirements.

The ORSA covers all organisational units of the Company and forms an integral part of the business strategy, which is continuously taken into account when making strategic decisions.

In 2025, a regular ORSA assessment was performed. The Company's own funds, taking into account the business strategy set out in the business plan, are sufficient over a three-year horizon to cover both the Solvency Capital Requirement and the Minimum Capital Requirement. The Company also ensures continuous compliance with the technical provisions requirements established under the Solvency II Directive. Throughout the entire business planning period of three years, the Company will meet the risk appetite set by the Management Board at 150%, i.e. eligible own funds exceed the Solvency Capital Requirement by more than 50%. The ORSA process also confirmed that the Company will meet the tolerance limits established for risk capital requirements over the next three years.

When developing a new product or investment direction or making other strategic decisions, the Company assesses whether new risks will be assumed, whether the identified risk profile will change significantly, whether additional capital will be required, and similar considerations. In this way, the Company ensures that its risk profile remains stable and that it continues to comply with the Solvency Capital Requirements.

When investing own funds and assets covering technical provisions under life insurance contracts where the investment risk is borne by the Company, it is monitored whether a particular asset position would significantly increase the capital requirements for risks. The Company monitors indicators that may affect risk capital requirements and, where necessary, takes appropriate decisions. All these actions ensure a timely response to emerging situations.

The Company calculates the Solvency Capital Requirement, eligible own funds and the solvency ratio on a quarterly basis and compares the results obtained with the forecasted figures and the actual results of the previous quarter. In case of discrepancies, their causes are identified. The results of this comparison, together with recommendations, are presented to the Company's Management Board.

When making business decisions, the Management Board takes into account the results of the ORSA and relies on the overall ORSA report. If business decisions significantly affect the Company's risk profile, the Management Board may instruct that an ad hoc ORSA be carried out.

B.4. INTERNAL CONTROL SYSTEM

The effectiveness of internal control within the Company is ensured through its internal control system, which comprises administrative and accounting procedures, an internal control structure, appropriate accountability principles at all levels of the Company, and the performance of the compliance function.

The main objectives of the Company's internal control are as follows:

- Operational objective – to ensure that the Company's operations are efficient and to protect the Company from potential losses;
- Information objective – to ensure that financial and other information used within the Company, for supervisory purposes or by other third parties, is reliable, appropriate and provided in a timely manner;
- Compliance objective – to ensure that the Company's operations comply with its strategy, as well as with the requirements set out in European Union and Republic of Lithuania legislation and in internal policies.

Internal control of the Company's operations is ensured by a reliable and properly functioning internal control system consisting of the following interrelated elements:

- internal control environment (culture);
- internal control procedures and measures;
- compliance function;
- information system;
- monitoring, assessment and improvement of the internal control system.

The following types of internal control are implemented within the Company:

- ex-ante internal control;
- specific (real-time) internal control;
- ex-post internal control.

The types of internal control are selected and applied depending on the nature of specific activities, defined objectives, or potential losses of the Company (risk profile). In performing internal control procedures, the Company combines several types of internal control.

The Company's internal control system is continuously monitored and improved, enabling the prompt identification and remediation of deficiencies. This monitoring is carried out on an ongoing basis by the Company's employees and their managers.

Periodic reviews make it possible to assess the effectiveness of the internal control system in specific areas of activity and the efficiency of control measures. These reviews are performed by the internal audit function.

The Company's Management Board is responsible for ensuring that deficiencies in the internal control system are addressed.

Compliance function

In implementing the compliance function, the Company's Management Board establishes the key principles and requirements to ensure that the Company's operations comply with laws and other legal acts governing the activities of insurance undertakings, as well as with the guidelines and positions issued by the European Insurance and Occupational Pensions Authority (EIOPA) and the Bank of Lithuania, and with best practices.

The Head of Compliance is responsible for the implementation of the compliance function.

The main aspects of compliance monitoring and advisory activities include the assessment of compliance with and implementation of legal acts, the Company's Articles of Association, resolutions of the Management Board, orders of the Chief Executive Officer and other internal policies; the organisation and execution of compliance controls and advising the Management Board on compliance matters; monitoring changes in legislation and assessing their potential impact on the Company; identifying and assessing compliance risk; evaluating the adequacy of measures taken by the Company to prevent non-compliance; and providing recommendations and advice on the prevention and management of conflicts of interest within the Company, among other activities.

In order to ensure the proper functioning of the compliance function within the Company, the following principles are applied:

- the organisation of compliance within the Company is based on the implementation of the three lines of defence model, the objective of which is to clearly distinguish rights and responsibilities in organising and carrying out compliance in the Company's day-to-day operations;
- the Company's managers and heads of departments (employees) must ensure that, within the areas of activity (processes) and departments they oversee, the Company operates properly in accordance with legal requirements as well as the Company's internal policies. Heads of departments (employees) monitor legal acts relevant to their activities (processes) and inform other responsible employees within their department of relevant changes in legislation;
- the compliance function within the Company is performed independently, continuously and without interruption;
- compliance staff perform their duties independently, having the necessary authority, sufficient resources and access to all information required for the performance of the compliance function.

The Head of Compliance submits quarterly compliance reports to the Company's Management Board, advises employees on compliance matters, prepares compliance training materials and delivers training, participates in the drafting and implementation of new internal policies of the Company, and corresponds with competent authorities on all key matters related to the services provided or activities carried out.

The Head of Compliance is responsible for conducting the annual compliance risk assessment, presenting its results to the Company's Management Board, and preparing and implementing the annual Compliance Monitoring Programme.

Taking into account the size of the Company, the compliance function covers both general compliance and compliance related to anti-money laundering and counter-terrorist financing, as well as the implementation of international sanctions. In 2025, the compliance function was carried out by three employees.

B.5. INTERNAL AUDIT FUNCTION

The internal audit function within Artea Bankas Group is centralised and is performed by the Internal Audit Division of Artea Bankas AB. The Head of the Internal Audit Division is appointed by the Company's Management Board as the person responsible for the implementation of the internal audit function within the Company.

In its activities, the Internal Audit Division follows the International Standards for the Professional Practice of Internal Auditing, as well as the Internal Audit Policy approved by the Supervisory Board of Artea Bankas AB, which establishes the key principles for organising internal audit within Artea Bankas AB and its subsidiaries, including the Company, and under which the centralised internal audit system operates, as well as other external and internal legal acts governing internal audit activities.

In performing the internal audit function with respect to the Company, the Internal Audit Division follows the Artea Bankas Group strategic internal audit plan approved by the Audit Committee of Artea Bankas AB and the annual internal audit plan approved by the Company's Management Board.

The internal audit function performs targeted audits with the aim of systematically and comprehensively assessing and promoting the improvement of the effectiveness of the Company's risk management, control and governance processes, and thereby contributing to the achievement of the Company's objectives. The results of audits, recommendations and the status of implementation of recommendations are reported to the Audit Committee of Artea Bankas AB and to the Company's Management Board in accordance with established procedures and periodicity.

The quality of internal audit is continuously assessed in accordance with the principles and timelines set out in the International Standards for the Professional Practice of Internal Auditing.

The independence of the Internal Audit Service from the audited activities and the objective performance of its functions within the Company are ensured based on the following key principles:

- Accountability to the Company's Management Board and the Audit Committee of AB Artea Bank. The Internal Audit Service reports directly to the Company's Management Board and to the Audit Committee of AB Artea Bank, which oversees the activities of the Internal Audit Service.
- Independent audit planning and reporting. The Internal Audit Service independently determines the scope and methods of audits and provides audit results.
- Separation from other functions. Internal audit does not participate in operational activities or projects that it may later audit.
- Unrestricted access to information. The audit function is granted unrestricted access to all Company data, documents and systems necessary for objective assessment.

B.6. ACTUARIAL FUNCTION

The main tasks of the actuarial function within the Company are as follows:

- coordination of the calculation of technical provisions;
- ensuring appropriate methodologies and models, as well as appropriate assumptions, used in the calculation of technical provisions;
- assessment of the sufficiency and quality of data used in the calculation of technical provisions;
- comparison of best estimate calculations with actual experience;

- informing the Company's Management Board on the reliability and adequacy of the calculation of technical provisions;
- assessment of the underwriting policy;
- assessment of the adequacy of reinsurance arrangements.

The actuarial function also contributes to the effective implementation of the risk management system, in particular with regard to risk modelling underlying the calculation of the Solvency Capital Requirement and the Minimum Capital Requirement, to the Company's Own Risk and Solvency Assessment, participates in the preparation and monitoring of short-term and long-term business plans, and collects, systematises and analyses information on the Company's insurance activities, profitability and competitive position in the insurance market.

The person performing the actuarial function submits an actuarial function report to the Company's Management Board at least once a year.

B.7. OUTSOURCING

During the reporting period, the processes for outsourcing, as well as the procedures for the assessment and monitoring of service providers, were governed by Artea Bankas Group Policy on Outsourcing and Information and Communication Technology (ICT) Services Management, applicable to the Company.

Functions or activities are considered critical or important where, taking into account their significance, nature and scale, they are related to the Company's core operations and have an impact on the Company's:

- ability to carry out insurance activities and provide services to policyholders;
- operations and performance;
- reputation;
- business continuity.

The Company does not outsource critical or important functions or activities if this would:

- materially impair the quality of the Company's governance system;
- significantly and unjustifiably increase the level of operational risk;
- impair the ability of the Bank of Lithuania to monitor the Company's compliance with its obligations;
- adversely affect the continuity and quality of services provided to policyholders.

When intending to outsource a critical or important function, the Company assesses the reasons giving rise to the need for outsourcing, considers potential service providers capable of delivering the required services, evaluates the selected service provider, reviews conclusions and arguments regarding the most suitable provider, prepares a draft outsourcing agreement in compliance with legal requirements and agrees it with the service provider, and informs the Bank of Lithuania of such intention in accordance with the procedures and timelines set out in legal acts.

When assessing a service provider, the Company reviews, inter alia, the provider's financial position and reliability, competence, resources, experience and reputation (including screening for international sanctions), the manner in which continuity and quality of service provision are ensured in emergency situations, whether the provider is part of the same group, the potential for conflicts of interest, and the qualifications, reputation and experience of the provider's personnel responsible for the performance of the outsourcing agreement. The assessment of service providers is carried out not only prior to entering into outsourcing agreements but also on a periodic basis. The Bank of Lithuania is also informed, in accordance with legal requirements and timelines, of any material changes to existing outsourcing agreements.

Service providers are subject to the same information/data security and confidentiality requirements as those applicable to the Company. The Company monitors whether the provision of outsourced services complies with its internal policies as well as with the laws and other legal acts of the Republic of Lithuania.

The Company assesses the risks (including strategic, operational, compliance and other risks) to which it is or may be exposed when procuring outsourced services.

C. RISK PROFILE

The following risks have been identified and are managed within the Company: life and health underwriting risks (mortality, longevity, disability and morbidity, lapse, expense, catastrophe), market risks (interest rate, currency, equity, spread, concentration), liquidity risk, counterparty default (credit) risk, asset-liability mismatch risk, operational risk, strategic risk, reputational risk, compliance risk, money laundering, terrorist financing and international sanctions risk, sustainability risk, ICT risk, model risk and conduct risk.

In its Own Risk and Solvency Assessment, the Company has determined that its risk profile does not differ materially from the risk profile described in the Solvency II Directive and applied in the standard formula. Strategic, reputational, asset-liability mismatch, compliance, money laundering, terrorist financing and international sanctions, sustainability, ICT, model and conduct risks are not assessed under the standard formula; therefore, alternative assessment methods are applied for these risks, including stress testing, scenario analysis and monitoring of risk indicators.

In order to monitor, assess and control life underwriting, health underwriting, market, counterparty default and operational risks, the Company calculates risk capital requirements using the standard formula. Other risks are managed using methods defined in internal policies, including the setting and monitoring of limits, identification and monitoring of key risk indicators, control procedures within business processes, testing, customer due diligence procedures, and monitoring of premiums and claims.

The Company expects to maintain risk levels within its risk appetite throughout the entire planning period (2026–2028). Based on the ORSA performed in 2025, the Company concluded that the risk management methods in place are sufficient to maintain the established risk profile (risk levels).

In 2025, the Company's assets were invested in accordance with the prudent person principle set out in Article 132 of the Solvency II Directive. In making investments, the Company follows the principles of prudence, caution and conservatism. The Company invests only in assets and instruments whose risks it can properly identify, measure, monitor, manage, control and report, and duly take into account when assessing the Solvency Capital Requirement. In its investment activities, the Company aims to ensure the safety and quality of investments. To this end, criteria, limits and restrictions applicable to selected investments are established within the Company. The Company ensures adequate asset liquidity.

The Company continuously monitors, and where necessary (e.g. when making investments or in the event of changes in credit ratings), assesses how risk levels may change as a result of specific investment decisions and selected asset positions.

C.1. UNDERWRITING RISK

Within the Company, insurance risk is defined as the risk of loss or the risk of adverse changes in the value of insurance liabilities arising from inadequate pricing and reserving assumptions.

The Company applies the following insurance risk management methods: assessment of the insured person's risk profile, evaluation of the adequacy of insurance premiums, establishment of limits, and reinsurance. The Company has also established measures to mitigate and eliminate the risk of insufficient premiums, as well as defined cases in which it does not assume insurance risk.

In order to reduce insurance risk, the Company transfers part of the assumed insurance risk to reinsurers (i.e. reinsures).

C.2. MARKET RISK

The Company is exposed to market risk when investing its own funds and assets related to life insurance contracts where the investment risk is borne by the Company. These funds are invested in debt securities and units of investment funds, while part of the funds is held with banks.

Market risk comprises interest rate risk, currency risk, equity risk, spread risk and concentration risk.

Interest rate risk is defined as the risk of incurring losses due to fluctuations in market interest rates, which may reduce the value of debt securities and/or increase the value of technical provisions.

The Company manages interest rate risk by estimating potential depreciation of debt securities, monitoring the extent of such potential depreciation, setting limits on it, and establishing appropriate limits for newly selected investments. Within the Own Risk and Solvency Assessment and on a quarterly basis, the capital requirement for interest rate risk is calculated using the standard formula for the purpose of determining the Solvency Capital Requirement.

Currency risk is the risk of losses arising from adverse movements in exchange rates.

In 2025, all insurance contracts were concluded in euros. The Company has a very small number of contracts that were previously concluded in US dollars. The Company manages this risk by aligning the structure of its assets and liabilities by currency. As the amount of liabilities denominated in foreign currency is immaterial, the Company currently does not invest its own funds in foreign currencies.

Unit-linked insurance liabilities, where the investment risk is borne by policyholders, do not create foreign exchange risk even if the liabilities are denominated in different currencies. Indirectly, this risk may arise through a decrease in the value of the investment portfolio due to exchange rate fluctuations—when the value of the portfolio declines, the Company's income decreases as the fees collected, which are proportional to the value of the investment portfolio, are reduced.

Within the Own Risk and Solvency Assessment and on a quarterly basis, the Company calculates the capital requirement for foreign exchange risk using the standard formula for the purpose of determining the Solvency Capital Requirement.

Spread risk is the risk of losses arising from fluctuations in the value of assets due to changes in credit spreads or their volatility relative to the risk-free interest rate term structure.

The Company manages spread risk by assessing the creditworthiness of issuers and the appropriateness of such assessments, continuously monitoring credit events, setting limits and monitoring their compliance, and evaluating potential changes in the value of debt securities (using the same approach as for interest rate risk).

On a quarterly basis, for the purpose of calculating the Solvency Capital Requirement, the capital requirement for spread risk is calculated using the standard formula.

Equity risk is the risk of losses arising from fluctuations in the value of assets and liabilities due to changes in the market prices or volatility of equity securities.

The Company does not invest its own funds or the assets covering liabilities under life insurance contracts where the investment risk is borne by the Company in corporate equities; therefore, it is not directly exposed to this risk.

Equity risk has an indirect impact on the Company's unit-linked insurance portfolio: certain contract and asset management fees depend on the net asset value of investment options—when the value of an investment option decreases, the Company earns lower fee income. A decline in the value of unit-linked investment options may also lead to an increase in policy lapses, thereby reducing the value of the Company's unit-linked assets and income. Within the Own Risk and Solvency Assessment and on a quarterly basis, the capital requirement for equity risk is calculated using the standard formula for the purpose of determining the Solvency Capital Requirement.

Concentration risk refers to all risk exposures where the probability of loss is sufficiently high to threaten the Company's solvency or financial position.

The Company manages concentration risk by calculating concentration risk indicators and comparing them with established limits (for a single issuer, counterparty, country or sector), setting and updating relevant limits, and monitoring the credit quality of held debt securities.

To ensure that this risk profile does not increase, investment decisions take into account the excess thresholds specified in the standard formula, depending on credit ratings. The Company also monitors factors beyond its control, such as credit rating downgrades that could increase concentration risk, and takes appropriate decisions in response to such developments.

When investing in debt securities, the Company also considers whether it has already invested in a particular issuer and whether capital requirements for certain risks, including concentration risk, would change materially.

C.3. CREDIT RISK

Credit risk is the risk of loss or adverse changes in the financial position arising from changes in the creditworthiness of issuers of securities, counterparties and other entities, as well as from their failure to meet obligations.

The Company manages credit risk in respect of the following entities:

- banks with which the Company holds cash in accounts and/or has entered into term deposit agreements;
- electronic money and payment institutions where the Company holds cash;
- reinsurers with whom reinsurance agreements are concluded;
- custodians where the Company's securities are held;
- policyholders, intermediaries and other parties from whom receivables arise;
- issuers whose securities may fluctuate in value due to changes in credit spreads or their volatility relative to the risk-free interest rate term structure.

Credit risk is managed by assessing the creditworthiness of issuers and counterparties, evaluating the appropriateness of assigned credit ratings, setting limits for counterparties, reinsurers and custodians, and monitoring compliance with these limits.

C.4. LIQUIDITY RISK

Liquidity risk is the risk that the Company will be unable to realise its investments and assets in a timely and efficient manner in order to meet its financial obligations as they fall due.

The Company manages liquidity risk by diversifying investments of its own funds and assets covering liabilities, monitoring and controlling this risk, calculating liquidity ratios, ensuring compliance with established liquidity risk limits, planning actions for contingency situations, and obtaining guarantees or entering into surety agreements.

Future premiums

In assessing the expected profit from future insurance premiums, the Company classifies insurance obligations into those for which premiums have already been paid and those for which premiums are expected to be received in the future. It calculates technical provisions excluding the risk margin, in the same manner as technical provisions for solvency purposes, but assumes that future premiums relating to existing insurance contracts are not received for any reason other than the occurrence of an insured event, irrespective of the policyholder's legal or contractual right to terminate the contract; that is, premiums payable under such insurance contracts are assumed to be zero. The expected profit from future insurance premiums as at 31 December 2025 amounted to EUR 38,738,669.

C.5. OPERATIONAL RISK

Operational risk comprises the risk of loss arising from inadequate or failed internal processes, errors or unlawful actions by employees or external parties, failures of information systems, or external events, including legal risk, but excludes risks arising from strategic decisions and reputational risk.

The Company manages operational risk through continuous monitoring, recording and analysis of operational risk events, the establishment of control procedures, and the control of processes. Operational risk tolerance limits are defined within the Company in the form of operational risk indicators.

Within the Own Risk and Solvency Assessment and on a quarterly basis, the operational risk capital requirement is assessed using the standard formula for the purpose of calculating the Solvency Capital Requirement.

C.6. OTHER MATERIAL RISKS

Other risks that are material to the Company's operations, for which no Solvency II capital requirement is calculated, are assessed using qualitative methods, including benchmarking, monitoring of established risk indicators, and other relevant approaches.

Asset-liability mismatch risk is the risk of losses arising from mismatches between the Company's assets and liabilities in terms of maturity, currency and interest rates. This risk is managed by assessing future liquidity buffers, evaluating the duration of assets and liabilities, ensuring currency matching between assets and liabilities, and performing comparative analyses of liabilities segmented by guaranteed interest rates and assets segmented by yield intervals.

Sustainability risk refers to events or conditions arising from environmental, social or governance (ESG) factors which, if they occur, could have a negative impact on the Company's assets, financial position, reputation and investment value. Sustainability risk is managed by integrating sustainability considerations into investment analysis and decision-making processes, promoting stakeholder engagement and partnerships that support the management of sustainability criteria in investment activities, ensuring that entities in which investments are made appropriately disclose sustainability-related information, applying negative screening in investments, defining key risk indicators and monitoring their values.

Compliance risk is the risk that the Company's operations may not comply with the laws and other legal acts of the Republic of Lithuania and the European Union governing insurance activities, as well as with the guidelines and positions of the European Insurance and Occupational Pensions Authority (EIOPA) and the Bank of Lithuania. Compliance risk is managed by ensuring the functioning and independence of the compliance function within the Company's governance and organisational structure, monitoring changes in legislation and assessing their potential impact on the Company, defining and monitoring key risk indicators, evaluating the adequacy of non-compliance prevention measures, organising compliance training for employees and insurance intermediaries, and maintaining dialogue with supervisory authorities on compliance matters.

Money laundering, terrorist financing and international sanctions risk is the risk that the Company may be used for money laundering and/or terrorist financing purposes or may breach international sanctions. This risk is managed by identifying and verifying customers' identities, continuously performing know-your-customer (KYC) procedures, periodically updating customer and beneficial owner identification data, monitoring insurance premiums and claims, conducting customer risk assessments, ensuring proper implementation of international sanctions, defining and monitoring key risk indicators, and organising training for the Company's employees.

Strategic risk arises from changes in the external and internal environment or from decisions that may hinder the achievement of the Company's objectives. It also includes the risk of incorrect or insufficiently effective strategic choices in response to environmental changes. This risk is managed by controlling the assumptions of the business plan, monitoring the achievement of financial indicators, and performing market analysis.

Reputational risk may negatively affect the Company's income and/or capital due to unfavourable perceptions of the Company by customers, business partners or supervisory authorities. This risk is managed by adhering to principles of socially responsible business, continuously improving the quality of cooperation with customers and business partners, responding promptly to complaints, conducting media monitoring, analysing complaints, and monitoring key risk indicators.

ICT risk (information and communication technology and security risk) refers to any reasonably identifiable circumstance related to the use of network and information systems that, if realised, could compromise the security of networks and information systems, any technology-dependent tools or processes, operations and processes, or service delivery, thereby causing adverse effects in the digital or physical environment. ICT risk is managed by defining and monitoring key risk indicators and applying measures set out in the Description of Information and Communication Technology (ICT) and Security Risk Management Requirements approved by the Board of the Bank of Lithuania, Annex A of the LST ISO/IEC 27001 standard, the CIS Critical Security Controls best practice framework, and the NIST Cybersecurity Framework. Key ICT risk management processes are implemented and monitored within the Group, enabling ICT risk management functions, including access management, cybersecurity monitoring, ICT and security incident management, ICT change management, ICT business continuity planning, vulnerability management, secure configuration management, and third-party ICT risk management.

Model risk is the risk of financial loss, incorrect business decisions, or inaccurate financial reporting arising from the use of models. Model risk is managed by establishing quality criteria for model development and maintenance, identifying models used in operations, and performing periodic independent validation of models, taking into account their materiality.

Conduct risk is the risk arising when an insurance undertaking or intermediaries carry out activities without ensuring fair treatment of customers. This risk is managed by organising training for employees and intermediaries, establishing a policy on fair treatment of customers and a code of conduct, ensuring management communication on ethics and integrity, strengthening

the Company's risk culture, implementing whistleblowing and incident reporting mechanisms, analysing customer complaints, assessing sales practices, implementing a product oversight and governance framework, and monitoring risk indicators.

Stress Testing

The Company's most recent stress testing was performed based on data as at 30 September 2025.

The Company conducted a sensitivity analysis assessing the direct impact of shocks to individual parameters on its financial position. Sensitivity was assessed for the following parameters: risk-free interest rates, expenses, lapses, morbidity and mortality. Stress testing was performed under the following scenarios:

- macroeconomic;
- strategic risk;
- sustainability.

The assessment of adverse scenario impacts over the planning period showed that:

- under the adverse macroeconomic scenario, the solvency ratio decreases significantly by the end of 2028; however, despite this decline, it remains within the risk tolerance limits;
- under the strategic risk scenario, the solvency ratio is affected only marginally over the forecast period; this scenario would have a negative impact over a longer term, as not only the Solvency Capital Requirement but also future profits of the Company decrease;
- under the sustainability scenario, the solvency ratio decreases slightly compared to the baseline scenario;
- in all tested scenarios, the solvency ratio remains within the risk appetite limits and only under the adverse macroeconomic scenario does it fall into the warning zone.

The Company also performed reverse stress testing aimed at identifying scenarios under which the insolvency threshold would be reached.

C.7. ANY OTHER INFORMATION

The Company does not apply any other risk mitigation measures beyond those described above.

D. VALUATION FOR SOLVENCY PURPOSES

D.1. ASSETS

Table 2 presents the values of assets by category as reported in the financial statements and in the Solvency II reporting.

Table 2. Assets

Group of assets	Book value, 31/12/2025		
	Solvency II	Financial Statements	Difference
Financial assets:	251,178,039	251,412,170	-234,131
investments (securities)	250,440,862	250,674,993	-234,131
receivables	737,177	737,177	-
Cash and cash equivalents	5,881,215	5,881,215	-
Tangible assets	43,878	58,761	-14,883
Intangible assets	-	1,694,642	-1,694,642
Reinsurance assets	-861,855	24,909	-886,764
Deferred tax assets	-	-	-
Other assets	-	75,966	-75,966
Total	256,241,277	259,147,663	-2,906,386
Group of assets	Book value, 31/12/2024		
	Solvency II	Financial Statements	Difference
Financial assets:	226,878,866	227,342,028	-463,162
investments (securities)	226,699,687	227,162,849	-463,162
receivables	179,179	179,179	-
Cash and cash equivalents	9,522,405	9,522,405	-
Tangible assets	57,231	192,018	-134,787
Intangible assets	-	1,696,336	-1,696,336
Reinsurance assets	-296,164	64,328	-360,492
Deferred tax assets	2,296	2,296	-
Other assets	-	70,227	-70,227
Total	236,164,634	238,889,638	-2,725,004

Some securities are measured in the financial statements, and all securities in the Solvency II reporting, using the same principles, i.e. at fair value. Other securities recognised in the financial statements are measured at amortised cost.

Receivables include amounts due from customers and other receivables with fixed or determinable payments that are not traded in an active market. Initially, receivables are recognised at fair value. Subsequently, such financial assets are measured at amortised cost using the effective interest rate method, less any impairment losses reflecting amounts not expected to be recovered. Interest income is recognised using the effective interest rate method, except for short-term receivables where the recognition of interest income would be immaterial.

Cash and cash equivalents comprise cash held in bank accounts, demand deposits and other short-term highly liquid investments with an original maturity of less than three months, which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Property, plant and equipment represent assets controlled by the Company from which future economic benefits are expected and which are used for more than one year. Such assets are measured at acquisition cost less accumulated depreciation and any impairment losses, if any. Under Solvency II reporting, vehicles are initially recognised at acquisition cost, assuming that the acquisition took place under normal market conditions. Subsequently, their fair value is determined based on prices observed in the principal market for such assets.

Intangible assets are measured at acquisition cost less accumulated amortisation and any impairment losses, if any. Goodwill is not amortised. Under Solvency II, the value of intangible assets is considered to be zero.

Under Solvency II, reinsurance recoverables (the reinsurers' share of technical provisions) are calculated as the best estimate corresponding to expected future cash flows, taking into account the time value of money using the relevant risk-free interest rate curve.

Deferred tax assets are recognised for future tax purposes, reflecting differences between the carrying amount of assets in the financial statements and their corresponding tax base. Deferred tax assets are recognised only to the extent that they are likely to reduce taxable profit in the future.

D.2. TECHNICAL PROVISIONS

The Company's technical provisions are equal to the sum of the best estimate and the risk margin. The best estimate and the risk margin are calculated separately. For unit-linked life insurance contracts, the best estimate and the risk margin are calculated for life and health underwriting risks, while the value of the technical provision for the savings component is equal to the market value of the financial instruments for which a reliable market value can be determined and which are linked to the cash flows of technical provisions, and is measured as a whole.

The best estimate is equal to the present value of expected future cash flows, such as premiums (risk charges), benefits, claims handling costs, acquisition costs, administrative expenses, investment management expenses, investment income, and the value of guarantees and options embedded in insurance contracts. Cash flows are discounted using the risk-free interest rate term structure published by the European Insurance and Occupational Pensions Authority (EIOPA).

For the portfolio of contracts concluded before 1 December 2023, except for pure risk life insurance contracts, the risk margin is calculated by approximating the entire future Solvency Capital Requirement of a reference undertaking⁵ in a single step, without separately approximating the capital requirements for each future year, using the modified duration of insurance liabilities as a proportionality factor. The risk margin is allocated to lines of business based on the share of the respective line of business in the total Solvency Capital Requirement for underwriting risk. For the remaining portfolio, the risk margin is calculated using Method 1 of the standard formula, approximating the individual risks used in the calculation of future capital requirements. In calculating the risk margin, a cost-of-capital rate of 6% is applied for both portfolios.

The assumptions used in the calculation of the Company's technical provisions include the following:

- Future management actions of the Company that are relevant for the valuation of technical provisions relate to:
 - suspension of insurance cover under insurance contracts;
 - payment of benefits in the event of a non-insured event;
 - allocation of the insurer's profit share;
- Future management actions are not taken into account in the calculation of technical provisions, except for the suspension of insurance cover for the portfolio prior to the business combination;
- Options embedded in insurance contracts include:
 - termination of the insurance contract;
 - continuation of the insurance contract without payment of premiums;
 - partial withdrawal of the policyholder's investment reserve (accumulated capital);
- Mortality of the insured;
- Loss ratios in health insurance;
- Expenses;
- Claims reporting delays;
- The share of premiums written or claims attributable to reinsurers.

The assumptions used by the Company in calculating technical provisions are based on the structure of the Company's insurance liabilities portfolio, its development trends, the impact of external factors on these trends, and the results of analyses of premium adequacy, mortality, loss ratios, claims delays and reinsurance activities. Where the statistical data of the Company's insurance liabilities portfolio is insufficient, assumptions are based not on the characteristics of the Company's own portfolio but on those of portfolios with the same or similar characteristics. All assumptions are applied consistently and remain valid for no longer than three years, and are reviewed and compared with actual experience at least annually.

Uncertainty related to the amount of technical provisions may arise from the use of optimistic or pessimistic assumptions in their valuation.

Technical provisions for solvency purposes and for financial reporting are calculated using a prospective actuarial valuation. The main differences between these valuations are as follows:

- Definition of an insurance contract
 - Under Solvency II, all contracts concluded by the Company are treated as insurance contracts, whereas under IFRS 17 Insurance Contracts, the significance of insurance risk is assessed;
- Definition of contract boundaries
 - Under Solvency II, contract boundaries are assessed not at a single point in time but by distinguishing between premiums and obligations that belong to the contract and those that do not. As a result, for some contracts, the boundary under Solvency II is shorter than under IFRS 17 Insurance Contracts;
- Allocation of expenses to insurance contracts
 - Under Solvency II, all expenses (except one-off expenses) are allocated to insurance contracts, whereas under IFRS 17 only expenses directly attributable to the administration of those contracts are allocated;
 - Under Solvency II, expected additional acquisition (maintenance) expenses beyond those incurred at contract inception are modelled, whereas under IFRS 17 all acquisition expenses are modelled;
 - Under Solvency II, administrative expenses are split between life cover and supplementary insurance, whereas under IFRS 17 such expenses are not split and are modelled at the contract level;
- Definition of risk margin / risk adjustment
 - Under Solvency II, the risk margin is calculated using the cost-of-capital method, whereas for the risk adjustment for non-financial risk under IFRS 17, the Company applies the confidence level method at a 75% confidence level.

The Company's technical provisions as at 31 December 2025 and 31 December 2024 are presented in Tables 3–6. In 2025, the methodology for calculating technical provisions was changed: for the entire unit-linked life insurance portfolio, the savings component was separated and presented as a whole. As a result of this change, the amount of the "whole" component

⁵ The Solvency Capital Requirement of the reference undertaking is the amount of eligible basic own funds equal to the Solvency Capital Requirement necessary to meet insurance obligations over their entire lifetime, assuming the transfer of the entire portfolio of obligations to another insurance undertaking, with all risks minimised.

increased significantly, while the best estimate decreased accordingly. In addition, in 2025 the methodology for allocating expenses between insurance lines of business was revised, with part of the expenses allocated to the health insurance line. This change resulted in an increase in technical provisions for health insurance. The overall level of technical provisions increased due to the growth of investment assets related to unit-linked life insurance where the investment risk is borne by policyholders (Table 3). The decrease in the risk margin was driven by the reallocation of expenses between insurance lines and the increase in the risk-free interest rate curve.

Table 3. Technical provisions, total

Insurance group	Technical provisions, total, EUR		Change, EUR	Relative change, %
	31/12/2025	31/12/2024		
Life insurance with profit participation	14,602,257	15,304,915	-702,659	-4.59%
Unit-linked life insurance	188,444,013	185,912,554	2,531,459	1.36%
Other life insurance	-2,755,939	-938,060	-1,817,879	193.79%
Health insurance	-16,924,179	-28,772,150	11,847,972	-41.18%
Total	183,366,152	171,507,259	11,858,893	6.91%

Table 4. Best estimate

Insurance group	Best estimate, EUR		Change, EUR	Relative change, %
	31/12/2025	31/12/2024		
Life insurance with profit participation	14,056,669	14,890,435	-833,766	-5.60%
Unit-linked life insurance	-24,548,201	135,278,525	-159,826,726	-118.15%
Other life insurance	-3,706,662	-1,839,036	-1,867,626	101.55%
Health insurance	-23,334,488	-37,319,769	13,985,281	-37.47%
Total	-37,532,682	111,010,155	-148,542,837	-133.81%

Table 5. Risk margin

Insurance group	Risk margin, EUR		Change, EUR	Relative change, %
	31/12/2025	31/12/2024		
Life insurance with profit participation	545,588	414,480	131,108	31.63%
Unit-linked life insurance	6,413,253	6,124,020	289,233	4.72%
Other life insurance	950,723	900,976	49,747	5.52%
Health insurance	6,410,309	8,547,619	-2,137,310	-25.00%
Total	14,319,873	15,987,095	-1,667,222	-10.43%

Table 6. Technical provisions calculated as a whole

Insurance group	Technical provisions calculated as a whole, EUR		Change, EUR	Relative change, %
	31/12/2025	31/12/2024		
Life insurance with profit participation	-	-	-	0.00%
Unit-linked life insurance	206,578,962	44,510,009	162,068,953	364.12%
Other life insurance	-	-	-	0.00%
Health insurance	-	-	-	0.00%
Total	206,578,962	44,510,009	162,068,953	364.12%

The best estimate is calculated without deducting amounts recoverable under reinsurance contracts. The amount recoverable under reinsurance contracts is equal to the present value of expected future cash flows payable to and recoverable from reinsurers. The recoverable amount is increased by the reinsurers' share in the best estimate of claims incurred, as well as by receivables from reinsurers in respect of already settled claims, and reduced by premiums payable to reinsurers for past periods. The recoverable amount under reinsurance contracts is not adjusted for expected losses due to counterparty default, as such an adjustment is not considered to have a material impact. The change over the year was mainly driven by revised assumptions (Table 7).

Table 7. Amounts recoverable from reinsurers

Insurance group	Amounts recoverable from reinsurers, EUR		Change, EUR	Relative change, %
	31/12/2025	31/12/2024		
Life insurance with profit participation	-11,034	-31,106	20,072	-64.53%
Unit-linked life insurance	-115,462	-152,913	37,451	-24.49%
Other life insurance	-683,241	-47,538	-635,703	1337.24%
Health insurance	-52,118	-64,607	12,489	-19.33%
Total	-861,855	-296,164	-565,691	191.01%

D.3. OTHER LIABILITIES

Other financial liabilities are measured at fair value, less transaction costs, both in the financial statements and in the Solvency II reporting, and subsequently measured at amortised cost using the effective interest rate method. The Company derecognises financial liabilities when, and only when, its obligations are discharged, cancelled or expire.

The Company recognises a deferred tax liability, which is calculated by applying the corporate income tax rate effective from 2026 (17%) to the discounted value of future profits from the Lithuanian portfolio of contracts, using the same principles and assumptions as applied in the calculation of the best estimate.

D.4. ALTERNATIVE METHODS FOR VALUATION

No alternative valuation methods are applied within the Company.

E. CAPITAL MANAGEMENT

E.1. OWN FUNDS

The Company's eligible own funds are continuously monitored. They are calculated on a quarterly basis when assessing the Solvency Capital Requirement and annually as part of the ORSA. Within the ORSA, the Company projects its own funds over a three-year horizon, taking into account projected assets and liabilities. The Company's own funds consist of the following elements (Table 8):

- paid-up ordinary share capital;
- reconciliation reserve, which is reduced by expected dividends and other distributable amounts.

Table 8. Own funds of the Company

31/12/2025

Element	Level 1	Level 2	Level 3	Total
Paid-up share capital	26,012,800	-	-	26,012,800
Reconciliation reserve	23,231,615	-	-	23,231,615
Total	49,244,415	-	-	49,244,415

31/12/2024

Element	Level 1	Level 2	Level 3	Total
Paid-up share capital	26,012,800	-	-	26,012,800
Reconciliation reserve	27,885,874	-	-	27,885,874
Total	53,898,674	-	-	53,898,674

The Company's share capital is managed by its sole shareholder, Artea Bankas AB, and all shares are fully paid up. The shareholder does not plan to issue new shares in the short or medium term. In 2025, the Company's share capital remained unchanged.

Table 9 below presents the differences in the reconciliation reserve between the financial statements and the Solvency II reporting.

Table 9. Reconciliation reserve

Items	31/12/2025	31/12/2024
Shareholders' equity as calculated in the Financial Statements	41,424,120	35,231,290
Share capital	-26,012,800	-26,012,800
Deferred tax assets	-	-2,296
Reconciliation reserve before Solvency II adjustments	15,411,320	9,216,194
Differences in asset valuation between the financial statements and Solvency II	-2,906,386	-2,725,004
Differences in the valuation of technical provisions between the financial statements and Solvency II	29,416,404	26,836,591
Deferred tax liabilities	-8,326,295	-7,842,338
Differences in the valuation of other liabilities between the financial statements and Solvency II	2,136,572	2,400,431
Expected dividends	-12,500,000	-
Reconciliation reserve in Solvency II reporting	23,231,615	27,885,874

Planned changes in own funds

The Company projected a steady increase in own funds over the business planning period, i.e. a consistent growth in both assets and liabilities. Dividends of EUR 12,500,000 are planned to be paid to the shareholder in 2026, and EUR 3,000,000 annually in 2027–2028. Taking into account the projected assets and liabilities, the Company performed its Own Risk and Solvency Assessment and determined the levels of own funds for the next three years.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The Company's Solvency Capital Requirement, risk capital requirements, Minimum Capital Requirement, and the Company's solvency ratio as at 31 December 2024 and 31 December 2025, as well as their expected levels up to 31 December 2028 at each year-end, are presented in Table 10.

Table 10. Capital requirements by risk: actual for 2024–2025 and forecasts for 2026–2028 (thousand EUR)

Risk	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028
Life underwriting risk	13,847	16,355	16,551	16,817	17,438
Health underwriting risk	17,098	13,929	15,285	16,184	17,352
Counterparty default risk	552	591	161	151	144
Market risk	8,735	10,359	10,053	11,049	11,187
Diversification (-)	-11,507	-12,046	-12,074	-12,760	-13,264
Operational risk	1,086	955	988	981	984
Adjustment for the loss-absorbing capacity of deferred taxes	-3,732	-3,971	-4,191	-4,449	-4,811
Solvency Capital Requirement	26,079	26,172	26,772	27,974	29,030
Expected dividends	-	12,500	3,000	3,000	3,000
Own funds	53,899	49,244	48,279	49,048	50,763
Minimum Capital Requirement	6,520	6,543	6,693	6,993	7,258
Solvency ratio	207%	188%	180%	175%	175%

The Company applies the Solvency II standard formula to calculate the Solvency Capital Requirement. The Company does not use a full or partial internal model.

The inputs used for the calculation of the Minimum Capital Requirement are presented in Table 11.

Table 11. Amounts used to calculate the Minimum Capital Requirement (thousand EUR)

Values	31/12/2025
Technical provisions, excluding the risk margin, related to life insurance obligations with profit participation – guaranteed benefits, net of amounts recoverable under reinsurance contracts, with a floor of zero	14,068
Technical provisions, excluding the risk margin, related to life insurance obligations with profit participation – future discretionary benefits, net of amounts recoverable under reinsurance contracts, with a floor of zero	-
Technical provisions, excluding the risk margin, related to life insurance obligations where benefits are linked to an index and unit-linked investments, net of amounts recoverable under reinsurance contracts, with a floor of zero	182,146
Technical provisions, excluding the risk margin, related to all other life insurance obligations, net of amounts recoverable under reinsurance contracts, with a floor of zero	-
Total sum at risk, which represents the aggregate sum at risk under the contracts	1,874,895

E.3. USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

Not applicable, as the Company does not carry out the occupational pension business or the payment of retirement benefits upon reaching or in anticipation of reaching retirement age as referred to in Article 304 of the Solvency II Directive.

E4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

Not applicable. The Company applies the Solvency II standard formula to calculate the Solvency Capital Requirement. The Company does not use a full or partial internal model.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

Since the entry into force of Solvency II, the Company has complied with both the Minimum Capital Requirement and the Solvency Capital Requirement. The Company does not foresee any risks during the business planning period that could result in non-compliance with its Minimum Capital Requirement or Solvency Capital Requirement.