ERGO Insurance SE

Annual Report 2023

Legal name:	**ERGO Insurance SE**
Commercial Register Code:	10017013
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LEI Code:	549300WOSFHL8FRS5V57
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Core Business:	Non-life Insurance
Financial Year:	01.01.2023 - 31.12.2023
Chairwoman of the Management Board:	Ursula Clara Deschka
Members of the Management Board:	Marek Ratnik
	Tadas Dovbyšas
	Ljuba Jaufmann
	Aija Medne
Chairman of the Supervisory Board:	Dr Oliver Martin Willmes
Members of the Supervisory Board:	Ilona Mihele
	Dirk Christoph Schautes
Auditor:	Ernst & Young Baltic AS
Accompanying documents:	Independent Auditors´ Report
	Profit Allocation Proposal
	Information on the Sole Shareholder
	List of Business Activities

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1. COMPANY OVERVIEW

1.1. Legal Structure

ERGO Insurance SE (hereinafter ERGO or Company) is one of the leading insurance companies in the Baltics, offering a comprehensive selection of property insurance solutions to both private and corporate clients.

ERGO is operating in the Baltic countries, with the headquarters in Estonia and branches in Latvia and Lithuania. ERGO is operated in the legal form of *societas Europaea*, a public company registered in accordance with the corporate law of the European Union.

ERGO Insurance SE is 100% owned by ERGO International AG, Germany, which is part of the ERGO Group AG (hereinafter ERGO Group or Group), Germany. ERGO Group is one of the major insurance groups in Germany and Europe.

The Group is represented in around 30 countries worldwide, focusing mainly on Europe and Asia. About 37,000 people worldwide work as salaried employees or sales agents for ERGO Group. It offers a comprehensive range of insurances, pensions, investments, and services.

ERGO Group is part of Munich Re (Münchener Rückversicherungs-Gesellschaft AG, Munich) – one of the world's leading reinsurers and risk carriers.

Reliability is confirmed by the ratings given to ERGO Group's owner and parent: Munich Re's rating is AA- (Very strong) (according to S&P Global Ratings); ERGO Group's rating is AA – (according to Fitch). Munich Re is included in the DAX 40 and EUROSTOXX 50 list.

ERGO Group collaborates with the world's leading reinsurance risk carriers (Munich Re, Gen Re, Swiss Re, SCOR, and Hannover Re) and uses reinsurance to mitigate its risks and ensure smooth settlement of claims regardless of size.

ERGO Group AG consolidates three separate units: ERGO Deutschland AG, ERGO International AG, and ERGO Technology & Services Management.

ERGO Deutschland AG focuses on the company's German business. ERGO International AG manages the international business within the Group. ERGO Technology & Services Management AG has a transnational mandate as a global technology and service provider for the entire ERGO Group.

1.2. Strategic vision

Our strategy is based on people: our customers and our team. We make sure that costumers can trust us and see us as a reliable long-term partner. We encourage our team to contribute and feel valued members of our company. We believe that when connecting these people - our customers and ourselves - will lead us to sustainable success and will fulfil our promise.

Our Brand Promise: **Simple because it matters.**

We are an insurance company that cares. ERGO's mission is to make insurance simple from the first to the last step: from automated and digitized processes to sincere care and assistance from our consultants in the unfortunate event.

Our value system

We put our customers first.

We want to enable them to be carefree and optimistic by protecting their future in the best possible way.

This is the goal that we have set for ourselves and that we work towards every day with the highest expectations for ourselves and our work.

Our team: **ERGO. Grow together.**

To fulfil all this, our key success comes from within. The essence of ERGO's philosophy is that our people are our most valuable asset. Therefore taking the best care of our employees is one of significant success factors for long-term sustainable business growth, so that employees can take the best care of customers. Also, for those who will work with us in the future, we want to create a working environment that promotes diversity and allows everyone to flourish.

Our goal is to make ERGO a place that allows us to grow together.

Our engagement

Based on ERGO International engagement survey, our employees' sustainable engagement is extremely high in the Baltics - even 91% in 2023. The participation rate also reached a remarkable 96%. Such results show that most of the people really feel a part of our company. It also reflects our success in implementing effective strategies throughout the year, leading to positive results.

The survey results convey that we all continue to have a strong focus on our customers and meeting their needs (customer orientation - 91%). This is much in line with our strategy of being a trusted partner to our customers and exceeding their expectations.

Our employees trust the company management and feel that they provide clear strategic directions and create the culture where employees can give their best (company leadership - 87%). At the same time employees feel supported by their direct manager and build cooperation characterized by mutual trust (direct manager - 93%).

The business activities of ERGO Insurance SE stem from the strategic framework of the ERGO Group with the main objective to make insurance easier for the customer.

The focus shifted a little bit from a customer-centric approach to people-centric values. But some of our strategic direction remain the same: improving on digital development and the transition to common systems and operations across the Baltics.

ERGO is continuing with the harmonisation of its processes in the Baltics, following the business model for the company. The objective of these changes is to take advantage of synergies and experiences in the Baltics while respecting the local specificities and making full use of local opportunities.

Changes in the structure and operating principles of ERGO so far support the way of thinking of a company considering the personal needs of customers by providing them with clear added value. In the year 2023, the company renewed its strategy with activities planned till 2025.

1.3. Main achievements / recognitions on company level 2023

Category	Award-winning performance	Reference	Country
Valued company/ brand	**Nielsen IQ Brand Study Brand Awareness**		
	➢ 2nd place (93%) ➢ 3rd place (83%) ➢ 2nd place (89%)	Omnibus Study (CAWI) by Nielsen Consumer LLC	Estonia Latvia Lithuania
Sustainable company	**Sustainability awards, collaboration, index**		
	➢ Annual Sustainability Index, Platinum category	https://www.incsr.eu/novertejumi/ilgtspejas-indekss/ilgtspejas-indekss-2023/ https://csr.ee/	Latvia Estonia
	➢ Responsible Business Forum: Silver category in CSR		
	➢ The members of Diversity Charter	https://humanrights.ee/en/2023/11/mitmekesisuse-kokkuleppega-liitus-11-uut-organisatsiooni/ https://diversity.lt/en/nariai/ https://www.diversity.lv/parakstitaji/	Estonia Lithuania Latvia
	➢ Member of Green Tiger	https://rohetiiger.ee/liikmed/?lang=en	Estonia
	Environmental certifications ➢ Environmental ISO Certificate	Bureau Veritas Certifications	Estonia Lithuania Latvia
Client-centric company	**Mystery Shopping Insurance brands** ➢ Best Customer Service / Dive	Customer surveys by https://dive-group.com/	Estonia Lithuania
Valued Employer	**Humane company** ➢ Family-friendly workplace	https://vietagimenei.lv/gimenei-draudziga-darbavieta/programmas-dalibnieki/ https://www.tooelu.ee/et/peres%C3%B5bralik	Latvia Estonia

➢ Diversity empowering employer	https://socmin.lrv.lt/lt/veiklos-sritys/darbo-rinka-uzimtumas/imoniu-socialine-atsakomybe-isa/nacionaliniai-atsakingo-verslo-apdovanojimai/nacionalinio-atsakingo-verslo-apdovanojimu-laureatai-2023-m/	Lithuania
Best Employer		
➢ CV-online: 11th place on finance sector	https://tooelublogi.ee/2024/01/30/top-tooandjad-2024-finantssektoris/	Estonia
➢ Estonian Chamber of Commerce and Industry: best insurance company, 9th place in the financial sector	Finantsvahendusettevõte 2023.pdf (koda.ee)	Estonia
➢ In TOP 50 of the best employers	https://www.topdarbadevejs.lv/	Latvia
➢ CV-Online Top 10 of the best employers in financial sector	https://www.apiedarba.lt/paskelbti-cv-online-top-darbdaviai-2023-naujos-nominacijos/	Lithuania

1.4. Year 2023 in figures

Main figures	ERGO Insurance SE 2023
Insurance revenue	256.9 million euros
Total assets	346.5 million euros
Investments in financial instruments	257.6 million euros
Insurance contract provisions	165.7 million euros
Equity	92.3 million euros
Comprehensive income	10.6 million euros
Return on equity	2.9%
Insurance contracts in force	1 049 021
Number of ERGO offices	8 in Estonia, 20 in Latvia, 57 in Lithuania
Number of employees	928

2. Market and Macro Economical View

2.1. Economic environment

European Commission´s Winter 2024 Economic Forecast lowers the growth outlook amid faster easing of inflation. Growth for 2023 is now estimated at 0.5% in both the EU and the euro area. GDP is revised down to 0.9% in 2024 and is expected to expand by 1.7% in 2025. Headline inflation is forecast to fall from 6.3% in 2023 to 3.0% in 2024 and 2.5% in 2025 in the EU.

Already towards the end of 2022, the economic expansion ended abruptly, and activity has since been broadly stagnating, against the background of falling household purchasing power, collapsing external demand, forceful monetary tightening, and the partial withdrawal of fiscal support in 2023. The EU economy thus entered 2024 on a weaker footing than previously expected. Still, there have been positive developments, particularly when it comes to inflation.

All in all, the conditions for a gradual acceleration of economic activity this year appear to be still in place. As inflation decelerates, real wage growth and resilient employment should support a rebound in consumption. The pace of growth is set to stabilise broadly in line with potential, as of the second half of 2024.

Estonia

Estonian GDP is estimated to have contracted by 3.5% in 2023. The downturn is becoming broad-based and affecting not only investment but also private consumption and, particularly, exports. The latter were impacted by weak external demand and depreciations of major trading partners' currencies. Despite the two-year recession, the labour market continued to be remarkably resilient in 2023. The unemployment rate remained low, while employment increased in the second half of the year. Wages grew strongly, though not yet fully compensating for the purchasing power lost due to high inflation over the last years.

Early indicators point to a weak start of 2024. Business confidence moved sideways in pessimistic territory over the last few months, with some improvement in industry and construction, but worsening in the retail sector. Consumers expect their financial situation to deteriorate due to the higher VAT and excise taxes applied as of 2024, still elevated inflation, and high borrowing costs. This suggests that domestic demand is set to be very modest in the first half of the year. Combined with subdued external demand from the country's main trading partners, this prompts a large downward revision of real GDP growth in 2024, to 0.6%. In 2025, growth is expected to resume on the back of an improving external environment, more favourable financing conditions and rising consumption, as purchasing power is restored through the combination of falling inflation and rising wages. It is projected at 3.2%.

Estonia recorded 9.1% consumer price inflation in 2023, down from double digits in the first half of the year but still above 4% in the last quarter, despite significantly falling global energy prices and moderation in food and industrial goods inflation. The higher VAT applied as of 1 January 2024 is set to keep prices high, but inflation is expected to gradually decline in line with global trends, averaging 3.2% in 2024 and 1.9% in 2025.

Latvia

Real GDP is estimated to have contracted by 0.6% in 2023. This is explained by negative growth in the first two quarters and a very modest rebound in the second half of the year. Private consumption and exports slowed down markedly in 2023, whereas investment and public consumption expenditure showed strong growth. The labour market remained strong, with wage growth above inflation supporting real disposable incomes.

Wage increases are set to decelerate in 2024 but are still expected to support a rebound in private consumption over the forecast horizon, as inflation is assumed to significantly ease. Additionally, EU-funded investments, including those financed by the RRF, as well as other public expenditure, are projected to remain strong in 2024. Export growth is forecast to remain slightly negative in 2024, mostly because of a negative carry-over. Overall, economic activity is set to recover in 2024 at a rate of 1.7%.

In 2025, growth is forecast to accelerate to 2.7%, driven by domestic demand. Investments should remain particularly strong, supported by EU-fund inflows and easing of financial conditions. Export growth is projected to pick up, in line with a general improvement in demand from main trading partners.

Consumer price inflation rapidly decelerated in the second half of 2023, driven by declining energy prices. Headline inflation averaged a still elevated level of 9.1% in 2023, with inflation excluding unprocessed food and energy posting 9.7%. In 2024, headline inflation is forecast at 2.2% and is projected to remain at 2.2% in 2025 as well.

Lithuania

Real GDP is estimated to have contracted by 0.3% in 2023. After a negative first quarter, real GDP strongly rebounded in the second quarter, before stagnating in the second half of the year. Despite significant capital investments and a fast deceleration of inflation, the economic recovery was delayed due to subdued private consumption, weak exports, and tightening financing conditions. The labour market remained resilient, with unemployment on a downward trend and growing employment figures thanks to an increasing number of self-employed and persons fleeing war in Ukraine. Wage growth remained strong, driven by higher minimum wages and public sector wage increases, but also due to a persistently tight labour market.

While recent manufacturing, construction and services confidence indicators show rather pessimistic expectations for the near future, consumer confidence started to improve. Private consumption is expected to grow thanks to alleviating price pressures, although geopolitical uncertainties is still expected to weigh on private consumption, as consumers opt for precautionary savings instead. At the same time, continuously weak external demand is limiting growth, which is forecasted at 2.1% in 2024. For 2025, GDP growth is projected to strengthen to 3%, as exports are recovering, and private consumption and investments are expected to become the key growth drivers.

After reaching a record-high of 18.9% in 2022, consumer price inflation moderated to 8.7% in 2023, as growth in prices of energy turned negative in the second half of 2023, while the price of food and manufacturing products continued to decelerate. For 2024-25, inflation is forecast to come down, mainly due to a stronger-than-expected decline in energy prices. Headline inflation is projected to remain slightly above the 2% target, at 2.4%, over the forecast horizon.

2.2. Legal environment

Changes in Occupational Health and Safety Act

As from 1st January 2023 the changes of the Occupational Health and Safety Act came into force. The employer was given the right to process test and analysis data on the measurement of chemical and biological hazards in the employee's system and vaccination data to the extent necessary for applying measures arising from the risk assessment of the working environment. Also matters related to occupational health services were specified (including medical examinations), including occupational health doctor's obligations, processing of employee's personal data, storage of data for 10 years after health service provision. Occupational diseases caused by psychosocial risk factors have been added to the list of occupational diseases. Also, obligations to employer were specified in case of teleworking.

Changes of the Funded Pensions Act

The changes of the Funded Pensions Act and Securities Register Maintenance Act were published in January 2023, which allows customers to make as from 1st January 2025 contributions to the second pillar at the rate of four or six percent instead of the current two percent in order to increase their pension savings. By default, the current two percent payment rate will remain in effect. The payment rate can be changed once a year. In this case, the new rate applies from January 1, and the application must be submitted to the account administrator by November 30 at the latest. The changes will take effect from 2024 and higher payments can be made from 1 January 2025 at the earliest.

IFRS 17

In May 2017, the International Accounting Standards Board issued a new standard, IFRS 17 (International Financial Reporting Standard), which now came into force on January 1, 2023 (it was originally supposed to come into force 2 years ago). It was preceded by the IFRS 4 standard. The new insurance contract standard IFRS 17 affected all Estonian insurance companies. Before the development of the standard, economic accounting in the field of insurance was not harmonized. Insurers' financial statements were poorly comparable and there were many differences between countries. The rules were established by supervisory authorities rather than by standard setters. Therefore, there were deviations from the general accounting rules and standards.

The law amending the Family Benefits Act, the Family Law Act, and the Employment Contracts Act

The law amending the Family Benefits Act, the Family Law Act and the Employment Contracts Act was published in January 2023. According to the law, the allowance for the first and second child will increase from 60 euros as of January 1, and the allowance for a child of a single parent will increase from 19.18 euros to 80 euros per month. The allowance for a family with children increases from 300 to 650 euros for three to six children families and from 400 to 850 euros per month for seven or more children families. From May 1, 2024, the allowance for families with children will be indexed with the pension index. At the same time, the requirement for children aged 16-19 to study as a condition for paying child support will disappear, which will enable both family support with children and child support to be received by families where the child does not continue studying for some reason, e.g. due to special needs. In order to encourage learning, the rule remains that if a 19-year-old is studying in the current academic year, the allowance will continue to be paid until graduation or the end of the academic year. The law also states that in the event of the death of a child under the age of three, the state allows both the mother and the father a shared parental benefit for up to 30 consecutive calendar days and provides for a change in the regulation of the calculation of alimony stipulated in the Family Law Act, according to which the allowance of a family with children is taken into account in the amount of 50 percent when calculating the minimum alimony. The purpose of the amendment is to consider the payment of support for a family with children more clearly and fairly when calculating alimony.

The law amendments on changing Auditors Activities Act, the Financial Crisis Prevention and Resolution Act were published in March 2023 (reform of misdemeanour punishments in the financial field, penalties arising from EU law)

The purpose of which is to bring the laws into line with the requirements arising from European Union law and to enable the application of financial sanctions in Estonia with the maximum limits stipulated in EU legislation. The changes came take effect on 1st of November.

2.3. Insurance Market

Non-life Insurance market volume in Estonia in 2023 grew by 18.0%, reaching 544 million euros. ERGO's market share stayed the same as in 2022, 15.9%, maintaining third position. Compared to previous year Other Vehicles' insurance slightly decreased by 0.4% while Motor Liability and Property and Engineering insurance lines had highest growths (20.9% and 19.7% respectively). ERGO improved market position in Travel, Bonds, Cargo, and Other Vehicles lines.

In Latvia non-life Insurance market volume increased by 12.3% to 437 million euros in 2023. ERGO's market share increased by 0.8 pp to 10.4% while keeping the fourth position. Railway insurance, Business Interruption and Bonds insurance markets grew by 196.0%, 43.3% and 33.9% respectively. ERGO improved market positions in Railway, Motor liability, Liability and Bonds insurance.

In 2023 Lithuania non-life Insurance market had highest growth in Baltics by 21.3%, reaching 993 million euros. ERGO's share slightly decreased by 0.1 pp to 14.5% with same, third, market position as year before. Ships TPL insurance had the highest growth (67.9%) while Other suretyship, Compulsory liability and Property insurance markets grew by 39.3%, 32.5% and 31.0% respectively. ERGO improved market position in Goods in transit, Liability and Other suretyship insurance.

3. Sustainability overview

3.1. Our dedication

At ERGO, we understand that protecting the environment and addressing climate change is crucial for our future, and it is also a vital part of our corporate governance. That is why we have set an ambitious objective to significantly reduce carbon emissions in our business operations, insurance, and investments as part of our "Climate Ambition 2025" initiative. Further strategic milestones from 2025 onwards will be developed in line with current scientific progress, political and regulatory developments, and in line with international standards. Our goal is to achieve net-zero emissions across all areas by 2050 at the latest.

In addition to our internal efforts, we also strive to contribute to society by helping to mitigate the impact of climate change. Together with Munich Re, we promote international afforestation projects and assist start-ups with innovative business ideas on climate protection.

At ERGO, we are committed to following the ten principles of the United Nations Global Compact. This includes our dedication to preserving and promoting fundamental values, such as human rights, humane working conditions, environmental protection, and anti-corruption efforts, within our sphere of influence.

We also comply with domestic and international environmental protection laws, as well as other binding obligations and self-commitments to environmental protection. We stand by the Principles of Sustainable Insurance (PSI) and the Principles of Responsible Investments (PRI), as well as the goals of the Net-Zero Asset Owner Alliance (AOA).

We believe in creating a work environment that fosters performance, motivation, and individual diversity. We offer flexible working hours, development opportunities, and strive to inspire our employees through automated processes and agile working methods as we move forward with the process of digital transformation.

We follow Munich Re and ERGO Groups ESG criteria, that stands for environmental, social and governance criteria, which describe sustainable targets and approach.

3.2. Governance

3.2.1. Economical Liability

An environmentally sustainable mindset as an investment in the future is an important part of our corporate governance. We in ERGO believe that good governance is an essential prerequisite for sustainable value creation. Our key principles and convictions apply for all our employees and form the framework for our sustainable actions. In everything that we do, we act on the basis of common values, respecting the rights of others and handling the data entrusted to us with care and attention.

We have supplemented the applicable laws and external regulations with in-house codes of conduct for employees and sales staff. These set out binding rules for what we believe constitutes ethical business conduct. All managers must declare their private interests before starting work.

External service providers are required to sign an anti-corruption agreement and observe the principles of the UN Global Compact. The ERGO Anti-fraud Management Guideline, includes principles and rules on preventing, uncovering, and investigating economic crimes.

In order to prevent money laundering, a Group Money Laundering Officer and a deputy were appointed for ERGO Group AG at the beginning of 2020 in line with the statutory requirements. Upon making donations, we do not accept any benefits or favours in return.

We grant possibilities for our employees and customers to give feedback on compliance breaches via our homepage; all claims are solved or given feedback about actions taken within 5 working days.

Employees and external third parties – such as customers and suppliers as well as other business partners – can additionally report suspected breaches on the ERGO international whistle-blowing portal. All employees and managers undergo regular training with the aim of preventing compliance breaches.

3.2.2. Digitalization and Data Protection

ERGO places a strong emphasis on driving forward the digital transformation in our corporate strategy. We recognize the potential of digitalization to meet the evolving needs and expectations of our customers, and to maintain our long-term success.

To streamline our operations, we have integrated several robots into our processes, enabling quicker claims handling, improved NPS (Net Promoter Score) processes, more efficient pricing and controlling. We are also proud to offer opportunities to interns who have contributed to programming some of these robots, and many of them have continued to work with ERGO.

At ERGO, we place a high priority on protecting our customers' data by consistent focus on key cybersecurity protection areas: the confidentiality, availability, and integrity of information. Requirements for data protection are driven by statutory and supervisory regulations and are an integral part of ERGO corporate strategy. We collect data in a transparent manner and only to the extent necessary for specific purposes. We have developed in-house guidelines and adopted voluntary industry commitments to supplement legal requirements. Regular employee training is also conducted to ensure compliance with data protection requirements and raise awareness about data protection issues.

In 2023 we continued development of various digitalization products, increasingly moved towards cloud-based services which helps us to reduce our direct environmental impact as we continuously monitor our environmental footprint. We are continuously expanding and developing our online channels to offer convenient web-based services even in the more traditional insurance industry.

3.2.3. Human Rights

Safeguarding human rights is an integral part of ERGO's value-based corporate governance. We uphold this commitment through the Munich Re Policy Statement on Human Rights, which is also applicable to ERGO. Our dedication to the protection of human rights is reflected in our adherence to the UN Principles on Business and Human Rights, the International Human Rights Charter, the UN Global Compact, and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work.

These principles guide us in preserving, promoting, and implementing fundamental values related to human rights, humane working conditions, environmental protection, and anti-corruption efforts within our sphere of influence.

In this year ERGO Group approved the Declaration of Human Rights Principles. It aims to improve the human rights around the world and restrict cooperation with sellers of goods and services if they do not ensure adequate human rights principles.

In this year ERGO signed the Diversity Charter. By joining, we affirmed our respect for people’s diversity and commitment to the principle of equal treatment among their employees, partners, and clients.

3.3. Social responsibility

3.3.1. Customer orientated services and products

At ERGO, we believe that people are the most important in business. We strive to combine customer satisfaction with our employee’s engagement.

Our goal is to make ERGO a place that allows us to grow together and succeed. This would lead us to the customer-oriented promise – to make insurance as simple as possible.

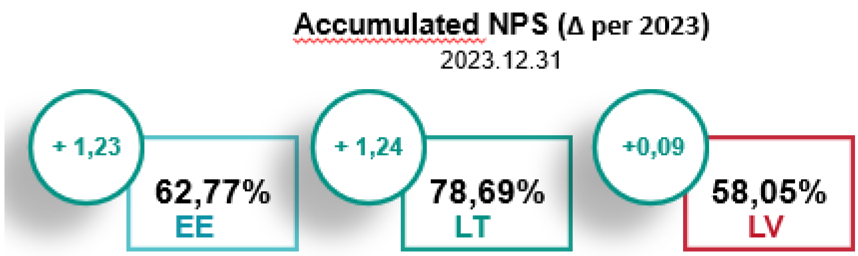
Our insurance solutions cater to our customers' needs and respond to changes and developments in society. We focus on prevention, which helps to reduce environmental problems as every loss event has a negative impact on the environment. As part of our job, we conduct risk visits to prevent possible damage at the client's property.

We are glad to acknowledge, that based on several research, we have been able to meet our customers’ expectations and raise satisfaction also during this challenging year.

Our internal and pan-Baltic accumulated NPS, that is set as one of the most important KPIs for all our employees, continued to grow – in all three countries, both for sales and claims handling. Our

NPS process is harmonized on Baltic level since beginning of 2020. It is closely monitored, communicated on a regular basis, and based on the feedback we update our processes constantly. We are glad to receive a lot of positive feedback from our clients, that is also used in our acknowledgement culture.

At ERGO customer satisfaction is ingrained in the company's culture which means that ensuring customer satisfaction is not just a departmental goal or a temporary initiative but rather a fundamental aspect of how the organization operates and how employees behave. ERGO Baltics employees across all levels of the organization understand the importance of customer satisfaction and prioritize it in their everyday work. It's not only about employees who work with clients directly, but also about back office employees who serve internal customers and have a clear understanding how at the end it effects company clients expectations. Customers' feedback is gathered systematically, it is analysed, and appropriate actions are taken to address issues and improve service.



In 2023, the market research firm Dive conducted a specialized study focusing on insurance companies. Through mystery shopping exercises, they determined that ERGO, operating in Estonia and Lithuania, stood out for its exceptional customer service within the insurance industry.

Our quarterly Mystery Shopping survey / reports by Dive Group in Estonia show, that our service quality level has consistently and steadily increased and even broke the all-time record at 93,4% in the third quarter of 2023. Our service quality average result of all quarters even exceeds 92,8%.

We are especially proud, that in Lithuania the first position among non-life insurance companies was held already four years in a row.

3.3.2. Sponsorships / social responsibility actions 2023

As in previous years, ERGO focuses on three global challenges that are closely associated with our core business: mitigating the effects of climate change, improving access to healthcare / promoting healthy lifestyle, and enhancing risk awareness.

We are guided by the United Nations Sustainable Development Goals, which describe the key challenges of our time.

The projects are carried out locally, but group-wide reporting on activities and expenditure ensures transparency and lays the foundations for our social commitment reporting. We prefer projects that go together with our own business activities, that support them, and that help to offer additional value to ERGO's employees and clients.

ERGO aims to be an advocate for a mindset of prevention; therefore, in Estonia we continued with ERGO's preventive action competition "Parim heategu on ennetustegu" (eng. Prevention is the best act of kindness), launched in 2022. While on the business side, we provide direct assistance primarily in terms of effective loss

prevention, on the communications side, we are committed to highlighting those who are making a difference to society, helping to make the future healthier, more sustainable, and safer.

We continued collecting the previous year's outstanding activities, 10 of which we introduced to a wider audience together with "Postimees". In the second ERGO Prevention Action of the Year competition, exercise game initiative Liikumismängud, which shares exciting exercising videos on Instagram and TikTok, won the grand prize in the popular vote. Next came Sumena, which rescues and resells food in danger of being destroyed, and Lennusulps, which creates facilities for winter swimmers.

Naturally, we continued our cooperation with our long-term partners, including the Estonian Rescue Association and the Estonian Cancer Society.

To make our activities even more research-based and effective, ERGO Estonia decided to become a member of "Green Tiger", a collaborative platform that aims to devise, teach, and implement a plan for a balanced economy.

Based on the knowledge of the "Green Tiger" platform, we also want to manage our climate journey even more carefully and involve employees more directly in environmental issues as well as make sure that the insurance sector takes a more sustainable direction – by engaging in prevention work and reducing the footprint of insurance, which is primarily due to claims handling. We are changing the replacement-oriented mindset with a more sustainable one aimed at repairing.

Rohetiiger Liige

ERGO's summer cycling campaign, which has already become a tradition, focuses on health and environmental awareness. For the fifth summer in a row in Estonia, we offered our motor hull insurance customers the choice between a replacement car or a free bicycle that they could keep after the repair period.

ERGO's green initiative aims to encourage people to cycle more in the city, thereby reducing the number of personal cars in the urban environment.

To make it more interesting for cyclists, we opened five bike orienteering trails across Estonia in Kuressaare, Jägala-Joa, Räpina, Toila, and Mulgimaa. The most popular of these was the trail in Saaremaa. In total, 28,000 kilometres were covered on the bike orienteering routes.

In cooperation with the Estonian Olympic Committee, ERGO has awarded scholarships to young athletes for eight year now in the total amount of €25,000 in order to give a boost to young Estonian athletes.

The aim of the scholarship is to support promising young athletes in preparing for and participating in international competitions. The scholarship is earmarked and designed to cover training and competition costs or the purchase of sports equipment.

A record number of athletes applied for the scholarship announced in September, and this year we awarded two special scholarships in addition to the traditional one: Fan Favourite and My First Sponsor. Both special grants were €1,000. In 2023, the minimum age for candidates was also changed to 16.

In November ERGO in Estonia signed the Estonian Diversity Charter. By signing this agreement organization voluntarily commits to promote diversity and equal opportunities among their employees, partners as well as clients. Earlier in the year the Diversity Charters were signed also in Lithuania and Latvia.

ERGO in Estonia has been nominated for the Silver Label based on the methodology of the Responsible Business Forum, and ERGO Latvia also .

From 13 November all three Baltic countries joined annual ERGO Group initiative – Data deletion challenge. The employees were invited to clean up the digital space – delete as much unnecessary data as possible from their computer's hard drives. Deleting old or unnecessary data frees up storage space,

reduces the load on servers and energy consumption, resulting in fewer greenhouse gas emissions.

This means that erasing data helps to sustainably protect the environment and reduce climate change.

During the last quarter we donated 10,000 euros to SOS Children Village in Estonia; earlier in the year the same amount was donated to SOS Children Village Lithuania. ERGO financial support was planned to be used for renovation support of houses for Ukrainian families and mental well-being hours therapy for children.

Since mid-January, ERGO in Lithuania continued its cooperation with #walk15, a start-up promoting and supporting healthy lifestyles, and relaunched the “Let's plant trees all over Lithuania” challenge. This time, the challenge lasted until the beginning of April, and the aim was to collect so-called virtual trees, which were later used as a basis for planting real trees. In April, the trees were planted – as many as 50,000 young trees are now growing in the Klaipėda and Panevėžys regions thanks to ERGO's initiative. In three years of cooperation, ERGO in Lithuania has involved as many as 450 volunteers and planted a total of 90,000 trees.

ERGO in Latvia was celebrating its 30th anniversary on 2023 and was also focusing on environmental topics in its celebrations. The “30,000 reasons to walk with ERGO” campaign, like the one in Lithuania, invited people to take care of their health and think about nature by counting steps together. The tree planting event took place on 29 September and was attended by 59 employees, many of whom brought along their children, teaching them new skills and a love of nature. Six thousand birches were planted on an area of three hectares.

For the third year in a row, our Lithuanian colleagues gathered on the last weekend of the summer to volunteer in free environmental, educational, and cultural festival “Let’s do it by the sea”. With the help of volunteers, a 150-metre stretch of dunes was reinforced, nearly a hectare of beach was landscaped, and over 2,000 litres of rubbish collected. Volunteering and getting involved in similar initiatives is highly encouraged at ERGO, and the employer also provides one paid day for charity activities every year.

3.3.3. People Management

ERGO is one of the most valued and recognised employers in the Baltics. In 2023 we were in the top of the best employers' rank by CV-Online in Latvia and Lithuania. Also, we were acknowledged as a workplace that foster diversity in Lithuania and as family-friendly workplace in Latvia and Estonia. Estonian Chamber of Commerce and Industry ranked us in TOP 10 best insurance company in the financial sector.

We are working consistently in order to improve the employee experience in all aspects. This is done through specific programmes, training sessions and information flow/internal communication.

ERGO Baltics strategy that was renewed in September is based on people – our customers and the team. We want to show that ERGO is focused on both, collective and individual success and offers opportunities for personal growth. And we want to reach people who are ready to play a committed role in making the customer promise a reality.

Diversity

Diversity means having a variety of people differing is such personal identity aspects as race, gender, age and more.

Equity

Equity refers to each person being treated fairly and given the same opportunities (for career, promotion, salary, etc.)

Inclusion

Inclusion means that all community members are embraced and encouraged to make meaningful contributions.

The term "DEI" commonly used in modern leadership, stands for Diversity, Equity, and Inclusion. Essentially, it means working in a place where you're treated fairly, you really feel that you belong here, and you are respected for who you are. This approach fosters diverse perspectives and experiences, making the workplace more creative and successful. Given that it's a key strategic priority for the ERGO Group.

Diversity is certainly wider than just age and gender topics. Diversity at workplace is important because collaboration among colleagues of different people gives us a precious opportunity to share the best practices, encourage out of the box thinking, foster a diverse point of views leading to innovative approaches and non-standard solutions. We are lucky to have colleagues dispersed among all age groups, with the majority in 36-45 years group.

There is lot of talk about glass-ceiling in career management for woman, so ERGO Group has identified a specific gender ambition to have both genders on different management levels.

ERGO Baltics has managed to achieve and exceed these targets already by now. We have a lot of efficient leaders, that is not so common in all companies and especially in insurance sector

53% of female in ERGO

Management level 1:
Division Managers

65% of female in ERGO

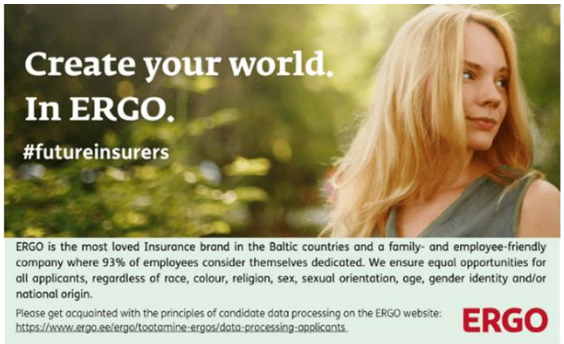
Management level 2:
Department Managers

25% of female in ERGO

Management Board

Equity in the workplace is crucial for creating a positive and productive work environment where every employee is treated fairly and given the same opportunities. There are many actions at ERGO that one may have not considered as equity topics: we encourage our people to aim higher, so internal career opportunities and vacant positions are announced first on the intranet; we promote transparent job postings, meaning that job ads are competency and role-based with no gender-specific wording or keywords;

Our salaries are determined according to the "Hay" methodology (in LT) and "Fontes/ Figure" methodology (in LV and EE), where job positions are evaluated rather than specific individuals.



Inclusion in the workplace is vital for creating an innovative, forward-thinking, and engaging work environment that benefits both employees and the organization. It's also about activities that foster a sense of belonging.

To achieve this, we have implemented various initiatives: unconscious bias training - we need to avoid making assumptions. Therefore, we have been conducting workshops for leaders to increase their awareness of unconscious prejudices, stereotypes, and biases in employee-related processes. This awareness is key to overcoming them; hybrid work and workation - in ERGO, we provide an innovative solution and trust our employees, so employees don't have to choose between family/pets and the office. Employees can take up to 28 calendar days of workation per year in European Union countries, to ensure their safety and IT support. In 2023, 47 employees used the workation solution; parental leave/return - nowadays, both men and women take parental leave.

However, returning to one's previous position can be challenging. To address this, we've created a special project “ERGO tėveliai” (eng. ERGO parents) to keep employees involved and ensure a positive experience for our community members before, during, and after parental leave.

In April, ERGO employees in Estonia and Latvia had the opportunity to have a peak at the daily work of other departments and colleagues, what they are responsible for and what challenges they face. Our CEO of ERGO Baltics Ursula Clara Deschka also participated in the shadowing days and encouraged colleagues to join as well. Since the job shadowing project received positive feedback and will contribute to improving cooperation, we will continue with this on a pan-Baltic scale next year as well.

In ERGO, employees are involved daily through the activities of line managers as well as through the intranet, the in-house magazine, organic communication in modern offices and joint activities

For example, a massage therapist at the ERGO head office in Estonia helped to relieve work-related stress; the Health Tuesdays programme, launched at the beginning of the year to bring fresh fruit to our offices, has been well received. As well as Health month which provided our employees with valuable theoretical and practical knowledge about our physical and emotional well-being.

An internal campaign "Idea Box" was implemented in Lithuania, where employees could offer their ideas and one of them was implemented every quarter. One of the ideas implemented was the ERGO Wardrobe. The reuse-focused project helps to give new life to the clothes and shoes of ERGO staff that are still in good condition but no longer find use. Also, at the end of the year the blood donation was organised as one of the ideas offered by employees.

ERGO values diversity and commitment. This year, for the first time, in ERGO in Estonia we congratulated employees who have been with us for 30 years and officially opened a wall of honour.

To ensure a smooth onboarding process and provide professional support, ERGO is continuing a mentorship program for its newcomers. Our official mentors have to complete a three-day basic training, so all new employees are supported by a personal mentor. Last year 60 mentors supported our new employees

Shared events and joint activities are very important for our employee experience. Employee summer events were held in all Baltic countries during the summer. In winter and early spring events we share a celebration during which the best colleagues, teams, and projects were awarded. There were also several events for our children, special team building actions and celebrations. In addition, we are participating in the student fairs to introduce ERGO to young people, talk about various career opportunities at ERGO, and be visible among young people.

3.3.4. **Diversity / Main HR Statistics**

ERGO HR & Diversity statistics	ERGO Insurance SE 2023		
Total number of staff		1271	
Gender balance (nr/%)	Male:	250	19.7%
	Female:	1021	80.3%
Managers on Level 1-3 (nr/%)	Male:	58	29.7%
	Female:	137	70.3%
Average age (years)	Male:	43	
	Female:	43	
Average tenure (years)		8	
Training hours per employee		44	
Employees on maternity leave		53	

3.4. Environmental responsibility

"Protecting the future is in our nature" – with this statement we dedicate ourselves for creating a better tomorrow and especially environment - making an effort to ensure minimal impact on our ecological footprint and to totally become climate-neutral by 2050 (business operations, investments, insurance).

As a financial services provider, our direct impact on the environment is limited since our business model is not energy- or resource-intensive. We become involved in areas where we can have a tangible and beneficial influence and make every effort to keep energy and resource consumption, and carbon emissions, as low as possible.

We raise awareness of environmentally friendly behaviour among our employees and customers alike. We are committed to moving our business operations across the Group to net-zero emissions by 2030.

We will achieve this by focusing on the main factors driving our emissions – energy consumption and business travel. We calculate our carbon emissions from energy, paper and water consumption, business trips and waste generation on an annual basis. In this way, we determine our ecological footprint in accordance with internationally recognised methods and conversion factors, such as the GHG protocol.

Each individual employee is asked to help to reduce the consumption of resources within the company and also at home offices. We continuously encourage our employees to reduce use of paper, private and company transport, and increase level of waste sorting for improved recycling purposes.

We continue our improvement activities and raise awareness about digital waste and encourage people to delete data that is no longer required, with the aim of sensitising employees to the fact that data storage uses electricity and creates carbon emissions. In 2023 all three Baltic countries joined annual ERGO Group initiative – Data deletion challenge which helped to reduce greenhouse gas emissions.

Also, we promote climate-neutral travel by preferring bicycles – running social campaigns for clients and employees. In organising tenders and making decisions, we make an effort to ensure minimal impact on our ecological footprint. Already the fifth summer in a row, we offered our motor hull insurance customers the choice between a replacement car or a free bicycle that they could keep after the repair period. All ERGO motor hull insurance customers whose car is in a repair shop between June and August for a least five days were able to choose a bicycle as a more environmentally friendly alternative to a replacement car.

Caring for the environment begins with awareness and small actions, and to ensure that no hazards go unnoticed, ERGO continued use an environmental register through which all employees can report environmental risks they have noticed.

In 2023 ERGO Estonia decided became a member of Green Tiger, a collaborative platform that aims to devise, teach, and implement a plan for a balanced economy. With a help of collaboration process want to improve our climate journey even more carefully and involve employees more directly in environmental issues as well as make sure that the insurance sector as a whole takes a more sustainable direction – by engaging in prevention work and reducing the footprint of insurance, which is primarily due to claims handling.

ERGO joined the Earth Hour initiative together with other Group offices and completely switched off the lights in ERGO Vilnius headquarters for one hour. ERGO Estonia headquarters is located in one of the most environmentally sustainable office buildings in the Baltic States, where all lighting solutions are automated. Thus, we supported Earth Hour in Estonia by sharing the call to action to promote saving energy. This year, ERGO Estonia also joined the Digital Cleanup initiative, which was organised by Telia for the fifth consecutive time and focused on returning old electronic equipment to support reuse or recycling.

In 2023 ERGO expanded its cooperation with #walk15 and once again entered the “Let’s plant trees all over Lithuania” challenge. The challenge aim is to first collect virtual trees, which will later be used as a basis for planting real trees. Latvia’s walking challenge “30000 reasons to walk with ERGO” attracted more than 3050 people from different countries. participants took a total of 732308005 steps, walking a total of 523077 kilometres. As a result, six thousand birches were planted on an area of three hectares. Both the Estonian and Lithuanian ERGO teams have joined this initiative carried out for the benefit of the environment and health.

ERGO's broader ESG mindset and actions have been recognized, with the company being awarded the Responsible Business Forum's Silver Label in Estonia and the Latvian Institute of Corporate Sustainability awarded ERGO Latvia with Platinum level category. This high recognition reflects ERGO’s exemplary performance in the areas of environment, governance, working environment, social contribution, and sustainability.

A safe and modern working environment is an integral part of ERGO's work life, and on October 10th, 2022, ERGO Estonia's head office moved to a new, environmentally friendly premises - the Avala office centre, which is one of the most environmentally friendly office buildings in the Baltics. As a company with a sustainable mindset, we carried out the relocation process with a focus on extensive recycling. Furniture that was not going to the new office found new owners through organized recycling.

All of the Avala office buildings are LEED Gold certified and draw energy from Tallinn's biggest (24,000m2) solar park, which covers one-third of the energy needs of the entire quarter. The cutting-edge roofs are covered with the environmentally friendly IKO Carrara membrane, whose unique air-cleansing surface can neutralize the equivalent of the annual emissions of 3,750 cars in its lifetime. The quarter also provides recharging for up to 150 electric cars and secure storage for bicycles. Additionally, there are several high-tech solutions in place to save energy, such as smart elevators, automated systems that control lighting, heating, and ventilation, and respond to requirements.

3.4.1. Environmental Management

Our parent companies, Munich Re and ERGO Group, have announced their Strategy Ambition 2025 Shape – Scale – Succeed, which includes the Climate Ambition 2025. The main goal of this initiative is to reduce current CO2 emissions by 12% per employee by 2025. ERGO Baltic has also committed to this goal and wants to be part of the international initiative to take action to reduce carbon emissions in our organization.

To achieve this, we are measuring our 'carbon footprint', monitoring it, and looking for ways to reduce CO2 emissions.

Our Management Board has approved and regularly reviews operations of the Environmental Management System, related policies, and performance KPI's. The Environmental Management team within its daily operations monitor resource usage by tracking and converting our water, electricity, heating, waste, and travel data into CO2 emissions, developing action plans to reduce CO2 emissions, identifying, and monitoring environmental risks within our organization, and educating all employees on how to consider environmental aspects in their daily activities.

During 2023, ERGO Baltics successfully passed ISO14001:2015 surveillance audits in all three countries, ISO14064 surveillance audit in Estonia and transformed previously certified EMAS system to ISO14064:2018 certification in Latvia, which confirm the companies' significant achievements and responsibilities in the environmental and sustainability fields.

ISO 14001:2015 specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance. It is intended for use by an organization seeking to manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability. ISO 14001:2015 helps an organization achieve the intended outcomes of its environmental management system, which provide value for the environment, the organization itself, and interested parties. Consistent with the organization's environmental policy, the intended outcomes of an environmental management system include enhancement of environmental performance, fulfilment of compliance obligations, and achievement of environmental objectives.

The ISO 14064 standard is part of the ISO 14000 series of International Standards for environmental management. The ISO 14064 standard provides governments, businesses, regions, and other organizations with a complementary set of tools for programs to quantify, monitor, report, and verify greenhouse gas emissions. The ISO 14064 standard supports organizations to participate in both regulated and voluntary programs such as emissions trading schemes and public reporting using a globally recognized standard. ISO 14064-1:2018 specifies principles and requirements at the organization level for quantification and reporting of greenhouse gas (GHG) emissions and removals. It includes requirements for the design, development, management, reporting, and verification of an organization's GHG inventory.

3.4.2. Overview of carbon emissions

Carbon emissions in all three countries are calculated according to greenhouse gas emissions (GHG) principles and are quantified in following Scope categories:

Scope 1 – Direct emission from primary energy consumption (natural gas, emergency diesel power, fuel for company cars)

Scope 2 – Indirect emissions from procured energy (purchase of electricity, district heating)

Scope 3 – Other indirect emissions (business trips, waste, consumption of paper and water).

As a result, following carbon emissions results were registered in all three ERGO Baltics countries.

ERGO Lithuania key environmental figures

	2023	2022	2021	2020	2019
Carbon emission in CO2 kilograms	403 606	459 976	398 429	433 264	604 524
Direct carbon emissions from primary energy consumption - Scope 1	295 792	367 540	319 283	339 901	418 205
Indirect carbon emissions from procured energy - Scope 2	41 307	44 817	43 788	45 604	114 632
Other indirect carbon emissions - Scope 3	66 507	47 619	35 358	47 759	71 687
Carbon emissions per employee	572	579	499	555	806
Carbon savings per employee compared to baseline Year 2019	29%	28%	38%	31%	

ERGO Latvia key environmental figures

	2023	2022	2021	2020	2019
Carbon emission in CO2 kilograms	106 288	93 141	88 942	96 812	129 511
Direct carbon emissions from primary energy consumption - Scope 1	27 071	28 718	25 743	27 011	42 761
Indirect carbon emissions from procured energy - Scope 2	33 154	48 902	59 888	63 059	61 627
Other indirect carbon emissions - Scope 3	46 063	15 521	3 311	6 742	25 123
Carbon emissions per employee	370	335	326	322	453
Carbon savings per employee compared to baseline Year 2019	18%*	26%	28%	29%	

* Latvia included new Scope3 components in 2023. With previous Scope3 components result in 2023 - 45%

ERGO Estonia key environmental figures

	2023	2022	2021	2020	2019
Carbon emission in CO2 kilograms	89 559	296 700	409 526	397 139	536 663
Direct carbon emissions from primary energy consumption - Scope 1	15 117	12 736	10 679	14 469	40 094
Indirect carbon emissions from procured energy - Scope 2	48 702	266 471	391 402	369 849	412 204
Other indirect carbon emissions - Scope 3	25 740	17 493	7 445	12 821	84 365
Carbon emissions per employee	435	1529	2155	2079	2809
Carbon savings per employee compared to baseline Year 2019	84%*	46%	23%	26%	

* Estonia adjusted Scope2 and Scope3 calculation methodology plus moved to new office in 2023.

In all three countries carbon emission savings significantly overachieved set 12% saving target. If in Year 2020 and 2021 main reason for carbon emissions improvement was directly related to Covid 19 impact then in Year 2022 and 2023 ERGO identified various impact factors such as energy efficiency activities, change of office premises, implementation of hybrid work principles, higher influence of digitalization processes and other environmental improvement activities.

Partially carbon emission calculations results are impacted by adjusted calculations methodologies and changed Scope components. At the same time ERGO has detailed structure of environmental KPI’s which allow to objectively compare exact environmental results in each category.

4. Main activities and actions

4.1. Marketing, communication, brand image

From third quarter of 2023, ERGO Baltics has sharpened its brand profile and from now on we put the focus on “Making insurance easier” in all marketing measures and customer communications using a slogan “Simple because it matter”.

We are communicating proof points that show our dedication to make insurance easier for our clients. Internally we review processes and tasks and evaluate where decisions could be taken quicker and what daily routines could be changed or reduced.

In communication and PR, as in previous years, our goal was to communicate about insurance and prevention in a clear and straightforward manner, using our expertise, statistics, and potential risks to demonstrate our commitment to making the world a safer place.

Our goal to simplify insurance was also reflected in our internal communication and sales materials for clients and on our homepage.

4.2. Sales support & service

Main sales support campaigns were launched in all Baltic countries for home, MTPL and motor hull insurance products. One of ERGO's advantages is legal protection insurance, and as the need for legal assistance grows year on year, we are also promoting this product strongly through marketing campaigns. During one of them we invited people to sign up for legal protection insurance with a special offer. The aim of the campaign was to raise awareness among Estonian families about the possibilities of ERGO legal protection insurance. Another campaign was targeted to car owners and drawing their attention to the different situations in which they can benefit from legal protection insurance.

As ERGO's aim is to explain the importance of insurance and prevention in a simple way, we are also very active in wider media. This is done together with our partners: for example, we explain the background of fire safety together with Estonian Rescue Association. ERGO also carries out risk visits to its business customers with the aim of identifying and drawing attention to risks that have been overlooked for various reasons. The aim of the visits is to provide companies with information on the prevention of damage and loss that helps to mitigate risks and thus avoid damage and losses. We also share this expertise in the media to raise awareness of general risk areas.

We are highlighting prevention of the damage in our marketing campaigns as well. ERGO Estonia paid more attention to home insurance at the beginning of the year. The sales campaign offer was extended to owners of private homes, who were invited to take a close look at the terms and conditions of their insurance contract and update them, where necessary. We are committed to ensuring that people are diligent and aware, especially in matters of fire safety.

In autumn annual Insurance Forum was held in Lithuania, with high number of brokers and insurers participating. This time, most topics were related to risk assessment in the insurance business. ERGO managers read presentations about damages in the construction sector, changing technologies and risks and about development of data statistics in the insurance business and the influence of artificial intelligence. Such events where insurers and brokers gather, share knowledge, and spend time together help to build relationship which in turn add to building customer satisfaction.

We noticed that the share of cash payments in our offices has been decreasing year after year and people are increasingly preferring bank cards as a payment method. We have therefore decided to switch to cashless payments in most ERGO offices in Estonia from the 1st of September.

In addition to ERGO's sales network, which offers direct contact, we remain close to our customers during the summer by participating in major fairs. This year, ERGO could be seen in Vanamõisa, in Vastseliina, in Mihkli in Pärnu County, Jäneda, Hauka and Jõhvi. On the last Saturday of August, TalTech hosted the traditional opening event of the business season at the Estonian Chamber of Commerce and Industry, where ERGO also provided insurance advice.

5. Financial performance

5.1. Overview

ERGO Insurance SE's insurance revenue for 2023 was 256.9 million euros. Insurance service expenses totalled 224.3 million euros, accounting for 87.3% of Insurance revenue. The net expense ratio was 39.4% (2022: 25.0%) and the net loss ratio was 48.3% (2022: 68.9%). The net combined ratio for 2023 was 87.6% (2022: 94,0%). ERGO Insurance SE ended 2023 with total comprehensive income of 10.6 million euros (2022: expense of 6.6 million euros). The insurance service result was revenue of 22.4 million euros, total investment income amounted to 3.8 million euros, net insurance financial result was expense of 2.4 million euros and other expenses amounted to 17.6 million euros. Income tax expense amounted to 3.5 million euros. The comprehensive result was also influenced by a 6.4-million-euro increase in the value of available-for-sale financial assets and by a 1.7-million-euro increase in insurance/reinsurance finance reserve.

At the year-end, ERGO Insurance SE had assets of 346.5 million euros (2022: 312.0 million euros). Investments in financial instruments amounted to 257.6 million euros (2022: 218.4 million euros), debt securities accounting for 98.1% (2022: 98.6%) and equities and fund units for 1.9% (2022: 1.4%) of the total. Altogether, investments in financial instruments accounted for 74.3% (2022: 70.0%) of total assets. Insurance provisions totalled 182.0 million euros (2022: 179.1 million euros), accounting for 71.6% (2022: 78.9%) of total liabilities and 52.5% (2022: 57.4%) of total assets. At the reporting date, insurance provisions were backed with investments in financial instruments and reinsurance assets which exceeded insurance provisions by 111.5 million euros (2022: 66.9 million euros), providing the company with an adequate liquidity buffer.

5.2. Gross premiums

Gross premium income by line of business

In euros	2023 Gross written premiums	2023 Share of class, %	2022 Gross written premiums	2022 Share of class, %	Change in Gross written premiums	Change in Share of class, %
Motor liability insurance	95 715 795	35,1%	77 910 721	34,5%	17 805 074	38,1%
Accident insurance	22 901 922	8,4%	10 559 569	4,7%	12 342 353	26,4%
Travel insurance	4 773 538	1,8%	4 458 985	2,0%	314 553	0,7%
Technical risks insurance	12 383 405	4,5%	9 097 390	4,0%	3 286 015	7,0%
Individuals' property insurance	19 158 906	7,0%	19 257 149	8,5%	-98 243	-0,2%
Legal persons' property insurance	15 366 315	5,6%	13 607 730	6,0%	1 758 585	3,8%
Agricultural risks insurance	1 884 562	0,7%	2 203 909	1,0%	-319 347	-0,7%
Motor own damage insurance	70 728 467	25,9%	56 398 527	25,0%	14 329 940	30,7%
Liability insurance	7 074 507	2,6%	11 536 227	5,1%	-4 461 720	-9,6%
Goods in transit insurance	2 386 022	0,9%	2 381 016	1,1%	5 006	0,0%
Carrier's liability insurance	3 034 667	1,1%	2 926 946	1,3%	107 721	0,2%
Watercraft insurance and watercraft owner's liability insurance	765 728	0,3%	3 507 497	1,6%	-2 741 769	-5,9%
Guarantee insurance	8 344 702	3,1%	5 581 982	2,5%	2 762 720	5,9%
Railway rolling stock insurance	248 745	0,1%	132 021	0,1%	116 724	0,3%
Assistance insurance	3 990 689	1,5%	3 179 512	1,4%	811 177	1,7%
Financial risks insurance	1 294 269	0,5%	1 016 595	0,5%	277 674	0,6%
Loss of employment insurance	620 691	0,2%	422 657	0,2%	198 034	0,4%
Legal expenses insurance	1 518 567	0,6%	1 508 204	0,7%	10 363	0,0%
Total from insurance activities	**272 191 497**	**99,8%**	**225 686 637**	**99,9%**	**46 504 860**	**99,6%**
Legal persons' property insurance	439 540	0,2%	221 977	0,1%	217 563	0,5%
Liability insurance	0	0,0%	38 400	0,0%	-38 400	-0,1%
Total from reinsurance activities	**439 540**	**0,2%**	**260 377**	**0,1%**	**179 163**	**0,4%**
Total	**272 631 037**	**100,0%**	**225 947 014**	**100,0%**	**46 684 023**	**100,0%**

In 2023, ERGO Insurance SE generated premium income of 272.6 million euros, a 20.7% increase on 2022. The largest classes were motor liability insurance and motor own damage insurance, which generated premium income of 95.7 million euros and 70.7 million euros, accounting for 35.1% and 25.9% of the total portfolio, respectively. Accident insurance contributed 22.9 million euros i.e., 8.4% and individuals´ property insurance 19.2 million euros i.e., 7.0%. Premiums written in legal persons' property insurance, technical risk insurance and guarantee insurance totalled 15.4 million euros, 12.4 million euros and 8.3 million euros, respectively, and their respective contributions were 5.6%, 4.5% and 3.1%. The total contribution of other insurance classes, which each accounted for less than 3.0%, was 28.0 million euros i.e., 10.4%.

Compared to 2022, the share of motor liability insurance increased by 0.6 percentage points and its premium income grew by 17.8 million euros i.e., 22.9%. In addition to that, good growth was achieved in motor own damage insurance where premium income grew by 14.3 million euros i.e., 25.4% and in accident insurance with premium income growth 12.3 million euros i.e., 116.9%.

5.3. Claims

Claims and benefits paid by line of business

In euros	2023		2022		Change in	
	Claims and benefits paid	Share of class, %	Claims and benefits paid	Share of class, %	Claims and benefits paid	Share of class, %
Motor liability insurance	55 428 897	36,2%	46 946 796	33,0%	8 482 101	78,6%
Accident insurance	4 935 001	3,2%	4 669 621	3,3%	265 380	2,5%
Travel insurance	2 298 624	1,5%	1 272 575	0,9%	1 026 049	9,5%
Technical risks insurance	6 540 892	4,3%	5 523 497	3,9%	1 017 395	9,4%
Individuals' property insurance	13 239 504	8,7%	11 133 899	7,8%	2 105 605	19,5%
Legal persons' property insurance	8 807 283	5,8%	10 797 519	7,6%	-1 990 236	-18,4%
Agricultural risks insurance	1 290 195	0,8%	1 005 178	0,7%	285 017	2,6%
Motor own damage insurance	44 564 427	29,1%	38 203 034	26,9%	6 361 393	58,9%
Liability insurance	3 853 666	2,5%	3 346 714	2,4%	506 952	4,7%
Goods in transit insurance	393 725	0,3%	600 617	0,4%	-206 892	-1,9%
Carrier's liability insurance	2 190 822	1,4%	1 547 516	1,1%	643 306	6,0%
Watercraft insurance and watercraft owner's liability insurance	4 931 441	3,2%	9 447 629	6,6%	-4 516 188	-41,8%
Guarantee insurance	206 745	0,1%	506 662	0,4%	-299 917	-2,8%
Railway rolling stock insurance	0	0,0%	23 544	0,0%	-23 544	-0,2%
Assistance insurance	2 147 542	1,4%	1 685 672	1,2%	461 870	4,3%
Financial risks insurance	1 490 312	1,0%	4 888 291	3,4%	-3 397 979	-31,5%
Loss of employment insurance	150 132	0,1%	96 334	0,1%	53 798	0,5%
Legal expenses insurance	587 077	0,4%	569 112	0,4%	17 965	0,2%
Total	**153 056 285**	**100,0%**	**142 264 210**	**100,0%**	**10 792 075**	**100,1%**

Claims and benefits paid in 2023 totalled 153.1 million euros (2022: 142.3 million euros). There were few significant increases in claims and benefits paid in 2023. Compared to 2022 motor liability insurance claims grew by 8.5 million euros i.e., 18.1%, motor own damage insurance grew by 6.4 million euros i.e., 16.7% and individuals' property insurance grew by 2.1 million euros i.e., 18.9%. The largest share of claims was settled in motor liability insurance: 55.4 million euros i.e., 36.2% of all the claims paid. The next-largest class was motor own damage insurance where claims and benefits paid totalled 44.6 million euros i.e., 29.1%.

5.4. Investments

Strategic investment management is the responsibility of the company's asset and liability management team, which includes specialists from Estonia and Germany. In line with the investment management system, tactical investment management has been outsourced to an external service provider. Since 1st of October 2020, immediate contact for company in all investment related matters is GIM –Group Investment Management department of Munich RE, which delivers the service in accordance with the strategic investment management plan and risk profile approved by the management board of ERGO Insurance SE.

In 2023, ERGO maintained a conservative approach to debt securities' interest rate and credit risk. The credit risk profile of the debt securities portfolio was as follows: 53.3% (2022: 47.1%) had an AAA (by Standard & Poor's) or Aaa (by Moody's) credit rating, 22.7% (2022: 24.3%) were rated AA or Aa, 11.7% (2022: 12.6%) had an A rating, 12.4% (2022: 15.5%) had a BBB or Baa rating, and 0% (2022: 0.5%) were rated BB or Ba.

At the year-end, investments consisted of investments in associates and subsidiaries of 0.05 million euros (2022: 0.05 million euros), debt securities of 252.6 million euros (2022: 215.3 million euros), loans of 0 million euros (2022: 0 million euros), and equities and fund units of 5 million euros (2022: 3.1 million euros). There were no investments in term deposits.

Income on assets with interest rate risk amounted to 4.1 million euros (2022: 1 million euros). Realisation of debt securities produced a loss of 0.04 million euros (2022: loss of 1 million euros). The fair value reserve increased by 6.7 million euros (2022: decreased by 14.1 million euros). Thus, the overall yield of the investment portfolio was 4.3% (2022: -6.7%). Investment management expenses accounted for 0.15% of the carrying value of managed investments (2022: 0.15%).

Key financial indicators

As at 31 December or for the year	**2023**	**2022**
For the year		
Loss ratio[1]	**48,3%**	**68,9%**
Cost ratio[2]	**39,4%**	**25,0%**
Combined ratio[3]	**87,6%**	**94,0%**
Total investment income[4]	**4,3%**	**-6,4%**

Explanation of financial indicators

[1] Loss ratio	Claims that have occurred, net of reinsurance / Income from insurance activities, net of reinsurance
[2] Cost ratio	Expenses from insurance activities, operating costs / Income from insurance activities, net of reinsurance
[3] Combined ratio	Loss ratio + Cost ratio
[4] Total investment result	Result of investment activity / The weighted average volume of financial investments in the reporting period

Conclusion

The management board of ERGO Insurance SE is pleased to report that in 2023 the company developed in line with the insurance market and achieved its main business goals and targets.

Ursula Clara Deschka

Chairwoman of the Management Board

Financial statements

Income statement

In euros	Notes	2023	2022
Insurance revenue	5	256 853 052	211 316 639
Insurance service expense	6	-224 312 375	-192 402 826
Insurance service result before reinsurance contracts held		**32 540 677**	**18 913 813**
Allocation of reinsurance premiums	7	-75 882 574	-11 091 988
Amounts recoverable from reinsurers for incurred claims	7	65 697 292	4 220 662
Net expense from reinsurance contracts held		**-10 185 282**	**-6 871 326**
Insurance service result		**22 355 395**	**12 042 487**
Interest revenue calculated using the effective interest method	8	3 820 077	939 389
Other interest and similar income		246 463	62 745
Net fair value gains/(losses) on financial assets at fair value through profit or loss	8	335 952	0
Net fair value gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	8	-48 192	-572 032
Impairment loss on financial assets	8	4 193	-437 067
Investment management expenses	8	-347 349	-315 617
Net foreign exchange (expense) / income	8	-213 305	687 548
Total investment income		**3 797 839**	**364 966**
Insurance finance expenses for insurance contracts issued	8	-3 346 239	615 059
Reinsurance finance income for reinsurance contracts held	8	921 262	-212 110
Net insurance financial result		**-2 424 977**	**402 949**
Other income and expense	9	-17 624 718	-351 513
Profit before tax		**6 103 539**	**12 458 889**
Income tax expense	23	-3 514 011	-666 498
Profit for the year		**2 589 528**	**11 792 391**

Statement of comprehensive income

In euros	Notes	2023	2022
Profit/loss for the year		**2 589 528**	**11 792 391**
OCI to be reclassified to profit or loss in subsequent periods			
Change in fair value of financial assets	21	6 373 450	-14 118 217
Debt instruments at fair value through other comprehensive income		**6 373 450**	**-14 118 217**
Change in insurance/reinsurance finance reserve		1 677 446	-4 331 993
Net insurance financial result		**1 677 446**	**-4 331 993**
Total other comprehensive income		**8 050 896**	**-18 450 210**
Total comprehensive income/expense for the year		**10 640 424**	**-6 657 819**

The notes on pages 45 to 125 are an integral part of these financial statements.

Statement of financial position

In euros	Notes	As at 31 December 2023	2022 restated	As at 1 January 2022 restated
Assets				
Cash and cash equivalents	10	17 107 435	14 735 663	15 940 539
Equity and debt instruments at fair value through profit or loss	11.1	4 961 456	3 097 967	4 977 141
Debt instruments at fair value through other comprehensive income	11.2	252 580 931	215 250 396	205 205 711
Debt instruments at amortised cost	11.3	43 443	43 443	43 443
Investments in subsidiaries	12	50 000	50 000	50 000
Insurance contract assets	13	2 536 417	703 992	68 704
Reinsurance contract assets	13	35 879 335	27 541 850	36 086 654
Deferred tax assets	23	267 548	235 870	150 622
Other receivables	14	3 254 064	9 658 623	5 022 630
Intangible assets	15	18 869 799	29 284 979	20 561 329
Property and equipment[1]	16	10 971 694	11 399 042	11 173 565
Total Assets		**346 522 122**	**312 001 825**	**299 280 338**
Liabilities				
Current tax liabilities				
Insurance contract liabilities	13	182 011 734	179 069 290	185 202 570
Reinsurance contract liabilities	13	22 066 292	5 169 010	36 739
Lease-related liabilities	17	5 494 142	5 607 779	5 396 915
Other payables and accrued expenses	18	22 914 378	15 411 121	14 224 869
Subordinated loans		21 708 815	21 703 396	12 010 539
Total liabilities		**254 195 361**	**226 960 596**	**216 871 632**
Equity				
Issued capital	19	6 391 391	6 391 391	6 391 391
Capital reserve	20	3 072 304	3 072 304	3 072 304
Retained earnings		83 134 896	71 342 505	71 482 593
Profit/loss for the reporting year		2 589 528	11 792 391	0
Fair value reserve	21	-5 569 615	-11 943 065	1 408 708
Insurance/reinsurance finance reserve		2 708 257	4 385 703	53 710
Total equity		**92 326 761**	**85 041 229**	**82 408 706**
Total liabilities and equity		**346 522 122**	**312 001 825**	**299 280 338**

[1] in connection with the application of IFRS 16, right-of-use assets are recognised within *Property and equipment*

The notes on pages 45 to 125 are an integral part of these financial statements.

Statement of cash flows

In euros

(Inflow + , outflow –)	Note	2023	2022
Cash flows from operating activities		**8 837 756**	**4 812 564**
Insurance premiums received		261 224 906	216 623 121
Claims, benefits, and handling costs paid		-149 306 600	-136 125 896
Settlements with reinsurers		859 243	884 909
Settlements with holders of reinsurance policies		0	-73 648
Paid in operating expenses		-78 726 424	-64 982 907
Other income and expenses		4 708 835	10 971 441
Acquisition of equities and fund units	11.1	-246 975	0
Disposal of equities and fund units	11.1	0	2 071 434
Acquisition of debt and other fixed income securities	11.2	-124 092 318	-69 448 924
Disposal of debt and other fixed income securities	11.2	93 291 677	43 294 414
Interest received	7	2 235 770	2 339 766
Dividends received	7	91 635	62 424
Corporate income tax paid		-1 002 343	-609 400
Paid in investment expenses	7	-199 650	-194 170
Cash flows used in investing activities		**-6 465 984**	**-13 796 377**
Other sale of investment		0	-425
Acquisition of property and equipment and intangible assets	10, 12	-6 482 984	-13 695 028
Proceeds from sale of property and equipment and intangible assets	10, 12	17 000	-100 924
Cash flows used in financing activities		**0**	**7 778 937**
Received subordinated loan		0	9 500 000
Payments for the principal portion of lease liabilities	17	0	-1 721 063
Net cash outflow/ inflow		**2 371 772**	**-1 204 876**
Cash and cash equivalents at beginning of year	10	**14 735 663**	**15 940 539**
Decrease/ increase in cash and cash equivalents		2 371 772	-1 204 876
Cash and cash equivalents at end of year	10	**17 107 435**	**14 735 663**

[1] the company has classified interest paid and lease payments made for short-term leases and leases of low-value assets as cash flows from operating activities. Information under IFRS 16 were recognised in the same item *Paid in operating expenses*.

The notes on pages 45 to 125 are an integral part of these financial statements.

Statement of changes in equity

In euros	Share capital	Capital reserve	Fair value reserve	Insurance/ reinsurance finance reserve	Other reserves	Retained earnings	Total equity
Balance at 31 December 2021	**6 391 391**	**3 072 304**	**1 408 708**	**0**	**0**	**66 676 207**	**77 548 610**
Effects of the transition to IFRS 17	0	0	0	53 710	0	4 806 386	4 860 096
Profit for the year	0	0	0	0	0	11 792 391	11 792 391
Effects of the transition to IFRS 9	0	0	766 444	0	0	-766 444	0
Other comprehensive income	0	0	-14 118 217	4 331 993	626 356	0	-9 159 868
Total comprehensive income for the year	**0**	**0**	**-13 351 773**	**4 385 703**	**626 356**	**15 832 333**	**7 492 619**
Balance at 31 December 2022	**6 391 391**	**3 072 304**	**-11 943 065**	**4 385 703**	**626 356**	**82 508 540**	**85 041 229**
Profit for the year	0	0	0	0	0	2 589 528	2 589 528
Other comprehensive income	0	0	6 373 450	-1 677 446	0	0	4 696 004
Total comprehensive income for the year	**0**	**0**	**6 373 450**	**-1 677 446**	**0**	**2 589 528**	**7 285 532**
Balance at 31 December 2023	**6 391 391**	**3 072 304**	**-5 569 615**	**2 708 257**	**626 356**	**85 098 068**	**92 326 761**

The notes on pages 45 to 125 are an integral part of these financial statements.

Notes to the financial statements

Note 1. Material accounting policies

ERGO Insurance SE is a non-life insurance company incorporated and domiciled in Estonia. The company's legal address is Veskiposti 2/1, 10138 Tallinn. The company's main business lines are comprehensive motor vehicle (motor hull, hereafter 'motor own damage') insurance, motor third party liability insurance (hereafter 'motor liability insurance'), and individuals' and legal persons' property insurance.

The financial statements of ERGO Insurance SE for 2023 comprise the financial information of ERGO Insurance SE's head office in Estonia and its Latvian and Lithuanian branches.

The company has not consolidated the financial information of the subsidiary DEAX Õigusbüroo OÜ because the subsidiary's revenue and assets account for an immaterial share of the company's respective figures.

These financial statements were authorised for issue by the management board on 14 May 2024. Under the Estonian Commercial Code, the annual report including the financial statements that has been prepared by the management board and approved by the supervisory board must also be approved by the general meeting. Shareholders may decide not to approve the annual report and may demand that a new annual report be prepared.

Going concern

The Management Board has considered the Company's financial position and sources of liquidity along with the various risks and uncertainties involved in operating a business, including global economic conditions caused by the geopolitical situation, as part of its assessment of the Company's ability to continue as a going concern.

Based on the previous assessment, when approving the financial statements, the Board reasonably expected that the Company has adequate resources to continue in operational existence for the foreseeable future. As a result, the Board agrees that the Company continues to adopt the going concern basis of accounting in preparing the financial statements.

(a) Statement of compliance

The financial statements of ERGO Insurance SE have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and their interpretations as adopted by the European Commission to be effective for the year 2023.

(b) Basis of preparation

The company's functional and presentation currency is the euro.

The financial statements are prepared on the historical cost basis except the available-for sale financial assets.

(c) Branches

A branch is an economic entity established for offering services on behalf of a company. A branch is not an independent legal person. The company is liable for the obligations arising from the activities of a branch. The accounts of foreign branches are maintained separately. Branches prepare their financial information for the same periods and using the same accounting policies. Any balances, income and expenses and gains and losses arising from intra-company transactions are eliminated in full.

(d) Investments in subsidiaries and associates

Subsidiaries are entities over which the company has control.

Generally, parent company should prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. However, it might be excepted if following conditions are met:

- other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
- company's debt or equity instruments are not traded in a public market;
- company does not plan to issue any class of instruments in a public market;
- company's ultimate or any intermediate parent of the parent produces financial statements available for public use that comply with IFRSs, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10.

Associates are entities over which the company has significant influence but not control. Significant influence is presumed to exist when the company holds directly or indirectly through subsidiaries 20-50% of an entity's voting power.

Investments in associates are accounted for using the equity method. Upon initial recognition, investments in associates are measured at cost. The cost of an investment includes directly attributable transaction charges. The financial statements include the company's share of an associate's profit or loss from the date the significant influence commences to the date the significant influence ceases to exist.

(e) Classification of insurance contracts

A contract is classified as an insurance contract within the scope of IFRS 17 if it transfers significant insurance risk. We make this assessment as part of risk transfer testing. Company has not identified any significant distinct investment components to date. We classify an insurance risk as significant if an insured event could cause the payment of additional amounts that are significant in any single scenario, excluding scenarios that have no commercial substance, and there is a possibility of a loss on a present-value basis. Alternatively, we classify contracts as insurance contracts if they transfer to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts. Contracts that do not transfer significant insurance risk are generally financial instruments and are accounted for in accordance with IFRS 9 requirements. An exception here are investment contracts with discretionary participation features, which fall under the scope of IFRS 17.

Separation of components

Insurance contracts can contain one or more of the following components:

- embedded derivatives;
- investment components;
- non-insurance services.

If an insurance contract contains embedded derivatives that are themselves not contracts within the scope of IFRS 17, IFRS 9 requirements are applied when assessing the obligation to separate components and accounting for the given derivative. The company has not identified any significant embedded derivatives components to date.

Distinct investment components and distinct non-insurance services are separated from the insurance contract and accounted for in accordance with IFRS 9 and/or IFRS 15 requirements. The company has neither identified significant distinct investment components nor significant distinct goods and service to date that would have to be separated from the host insurance contract.

Level of aggregation

Recognition and measurement occur at the level of groups of insurance contracts. We begin by including insurance contracts in a portfolio that are subject to similar risks and managed together. In a second step, we assign each portfolio – based on its profitability – to one of the following three groups of insurance contracts:

- group of contracts that are onerous at initial recognition;
- group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- group of the remaining contracts in the portfolio.

We classify an insurance contract as onerous at initial recognition if the risk-adjusted present value of all the expected cash flows for contract fulfilment results in a net cash outflow. Due to changes in estimates relating to future service, a group of insurance contracts can become onerous upon subsequent measurement. This nevertheless does not affect the classification into different groups at initial recognition. In other words, the composition of the groups is not reassessed.

We also ensure that all the contracts within a group were issued within one year. We thus do not use the annual cohort exemption.

(f) Recognition and measurement of insurance contracts

Recognition

A group of insurance contracts issued is recognised from the earliest of the following:

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

Measurement

IFRS 17 provides a consistent accounting model for all insurance contracts. The basic approach consists in applying the general measurement model (GMM), which is mainly used in life reinsurance and in parts of property-casualty primary insurance business. In view of the GMM's high complexity, IFRS 17 provides the option of using – primarily for short-term contracts – a simplified measurement model known as the premium allocation approach (PAA). We apply this simplified measurement approach for a substantial part of our property-casualty primary insurance business. IFRS 17 also provides for a modified measurement model, the variable fee approach (VFA), for certain participating primary insurance contracts. Please see below for more detailed explanations of the underlying concepts of these approaches.

For all measurement models, there is a distinction between a pre-claims stage (liability for remaining coverage – LRC) and a claims stage after the occurrence of an insured event (liability for incurred claims – LIC). Please see below for more detailed explanations of the starting points for the valuation approaches.

General Measurement Model (GMM)

Procedure

The GMM is based on a building block approach that consists of four blocks. The expected future cash flows for contract fulfilment form the basis for measuring our assets and liabilities from insurance business (building block 1). Cash flows are discounted in order to reflect the time value of money and the financial risks (building block 2). Comparing the present value of expected cash inflows against the present value of expected cash outflows results in the present value of the net cash flows relevant for the measurement. This present value is subjected to a risk adjustment to reflect the uncertainty arising from non-financial risk pertaining to the amount and the timing of cash flows (building block 3). For groups of insurance contracts classified as profitable at initial recognition, we recognise a contractual service margin which represents the unearned profit (building block 4). The latter is recognised over time as insurance contract services are provided over the coverage period.

By contrast, for groups of insurance contracts where the sum of the present value of future cash outflows and the risk adjustment for non-financial risk exceeds the present value of expected future cash inflows, a loss component that reflects the expected loss on initial recognition is recognised directly as an expense.

For subsequent measurement of the LRC, building blocks 1, 2 and 3 are remeasured using updated assumptions and inputs. The contractual service margin is adjusted to reflect changes in non-financial assumptions of future coverage and new business margins, among other things, and is amortised as insurance contract services are provided over time. The carrying amount of the LRC is – at the end of each reporting period – the sum of the present value of expected net outflows, the risk adjustment for non-financial risk and the contractual service margin.

Cash flows (building block 1)

The starting point for measuring groups of insurance contracts is based on a current estimate of all cash flows required to fulfil the contract within the contract boundary.

Cash flows that need to be taken into account include premium payments, expenses for claims and benefits, acquisition and administration costs, and loss adjustment expenses. The cash flows included in the measurement model reflect our current estimates and expectations regarding the fulfilment of our insurance obligations at each reporting date. We include in the cash flows an allocation of certain fixed and variable overheads that can be directly attributed to the fulfilment of insurance contracts.

Discounting (building block 2)

Under the GMM, future cash flows are discounted using current discount rates. Measurement thus considers the time value of money, so that cash flows expected to occur at different times are made comparable. In this context, we select discount rates that are as consistent as possible with the overall cash flow characteristics of the groups of insurance contracts and make use of observable market inputs wherever possible. Discount rates are determined using a bottom-up approach, with the Solvency II interest-rate curves published by the supervisory authority EIOPA (European Insurance and Occupational Pensions Authority) serving as the starting point for risk-free interest rates. We ensure that credit spreads have no effect on the discounting of the cash flows or the risk adjustment for non-financial risk. The discount rates we use do not take into consideration any type of default risk. But if relevant, an illiquidity premium may be added to the discount-rate curve to take account of the differences in liquidity between the insurance liabilities and the liquid reference instruments used in determining the risk-free interest rate. We do this for the relevant portfolios in life primary insurance business, in particular.

At each reporting date, the fulfilment cash flows for the LRC and LIC are remeasured using current discount rates. IFRS 17 provides for the option, applied at portfolio level, to recognise the impact of changes in discount rates and financial risk in other comprehensive income rather than in the consolidated income statement. We make use of this option for the majority of our insurance portfolio, irrespective of the measurement model used.

Risk adjustment for non-financial risk (building block 3)

Cash flows arising from insurance contracts usually involve a high degree of uncertainty regarding the point in time an insured event occurs and the amount of a claim. In addition, there may be changes to the assumptions made about the insurance business as a result of changes in policyholder behaviour, e.g. related to exercising available options. To take this uncertainty into consideration, IFRS 17 provides for a third building block: an explicit risk adjustment for non-financial risk that represents compensation for bearing the risk. The sum of the risk adjustment for non-financial risk and the present value of net cash flows represents the fulfilment cash flows specific to a party that are relevant for measurement.

The risk adjustment for non-financial risk is determined in accordance with our internal risk model, taking Group-wide risk diversification into account. We apply a cost-of-capital method for determining the risk adjustment for non-financial risk. More specifically, we apply a cost-of-capital rate of 6% to the amount of capital required as at each future reporting date on a going-concern basis, and we discount the result using the risk-free rates adjusted for illiquidity. The level of risk adjustment for non-financial risk used by Company corresponds to a confidence level of approximately 90% over a one-year period. Like the present value of the cash flows, the risk adjustment for non-financial risk is reviewed at each reporting date and updated to reflect the current conditions.

IFRS 17 provides for the option of splitting the change in risk adjustment for non-financial risk into insurance service result and insurance finance income or expenses. We report the full change in risk adjustment for non-financial risk as part of the insurance service result unless it is due to changes in the time value of money.

Contractual service margin (building block 4)

The contractual service margin represents the unearned profit at initial recognition that is spread over the coverage period as insurance contract services are provided. If at initial recognition the present value of expected inflows exceeds the present value of expected outflows plus the risk adjustment for non-financial risk, the expected profit from the insurance cover is initially recognised as a contractual service margin and considered when measuring the liability for remaining coverage. The initial recognition of profitable groups of insurance contracts thus does not affect profit or loss. If additional profitable contracts are added to a group of insurance contracts within an annual cohort over time, the expected profit from the new business is added to the contractual service margin at initial recognition. On subsequent measurement, the change in the contractual service margin is recognised in profit or loss in the income statement as part of insurance revenue. The amount of the contractual service margin to be recognised in profit or loss for each period is determined by coverage units. These are used to determine the quantity of services provided for the in-force insurance contracts in the current reporting period in relation to the expected total insurance contract services provided over the whole of the coverage period. For all of our insurance business, we define the coverage units in such a way as to ensure that they reflect the services provided as accurately as possible. We generally use volume-based coverage units such as the sum insured or the capital at risk, which may be adjusted to reflect the specific characteristics of the (re)insurance business concerned.

By contrast, if we expect a loss at initial recognition, we identify a corresponding portion of the present value of the expected net cash flows plus the risk adjustment for non-financial risk as a loss component. We recognise the expected loss in the consolidated income statement at initial recognition of the group of contracts, or as soon as we become aware that the group of insurance contracts is onerous. When aggregating contracts into groups, we ensure that onerous groups of insurance contracts are not combined with profitable groups. At subsequent measurement, our control procedures are also designed to identify at an early stage any groups of insurance contracts that are to be classified as onerous in terms of future coverage. A loss component will always reflect the expected loss from the insurance contract services still to be provided at a given point in time. We systematically amortise the loss component based on the remaining cash flows and the risk adjustment for non-financial risk until the end of the coverage period.

An initially profitable group of insurance contracts within an annual cohort may become onerous on subsequent measurement. In this case, a loss component has to be recognised. Conversely, a group of insurance contracts classified as onerous can become profitable on subsequent measurement, giving rise to a contractual service margin. At the end of the coverage period, both the loss component and the contractual service margin have been completely amortised in profit or loss.

Premium Allocation Approach (PAA)

Scope of application

We use the PAA for all groups of insurance contracts that meet the requirements for applying the simplified measurement model. This is always the case if the coverage period of such contracts is one year or less – or, if the coverage period is longer, it can be reasonably expected that applying the simplified measurement model will produce a measurement of the LRC for the group that would not differ materially from the measurement that would result from applying the requirements of the GMM. The length of the coverage period is mainly determined by the concept of contract boundaries. We use the PAA for our property-casualty reinsurance business, with the exception of groups of insurance contracts for which the coverage period has expired at the transition date and which are in the settlement period. The GMM is applied to such groups of insurance contracts. In addition, we generally use the PAA for a substantial part of our property-casualty primary insurance business and for health primary insurance contracts not similar to life insurance.

Procedure

On initial recognition of a group of insurance contracts, we recognise an LRC, equal to the premiums received less acquisition costs paid. For business classified as profitable, neither the present value of the future net cash flows nor the risk adjustment for non-financial risk nor the contractual service margin is explicitly determined and recognised. If the coverage period of the contracts in the group is one year or less, any acquisition costs incurred may be recognised directly as an expense. We use this option for a substantial part of our property-casualty primary insurance business. Moreover, IFRS 17 provides for utilisation of the PAA to simplify the discounting of future cash flows when compared to the GMM. If there is no significant financing component and if claims settlement is expected within a year of the occurrence of loss, no discounting is required. We currently do not apply this option. In order to provide for maximum transparency and comparability in measuring our business, we consistently consider the time value of money also when using the PAA.

If we are aware of any indications that contracts should be classified as onerous under the GMM, we compare the insurance liability determined under the PAA with the result of the measurement under the GMM. If the comparison shows that the carrying amount of the LRC (fulfilment cash flows) under the GMM exceeds the carrying amount determined under the PAA, we directly recognise the balance as an expense in the form of a loss component. To this end, we explicitly calculate the present value of the net cash flows and the risk adjustment for non-financial risk to facilitate a comparison with the GMM. Our onerosity testing is geared to identifying onerous contracts as soon as possible and ensures adequate reserving at all times.

For subsequent measurement of a profitable group of insurance contracts, the carrying amount of the LRC is updated as follows. First, the carrying amount is either increased with no impact on profit or loss by adding the further premium payments received or decreased by subtracting directly attributable acquisition costs paid – provided that we do not make use of the option to recognise the acquisition costs as an expense. The LRC is reduced by the amount of insurance revenue earned as insurance contract services are provided. We earn the insurance revenue by spreading the expected total premium for the coverage period within the contract boundaries over the accounting periods in a risk-commensurate manner. Again, for subsequent measurement of profitable groups of insurance contracts, the present value of the net cash flows, the risk adjustment for non-financial risk and the contractual service margin are not explicitly determined, so that the PAA provides for effective simplification. By contrast and consistent with the GMM, we explicitly determine risk-adjusted net outflows for onerous groups of insurance contracts and following the occurrence of an insured event.

Also, for the PAA, a distinction is made between the LRC and the LIC. Likewise, a risk adjustment for non-financial risk needs to be determined for the LIC when using the PAA.

Insurance contracts with direct participation features measured using the **Variable Fee Approach (VFA).**

Scope of application

Under an insurance contract, the insurer may not only be liable to pay for a claim after the occurrence of an insured event but may also have to give policyholders a share in the profits.

Contracts with direct participation features are measured using the VFA, subject to certain criteria. Contracts fall within the VFA scope if they provide for policyholder participation in the performance of a reference value for the underlying items.

We do not apply Variable Fee Approach to any portfolio.

Presentation in the financial statements

Reinsurance contracts held that are assets

The recognition and measurement of reinsurance contracts held generally follows the requirements for insurance contracts issued.

A group of reinsurance contracts held is recognised from the earlier of the following: the beginning of the coverage period of the group of contracts, or the date when an onerous group of underlying insurance contracts is recognised.

With respect to a group of reinsurance contracts held that provide proportionate coverage, the group is not recognised until the date on which any underlying insurance contract is recognised – if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

We apply the PAA for most of our reinsurance contracts held in business.

The estimates of future cash flows and their discounting are determined at the reporting date on the basis of current assumptions, which are in line with the assumptions we made for measuring the underlying insurance contracts issued. In addition, we adjust the expected cash flows so as to reflect the reinsurer's risk of non-performance. We determine the expected credit risk on the basis of our counterparty's rating. On account of the high credit ratings of our external reinsurance partners, any risk of non-performance does not have a significant impact on the measurement.

We determine the risk adjustment for non-financial risk of reinsurance contracts held as the proportion of the risks that is effectively transferred to the reinsurer, with the net risk capital after retrocession serving here as the basis. We ensure in this context the best possible consistency when determining the risk adjustment for non-financial risk as regards the underlying gross business.

In contrast to insurance contracts issued, the contractual service margin for reinsurance contracts held can be positive or negative. In the case of prospective reinsurance coverage, it is necessary upon purchasing reinsurance to defer both a net gain and a net cost over the coverage period. We offset against the contractual service margin any changes in the fulfilment cash flows, provided that the changes relate to future service. However, if the changes in estimates are attributable to changes that do not adjust the contractual service margin of the group of reinsured insurance contracts, we recognise their impact on the measurement of the reinsurance contract held in profit or loss. In this way, we achieve a consistent presentation of gross business and reinsurance contracts held. Changes in the fulfilment cash flows that result from changes in the reinsurer's non-performance risk do not adjust the net gain or net cost. We instead recognise any such changes in profit or loss. As part of subsequent measurement, the contractual service margin is spread out over the remaining coverage period on the basis of the coverage units.

In the case of retroactive reinsurance contracts held, which provide coverage against adverse development of claims after the occurrence of an insured event, we recognise the net cost of purchasing reinsurance as an expense in profit or loss. Conversely, an expected net gain is spread over the settlement period of the underlying contracts in a contractual service margin on the basis of coverage units.

If a loss is recognised for an onerous group of underlying insurance contracts, we set up a loss-recovery component. In proportion to the anticipated recoveries, we thus match the loss component of the underlying gross business recognised as an expense with a loss-recovery component recognised as income. As a consequence, effective reinsurance coverage is thus offset in the financial statements and only the effects of losses from the underlying gross business that are not covered by reinsurance are recognised in profit or loss in the respective period. Reversals of the loss-recovery component adjust the contractual service margin, provided that the reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held.

The loss-recovery component is calculated by multiplying the recognised loss by the percentage of claims on the underlying insurance contracts that are expected to be recoverable. Upon subsequent measurement, the loss-recovery component is adjusted to reflect the changes in the underlying loss component of the underlying insurance contracts.

Insurance contracts issued that are assets

Insurance contracts issued that are recognised as assets under the accounting policies are presented separately from the liabilities at a portfolio level in the consolidated balance sheet.

The recognition and measurement of insurance contracts issued that are assets follows the same procedure as for insurance contracts issued that are liabilities.

Reinsurance contracts held that are liabilities

Reinsurance contracts held that are recognised as liabilities due to application of the accounting policies are presented separately from the assets at a portfolio level in the consolidated balance sheet.

The recognition and measurement of reinsurance contracts held that are liabilities follows the same procedure as for reinsurance contracts held that are assets.

Insurance contracts issued that are liabilities

In the case of insurance contracts issued that are liabilities, we present the following items separately in the consolidated balance sheet: the Liability for remaining coverage (LRC) and the Liability for incurred claims (LIC).

Liability for remaining coverage (LRC)

The LRC comprises the payment obligations for insured events that have not yet occurred and for other insurance contract services that have not yet been provided. Under the GMM, the LRC is the sum of the present value of the risk-adjusted future cash flows (fulfilment cash flows – consisting of building blocks 1, 2 and 3) – and the contractual service margin (building block 4).

We remeasure the estimated present value of the future cash flows and the risk adjustment for non-financial risk at each reporting date on the basis of updated assumptions. In addition, we recognise the expected profit attributable to the provision of insurance coverage for a group of insurance contracts as a contractual service margin, and thus explicitly as part of the liability for remaining coverage. We adjust the contractual service margin for any changes in fulfilment cash flows relating to future services or establish a loss component and recognise it as an expense as soon as the contractual service margin has been depleted.

Under the PAA, in the case of profitable business the LRC is recognised upon initial measurement in a simplified way as the sum of premiums received less the acquisition cash flows paid, provided that the latter are not recognised directly as an expense. In other words, neither the present value of the future cash flows nor a risk adjustment for non-financial risk nor a contractual service margin is determined. Conversely, in the case of onerous groups of insurance contracts a loss component is recognised in line with the GMM and recognised under this balance sheet item. As part of subsequent measurement, we consider the time value of money and consequently achieve the greatest possible consistency with the application of the GMM. In addition, the liability for remaining coverage is discounted on the basis of historical yield curves as determined on initial recognition.

Liability for incurred claims

The LIC comprises the payment obligations for incurred claims that have not yet been settled, and for other insurance contract services already provided. It is measured by applying the first three building blocks of the GMM, i.e. by calculating the present value of the risk-adjusted future cash flows. We start by determining, based on our actuarial estimate, the requisite present value of the cash outflows expected to occur by the time the insured event has been definitively settled. The present value of the cash outflows reflects both the expected payments to the policyholder as well as our claims settlement expenses and administration costs. We add a risk adjustment for non-financial risk to the present value of the cash outflows to account for any remaining uncertainty as to the ultimate amount of claims or their payout dates.

In the context of estimates and in line with the LRC, we consider past experience and assumptions about future developments, including social, economic, or technological factors. By applying our actuarial projection methods, we ensure appropriate reserving for incurred claims at all times, near the upper end of adequate expected values.

We use current discount rates when discounting future risk-adjusted cash outflows and use the option to recognise the effect of changes in financial inputs on measurement in other comprehensive income in equity.

When determining the fulfilment cash flows for the liability for incurred claims using the general measurement model, we use the discount rates at the date of the incurred claim; for PAA the current interest rate is applied. However, we base subsequent measurement on different discount rates depending on the measurement model used. Under the general measurement model, changes to the financial inputs for the liability for incurred claims compared to the ones used at initial recognition of the liability for remaining coverage are presented in the other comprehensive income. Under the PAA, changes to the financial inputs for the liability for incurred claims compared to the ones used at initial recognition of the liability for incurred claims are presented in the other comprehensive income.

Insurance service result

Insurance revenue is defined so as to facilitate comparisons with revenue in other industries; it also distinguishes between various sources of revenue with respect to the GMM and the VFA. Insurance revenue is the consideration we are expected to receive for the insurance contract services we provide; investment components are excluded from insurance revenue. An investment component is the amount that an insurance contract requires us to repay to the policyholder in all circumstances – regardless of whether an insured event occurs, e.g. either as a claims payment or as a participation in profit. An investment component is not recognised as insurance revenue and also the repayment of this amount is recognised with no impact on profit or loss. Particularly surrender values in primary insurance as well as performance-related or fixed commissions and profit commissions in reinsurance are investment components in our business, provided that we first receive the premium before such repayments are made to the policyholder. Excluding investment components from insurance revenue does not affect the insurance service result, as there are corresponding reductions in the insurance service expenses.

When applying the PAA, we recognise as insurance revenue the amount of expected premium receipts allocated to the period, while excluding any investment components and adjusted to reflect the time value of money. We allocate the expected premium receipts to each period on the basis of the expected pattern of release of risk during the coverage period.

The insurance service expenses comprise claims expenses in particular (without repayment of any investment components). We present administration and acquisition costs separately under "Insurance service expenses" in the consolidated income statement. Acquisition costs are recognised in insurance service expenses in the same amount as used to determine insurance revenue based on systematic allocation to the appropriate periods of the coverage period. We furthermore present changes in the underlying items separately under

Insurance service expenses when applying the VFA.

Within the insurance service result, income or expenses from reinsurance contracts held are presented separately (insurance revenue ceded from reinsurance contracts held and income from reinsurance contracts held) and thus separately from insurance revenue and the insurance service expenses from insurance contracts issued.

(g) Other income

An income derived not from insurance activity such as gain on disposal of fixed assets; fees, commissions and charges received; income from currency revaluation is recognized as other income.

(h) Income tax

Under the Income Tax Act, in Estonia and Latvia income tax is not levied on corporate profit but on dividends distributed. The income tax payable on dividends is recognised as the income tax expense of the period in which the dividends are declared irrespective of the period for which the dividends are declared or the period in which they are distributed.

In 2023, the tax rate for dividends distributed in Estonia and Latvia was 20% and the amount of tax payable was calculated as 20/80 of the amount distributed as the net dividend.

In Estonia, a reduced tax rate of 14% is applied for regularly paid dividends. The reduced rate applies to that part of the profit, which is less than or equal to the average of the dividends paid in the previous three years.

The maximum income tax liability that could arise on a dividend distribution is disclosed in note 23.

In Lithuania corporate profit is subject to income tax. Before taxation, profit is adjusted for permanent and temporary differences as permitted by local tax laws.

In the reporting period, the corporate income tax rate in Lithuania was 15% (the same as in the previous year).

At the Lithuanian entity, deferred tax is recognised using the liability method whereby the deferred tax assets and liabilities arising from temporary differences between the carrying amounts and tax bases of assets and liabilities are recognised in the statement of financial position.

According to paragraph 39 of IAS 12, an entity is required to recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and associates.

Deferred tax liability is recognized only in the consolidated financial statements level due to the IFRIC agenda decision.

As in Lithuania, corporate profit is still subject to income tax; respective deferred tax liability can be recognized only for the ERGO Insurance SE Lithuanian branch.

At each reporting date, the company must assess the availability of retained earnings for foreseeable dividends and recognize deferred tax liability if profit originated in the Latvian branch will be distributed.

(i) Foreign currency transactions

Transactions in foreign currencies are recorded by applying the exchange rates of the European Central Bank at the dates of the transactions. At the reporting date, assets and liabilities denominated in a foreign currency are retranslated using the exchange rates of the European Central Bank or exchange rates provided by the ERGO Group ruling at that date. Exchange gains and losses are recognised in profit or loss in the period in which they arise.

(j) Property and equipment

(i) Owned assets

Items of property and equipment are carried at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (p)). Property that is being constructed or developed for future use as investment property is classified as property and equipment and measured using the cost model until construction or development is complete, at which time it is reclassified to investment property.

Where major identifiable parts of an item of property and equipment have different useful lives, they are accounted for separately.

Assets are recognised as property and equipment if their useful life extends beyond one year.

(ii) Leased assets

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

A contract contains a lease if the following conditions are met:

- there is an identified asset which the lessee has the right to use;
- the lessee obtains substantially all of the economic benefits arising from the use of the asset;
- the lessee has the right to direct the use of the asset;
- the lessor has no substantive right to substitute the asset.

The company as lessor

Assets subject to operating leases are presented in the statement of financial position according to the nature of the asset. Operating lease payments are recognised as income on a straight-line basis over the lease term.

The company as a lessee

The lessee recognises all significant leases on the statement of financial position under a single lease accounting model. The discounted cash flows from the lease are recognised in the statement of financial position as right-of-use assets and the corresponding lease liabilities are recognised as liabilities. Depreciation on the assets and interest on the lease liability are recognised in profit or loss. Depreciation is calculated on a straight-line basis.

The lessee accounting model is not applied to short-term leases (leases with a term of 12 months or less) and leases of low-value assets (leases where the value of the underlying asset is below 5,000 euros). Lease payments for short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The lease commencement date is the date when the lessor makes an underlying asset available for use by the lessee. The expected expiry date of the lease is estimated by persons responsible for the area, based on current business needs and the company's development plans.

Lease liabilities are subsequently measured at amortised cost using the effective interest method. The lease liability is remeasured to reflect any reassessment or lease modification; a remeasurement is recognised as an adjustment to the carrying amount of the right-of-use asset.

Detailed information about leases is disclosed in note 17 Leases.

(iii) *Subsequent costs*

The company recognises in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that future economic benefits embodied within the part will flow to the company and the cost of the part can be measured reliably. All other costs are recognised as an expense as incurred.

iv) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Land is not depreciated.

The estimated useful lives are as follows:

Computer equipment	3–5 years
Cars, office, and communication equipment	5 years
Furniture	5–7 years
Buildings	50 years

Depreciation is charged on the difference between cost and residual value. If residual value cannot be estimated reliably or is insignificant, it is presumed to be equal to zero.

(k) Intangible assets

Acquired intangible assets are measured at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (p)). Other intangible assets comprise acquired software and licences which are amortised on a straight-line basis over their estimated useful lives. The estimated useful life of other intangible assets is 3-5 years. Intangible assets are amortised on the assumption that their residual value is zero. Internally generated goodwill and the costs attributable to the development of brands are recognised as an expense as incurred.

For internally generated IT projects, the Management Board assesses the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions over the asset's useful life. The respective business plan is prepared and approved before the development phase is started.

Research expenses (or expenses on the research phase of an internal project) are recognised as a cost when incurred.

Development expenses comprise all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. The company reflects as development expenses the IT services and amortisation of patents and licences used to generate the intangible asset. Expenses for training the staff to operate the asset and general overhead expenses unless those could be directly attributed to preparing the asset for use are not recognised as the cost of an internally generated intangible asset. Development expenses are not amortised until the asset is available for use.

An impairment test is performed if exists evidence of the occurrence of triggering events (indications for impairment) or after year-end regardless of the existence of the triggering events.

(l) Financial assets

Financial assets comprise investments in equity and debt instruments, trade and other receivables, cash and cash equivalents, loans provided and derivative financial instruments.

Recognition and derecognition

We recognise a financial asset in the consolidated balance sheet at the time when we become a party to the contractual provisions of the financial instrument.

When the contractual rights to receive the cash flows from a financial asset have expired, we derecognise that asset. If a financial asset is transferred, we evaluate whether the derecognition requirements of IFRS 9 are met. In this process, we consider the extent to which we retain the risks and rewards of ownership of the financial asset and – if applicable – whether we retain control. Depending on the outcome of this evaluation, we derecognise the financial asset, or we continue to recognise it in full or to the extent of our continuing involvement.

Financial liabilities are recognised and derecognised as at the trade date.

Classification

For subsequent measurement, financial assets are classified as measured at “amortised cost”, “fair value through other comprehensive income” or “fair value through profit or loss”.

The classification is determined based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Business model

entity’s business model refers to how the entity manages the financial assets to generate cash flows. The business model is determined by management at the level of groups of financial assets; it is based on several factors, such as the risks that affect the performance of the business model and the way in which those risks are managed as well as how the performance is evaluated and reported to management. A distinction is made between the following business models:

In the business model “hold to collect”, the financial assets are held with the objective to collect contractual cash flows. The sale of financial assets is not part of the management strategy, but is, under certain circumstances, not incompatible with the application of this business model, for example if there is an increase in the financial asset's credit risk.

The objective of the business model “hold to collect and sell” is achieved by both collecting contractual cash flows and selling financial assets. The sale of assets is a key aspect of the management of the portfolio.

The business model “other” applies to financial assets that are managed neither under the “hold to collect” nor under the “hold to collect and sell” business models. This is the case, for example, if the objective of the business model is to realise cash flows by selling assets, or if a group of financial assets is managed on the basis of their fair value.

Contractual cash flow characteristics

If financial assets are held within the business model “hold to collect” or “hold to collect and sell”, an additional assessment as to whether they pass the “solely payments of principal and interest (SPPI) test” is necessary for the classification for subsequent measurement.

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement and pass the SPPI test. In a basic lending arrangement, compensation for the time value of money and for the credit risk are typically the most significant elements of interest. In addition, interest may include compensation for other basic lending risks (such as liquidity risk) and costs (such as administration costs) as well as an appropriate profit margin consistent with a basic lending arrangement.

Measurement

Measurement on initial recognition

On initial recognition at the trade date, financial assets are recognised at the transaction price or fair value. For financial assets that are not subsequently measured at fair value through profit or loss, directly attributable transaction costs must be included in addition.

Subsequent measurement

The measurement of a financial asset after initial recognition is based on the classification in accordance with the business model and the result of the SPPI test.

Financial assets managed within the business model “hold to collect” that pass the SPPI test are measured at amortised cost. This includes also financial receivables and cash and cash equivalents.

Financial assets subject to the business model “hold to collect and sell” that pass the SPPI test are measured at fair value through other comprehensive income. This includes a major part of our financial investments. They are mostly used to back insurance liabilities and are managed as part of our asset-liability management on the basis of their duration and risk

profile. This means that the management strategy is aimed at both collecting

contractual cash flows and selling financial assets.

Derivatives and equity instruments are generally measured at fair value through profit or loss. Company does not make use of the option to designate equity instruments as measured at fair value through other comprehensive income.

In addition, financial assets may be irrevocably designated as measured at fair value through profit or loss on initial recognition if this eliminates or significantly reduces accounting mismatches.

(m) Derivative financial instruments

The company uses derivative financial instruments to hedge the risk of fluctuations in the value of assets that arise from changes in foreign exchange rates, share prices and interest rates. When a derivate financial instrument is recognised initially, it is measured at its fair value.

After initial recognition, derivative financial instruments are re-measured to fair value at each subsequent reporting date. Derivatives with a positive fair value are classified as assets and derivatives with a negative fair value are classified as liabilities. A gain or loss arising from a change in the fair value of a derivative, except for a gain and loss arising from a derivative that is part of a hedging relationship that qualifies for hedge accounting, is recognised in profit or loss. The company does not have any derivatives that are part of hedging relationships which qualify for hedge accounting. A derivative is derecognised when it matures or is transferred or cancelled.

(n) Receivables

Receivables are measured at their amortised cost and presented in the statement of financial position net of any doubtful and irrecoverable items. Irrecoverable receivables are accounted for off the statement of financial position. Receivables are measured on an individual basis and expensed or deducted from corresponding income when they become doubtful or irrecoverable.

(o) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, demand deposits and overnight deposits. In the statement of cash flows, cash flows are presented using the direct method.

(p) Impairment of assets

(i) Financial assets

IFRS 9 sets out an expected credit loss model for recognising loss allowances, under which expected credit losses are anticipated before they arise and must be recognised as an expense. These impairment requirements primarily affect financial assets measured at amortised cost or at fair value through other comprehensive income, as well as lease receivables. A three-stage impairment model is used to recognise and measure impairment losses on financial assets.

Stage 1: On initial recognition, financial instruments are always assigned to Stage 1 of the impairment model, and they remain at Stage 1 if their credit risk has not increased significantly since they were initially recognised. The loss allowance is measured at an amount equal to the 12-month expected credit losses, which represents the expected credit losses that result from default events that may occur within 12 months of the reporting date.

Stage 2: If the credit risk of a financial instrument has increased significantly since initial recognition but there is no objective evidence of impairment, the loss allowance at Stage 2 of the impairment model is measured at an amount equal to the lifetime expected credit loss.

Stage 3: If in addition to a significant increase in credit risk, there is objective evidence of impairment, the instrument is allocated to Stage 3 of the impairment model (credit-impaired financial assets). As in Stage 2, the loss allowance is measured at an amount equal to the lifetime expected credit losses. Interest revenue is calculated by applying the effective interest method – unlike in Stage 1 and Stage 2 – on the basis of the net carrying amount of the financial asset (i.e. after deducting the loss allowance). As a matter of principle, a significant increase in credit risk is assumed if this risk (measured in terms of the probability of default) has increased by more than two percentage points since the financial instrument was initially recognised.

We assume that the credit risk of a financial instrument has not increased significantly if it has low credit risk as at the reporting date (low credit risk exception). For financial instruments with an internal MEAG rating, we generally assume that changes in the risk of a default occurring over the next 12 months are a reasonable approximation of the changes in the lifetime risk of a default occurring. If there are indications that only

- significant financial difficulty of the borrower;
- a breach of contract (such as a default or past due event);
- the disappearance of an active market for the financial asset because of financial difficulties.

To measure expected credit losses, we use the probability of default, the loss given default and the exposure at default. Expected credit losses are equal to the discounted product of these three components. The calculation includes probability-weighted scenarios that take account of reasonable and supportable information that is available without undue cost or effort as at the reporting date and incorporates past events, current conditions, and forecasts of future economic conditions. Financial assets are written off if, based on a reasonable assessment, it must be assumed that these assets are not recoverable. Indicators for this include a debtor lacking

(ii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an

an assessment based on the entire lifetime of the financial instrument is appropriate, such an assessment is made. We generally make use of the rebuttable presumption that the credit risk has increased significantly since initial recognition if a contractual payment is more than 30 days past due unless we have evidence to the contrary. Objective evidence of credit impairment includes but is not limited to:

- it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation;

sufficient assets to service their debts or failing to commit to a repayment schedule. Upon completion of insolvency proceedings against a debtor, the financial assets are likewise deemed to be no longer recoverable and are fully derecognised. Such write-offs do not have an impact on profit or loss since the amounts are reflected in the loss allowance and therefore have already been recognised previously through profit or loss.

Our investment guidelines do not provide for the acquisition of purchased or originated credit-impaired financial assets.

We do not exercise the option to measure loss allowances on lease receivables using the simplified approach, i.e. at an amount equal to lifetime expected credit losses.

asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

(q) Employee benefits

Termination benefits are paid when the company terminates an employee's employment before the normal retirement date or when an employee decides to accept voluntary redundancy in exchange for termination benefits. The company recognises termination benefits when it is demonstrably committed to terminate the employment of an employee or a group of employees under a detailed formal plan for the termination and is without realistic possibility of withdrawal or is demonstrably committed to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Where termination benefits fall due more than 12 months after the reporting date, they are discounted.

(r) Allocation of expenses

Expenses are first allocated on the basis of cost centres that are divided into categories according to their function: administration, sales, investment, and claims handling. If a cost centre is related to more than one function, expenses are re-allocated. Reallocations are made based on expert opinions derived from analyses that are generally valid for at least one year.

(s) Subordinated loans

The subordinated loan is a debt obligation that has a lower payment priority than more senior debt. Thus, the claims of more senior debt holders must be satisfied before the holders of subordinated loans can be paid.

In the Statement of financial position Subordinated loans are presented as a liability.

The company follows strictly the terms and conditions of the subordinated loan agreements.

(t) Other provisions

Other provisions are recognised when:

- the company has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the provision.

A provision is recognised by reference to management's best estimates of the expenditure required to settle the obligation and the time the obligation ought to be settled.

(u) Dividends

Dividends are recognised as a liability on an accrual basis in the period in which they are declared.

(v) Events after the reporting period

The annual financial statements reflect all significant events affecting the valuation of assets and liabilities that became evident between the reporting date (31 December 2023) and the date on which the financial statements were authorised for issue but are related to the reporting or prior periods.

Subsequent events that are indicative of conditions that arose after the reporting date, but which will have a significant effect on the result of the next financial year are disclosed in the notes to the annual financial statements.

(w) New and revised International Financial Reporting Standards and new interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC)

1. **Changes in accounting policy and disclosures**

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS and amendments to IFRS which have been adopted by the Company as of 1 January 2023:

The standards/amendments that are effective and have been endorsed by the European Union.

IFRS 17 insurance contracts

The standard is effective, for annual periods beginning on or after 1 January 2023. IFRS 17, with the objective to provide an accounting model for insurance contracts that is more useful and consistent for insurers, establishes principles for the recognition, measurement, presentation, and disclosure of all types of insurance contracts, as well as of certain guarantees and financial instruments with discretionary participation features. The accounting model is supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and by a simplified approach (the premium allocation approach) mainly for short-duration contracts.

The main features of the new accounting model include the measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows). Also, the model includes a Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognized in profit or loss based on insurance contract services provided over the coverage period. Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining coverage period. Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event occurs (non-distinct investment components) are not presented in the income statement but are recognised directly on the statement of financial position.

Furthermore, the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income is based on the concept of services provided during the period. Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense. In the statement of financial position, the carrying amounts of portfolios of insurance contracts issued that are assets and those that are liabilities, with the same requirement applying to portfolios of reinsurance contracts held, are presented separately. Finally, IFRS 17 requires extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

Regarding the transition, the Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8, for a group of insurance contracts, is impracticable, an entity is required to choose either the modified retrospective approach or fair value approach. Both provide transitional reliefs. The Company adopted modified retrospective approach.

Finally, in December 2021, the IASB issued amendments to IFRS 17 to add a transition option for a “classification overlay” to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17. An entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset

The impact on the Company’s financial statements is described in Note 2. Changes in accounting policies and other adjustments.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)

The Amendments are effective for annual periods beginning on or after January 1, 2023. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Company assessed its accounting policies disclosure and adopted the materiality concept.

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)

The amendments become effective for annual reporting periods beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendments had not the significant impact on the financial statements of the Company.

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The amendments had not the significant impact on the financial statements of the Company.

IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)

The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023.

2. **Standards issued but not yet effective and not early adopted**

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. Management has assessed the effect of the amendments and considers it insignificant.

IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. Management has assessed the effect of the amendments and considers it insignificant.

3. **The standards/amendments that are not yet effective and they have not yet been endorsed by the European Union**

IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The amendments have not yet been endorsed by the EU. Management has assessed the effect of the amendments and considers it insignificant.

IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. The amendments have not yet been endorsed by the EU. Management has assessed the effect of the amendments and considers it insignificant.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed the effect of the amendments and considers it insignificant.

Note 2. Significant estimations and judgments affecting the financial statements

The preparation of financial statements in compliance with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Although the estimates are based on management's best judgement and facts, actual results may differ from those estimates.

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

Significant judgements made by the management board in the application of IFRS for the financial statements 2023 and estimations that could lead to substantial adjustments in future financial statements are Investment assets (Note 11) and Insurance liabilities (Note 13).

The risks and estimation uncertainties related to insurance contracts and financial instruments are described in note 4.

Note 3. Changes in accounting policies and other adjustments

Application of the recognition, measurement and disclosure methods follows the principle of consistency.

As from financial year 2023, application of the following new or amended IFRSs was mandatory for the first time:

- IFRS 9 (7/2014), Financial Instruments: IFRS 9 supersedes the previous IAS 39 requirements relating to the recognition and measurement of financial instruments with effect from 1 January 2023. We apply IFRS 9, including all amendments incorporated into EU law by 31 December 2022.
- IFRS 17 (5/2017), Insurance Contracts, as well as all other IFRSs amended by IFRS 17: IFRS 17 supersedes IFRS 4 with effect from 1 January 2023; it is applied to insurance contracts (including reinsurance contracts) issued, reinsurance contracts held and investment contracts with discretionary participation features. We apply IFRS 17, including all amendments incorporated into EU law by 31 December 2022.
- Amendments to IAS 1 (rev. 2/2021), Presentation of Financial Statements, and to IFRS Practice Statement 2: Making Materiality Judgements – Disclosure of Accounting Policies.
- Amendments to IAS 8 (rev. 2/2021), Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimate.
- Amendments to IAS 12 (rev. 5/2021), Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

IFRS 9 and IFRS 17 have led to significant changes in the classification and measurement of financial instruments and in the recognition, measurement, and presentation of insurance contracts. Moreover, the adoption of these standards has far-reaching implications for the disclosures in the notes.

The amendments to existing standards listed above have no effect or no material effect on the company.

A more detailed explanation of the effects from the initial application of IFRS 9 and IFRS 17 follows below. For a general summary of the accounting policies applied, please refer to the Note 1 Significant accounting policies.

Effects from the initial application of IFRS 9

Retrospective application and comparative information

We have applied the requirements of IFRS 9 for the classification and measurement of financial instruments from initial application date, 1 January 2023. Initial application is made in accordance with the transition requirements of IFRS 9.

As a general principle, we use the option not to restate comparative information, but continue to present it in accordance with IAS 39. However, in connection with the initial application of IFRS 17, we make use of the classification overlay approach for certain financial instruments in order to avoid accounting mismatches when transitioning to IFRS 17. This approach allows us to present comparative information for these financial instruments as if the classification and measurement requirements of IFRS 9 had already been applied. When applying the classification overlay approach, we do not make use of the concept for recognising expected credit losses under IFRS 9. Further comments can be found in the section entitled “Effects from the initial application of IFRS 17”.

In addition to the first-time application of IFRS 9, changes were made to the presentation and classification of items in the consolidated balance sheet in accordance with IAS 1.41. This means that the IAS 39 measurement categories set out below no longer match the line items.

Fixed-interest or non-fixed-interest securities available for sale that were not designated as at fair value through profit or loss were accounted for at fair value under IAS 39, with resulting changes in value recognised in other comprehensive income with no effect on profit or loss. Unrealised gains or losses were recognised directly in equity under Fair value reserve.

Cash and cash equivalents were carried at their nominal value.

The investment result under IAS 39 comprised regular income; income from write-ups; gains and losses on the disposal of investments; other income, write-downs of – and impairment losses on – investments; and management expenses, interest charges and other expenses.

The accounting policies for financial liabilities under IAS 39 match those under IFRS 9 except that, if the fair value option is applied, value changes attributable to a change in the entity’s own credit risk are not recognised in other comprehensive income under IAS 39.

Classification and measurement of financial instruments

The classification of financial assets is based on the business model under which the financial assets are managed and on the “solely payments of principal and interest” (SPPI) criteria.

Our financial assets will mainly be measured at fair value through other comprehensive income, particularly bonds, that are managed within the business model “hold to collect and sell” and also pass the SPPI test.

There is the same proportion of financial assets measured at amortised cost (AC) and a higher percentage of financial assets measured at fair value through profit or loss than under IAS 39 measurement. Financial assets measured at fair value through profit or loss include, in particular, bonds and loans that do not pass the SPPI test, equities, investment fund units, and derivatives.

Material reclassifications of financial assets with an impact on subsequent measurement involve in particular the following:

Reclassification from the IAS 39 category of “available for sale” (AfS) to the IFRS 9 classification of “at fair value through profit or loss” (FVPL) involves primarily participations and shares. We do not exercise the option to designate equity instruments as measured at fair value through other comprehensive income.

IFRS 9 does not provide for any material changes to the classification requirements for financial liabilities.

The following table presents the reconciliation of measurement categories from IAS 39 to IFRS 9 for financial assets and the impact on retained earnings following reclassification and/or remeasurement.

Reconciliation of measurement categories from IAS 39 to IFRS 9 – Financial assets

In euros	**IAS 39 measure-ment category**	**Carrying amount at 31.12.2022**	**IFRS 9 measure-ment category**	**Reclassifica-tion**	**Remeasure-ment**	**Carrying amount at 01.01.2023**	**Effects on retained earnings**
Financial investments							
Instruments subject to equity risk	AFS	3 097 967	FVPL	0	0	3 097 967	-668 394
	AC	43 443	AC	0	0	43 443	0
Instruments subject to interest-rate and credit risk	AFS	215 250 396	FVOCI	0	0	215 250 396	-98 050
Receivables							
Financial receivables	AC	2 515 682	AC	0	0	2 515 682	0
Cash and cash equivalents	AC	14 735 663	AC	0	0	14 735 663	0
Total		**235 643 151**		0	**0**	**235 643 151**	**-766 444**

Impairment

IFRS 9 specifies the use of an expected credit loss model for the recognition of impairment losses; this requires recognising a loss allowance equal to the amount of expected credit losses when a financial asset is initially recognised. The model is applied to recognise impairment losses on financial assets measured at amortised cost or at fair value through other comprehensive income, as well as on lease receivables.

The following table shows the reconciliation of impairment losses under IAS 39 to loss allowances under IFRS 9.

Reconciliation of impairment losses under IAS 39 (31.12.2022) to loss allowances under IFRS 9 (1.1.2023).

In euros	**IAS 39 measure-ment category**	**IFRS 9 measure-ment category**	**Impairment loss 31.12.2022**	**Reclassifica-tion**	**Remeasure-ment of loss allowance**	**Loss allowance at 01.01.2023**
Financial investments						
Instruments subject to equity risk	AFS	FVPL	0	0	0	
	AC	AC	0	0	0	
Instruments subject to interest-rate and credit risk	AFS	FVOCI	0	0	98 050	98 050
Receivables						
Financial receivables	AC	AC	0	0	0	
Cash and cash equivalents	AC	AC	0	0	0	
Total			**0**	**0**	**98 050**	**98 050**

Impact on equity

The initial application of the impairment requirements under the expected credit loss model as of 1 January 2023 resulted in the retained earnings decrease and OCI increase by 98,050 euros.

Effects from the initial application of IFRS 17

Measurement at the transition date

We apply IFRS 17 retrospectively with effect from 1 January 2023 unless this is impracticable. Initial application is made in accordance with the transition requirements of IFRS 17. Depending on the availability of the information required, we use one of the following three transition approaches for the initial application of IFRS 17 to our in-force business.

We apply the full retrospective approach to remeasure insurance contracts to the extent that this was practicable based on the information available as at the transition date. To this end, we identify and measure groups of contracts as if IFRS 17 had always been applied, without making use of transition simplifications. The information used for the full retrospective approach is primarily based on existing regular processes and internal reporting.

Where it was impracticable to apply the full retrospective approach, i.e. information required for the full retrospective approach was not fully available or could not be made available without undue cost or effort, we applied the modified retrospective approach or the fair value approach to transition the contracts in force as of 1 January 2022 to the new accounting regime.

The aim of the modified retrospective approach is to achieve the outcome that is as close as possible to the full retrospective approach using reasonable and supportable information. Under the modified retrospective approach, we use the simplifications and modifications specified in the standard only to the extent that the information required for a full retrospective approach is not available without undue cost or effort. In particular, this applies to simplifications used in identifying and classifying groups of insurance contracts, determining the contractual service margin or the loss component, and determining insurance finance income or expenses.

Comparative information

In applying IFRS 17 for the first time, at the transition date:

- all groups of insurance contracts are identified, recognised, and measured in accordance with the requirements of IFRS 17;

Company applied full retrospective approach for all cohorts issued in 2021 and modified retrospective approach or the fair value approach for cohorts issued before 01.01.2021.

Impact on equity and the result

- balances that would not exist in accordance with the requirements of IFRS 17 are derecognised; and
- the resulting net difference is recognised in equity.

Initial application of IFRS 17 had the following impacts on equity as at 1 January 2022:

In euros	**2022**
Equity (IFRS 4) at 1 January	**77 548 610**
Change in equity	
Modified measurement basis	23 346 336
Contractual service margin	-8 936 611
Risk adjustment for non-financial risk	-2 224 598
Loss component	-7 432 451
Insurance/reinsurance finance reserve	53 710
Total change in equity	**4 806 386**
Equity (IFRS 17) at 1 January	**82 354 996**

The contractual service margin reflects the unearned profits at initial recognition and is recognised in profit or loss over time as insurance contract services are provided. It should be noted that insurance contracts that are accounted for using the PAA do not include a contractual service margin under IFRS 17.

The risk adjustment for non-financial risk is considered in the measurement of insurance contracts. We base the risk adjustment for non-financial risk on the risk capital requirements of our internal risk model. The risk adjustment for non-financial risk is closely aligned with the calculation of the non-financial risk in accordance with Solvency II. Solvency II requires the value at risk of basic own funds to be calculated with a confidence level of 99.5% over a one-year period.

The loss component reduces equity and reflects the expected loss from services still to be provided under insurance contracts issued. It is amortised over the coverage period. The loss component reflects the generally consistent continuation of our reserving approach to date regarding the application of assumptions to both future cash flows and the risk adjustment for non-financial risk as well as the use of a granular level of aggregation when identifying groups of insurance contracts. The loss component can balance out over time and contribute to run-off profits.

In addition to the above-mentioned effects on equity as at 1 January 2022, initial application of IFRS 17 resulted in an increase in the result for the 2022 financial year amounting to 11,792,391 euros.

At the end of 2022 Company recognised an additional transition effect of 626,356 euros, which was released from different treatment of expenses under IFRS 4 and IFRS 17. It is presented in the equity under the Other reserves position.

The result under IFRS 17 was affected by the interest-rate levels as at the transition date 1 January 2022 and by the interest-rate developments in 2022. Due to the comparatively very low interest-rate levels as at 1 January 2022, there were minor unwinding-of-discount effects on the insurance portfolio overall. By contrast, losses that occurred in the 2022 financial year were discounted at higher discount rates for the 2022 accident year as a result of the substantial rise in interest rates over the course of 2022.

Insurance revenue is considerably lower than gross premiums written because amounts that are repaid to policyholders under all circumstances, regardless of whether an insured event occurs (investment components), are not recognised as insurance revenue under IFRS 17. This relates in particular to commissions and profit commissions in reinsurance business. The reduction in revenue does not affect the insurance service result, as the insurance service expenses are likewise reduced.

The transition to IFRS 17 has not affected the economic opportunities and risks of the insurance business for the company as such.

Presentation in the balance sheet and income statement

With the introduction of IFRS 17, certain items that have previously been presented separately in our financial statements will be omitted, since the resulting cash flows are now recognised as part of the measurement models. This mainly concerns the items deferred acquisition costs and insurance-related receivables and liabilities such as accounts receivable and payable. Following the application of IFRS 17, deposits retained are also no longer presented separately, but are included in the insurance items.

Note 4. Risk profile

As a part of Munich Re group, ERGO is committed to turning risk into value. ERGO's risk management encompasses all strategies, methods and processes used to identify, analyse, assess, control, and monitor both long- and short-term risks to which ERGO is exposed or may become exposed in the future.

To achieve the above goal, risk management has been made an integral part of the company's management. We have set up a risk management function to achieve Munich Re's key strategic risk management objectives:

- to maintain financial strength sufficient for ensuring that all commitments to customers can be met at all times;
- to maintain and increase the value of the shareholders' investment;
- to preserve the reputation of Munich Re and all of its entities and units.

Risk-taking is our business and in order to meet the above objectives, we have to take risks of the right kind and the right size. This is the purpose of our risk management. The logic of the business model exposes the company to various risks. Therefore, risk awareness and prudent risk management are our priorities. We put a lot of effort in enhancing our risk management system. Own risk and solvency assessment, which covers all the processes and procedures employed to identify, assess, monitor, manage, and report short- and long-term risks forms an essential part of ERGO's risk management system. Our own risk and solvency assessment integrate both the current and future periods' business strategy, risk strategy and capital management. The chapters below describe the main risks that ERGO has to face because of its business model.

4.1. Insurance risks

The insurance environment is regulated by the law of obligations and insurance activities legislation. In certain areas, motor insurance legislation is applied. As the Baltic countries are members of the EU, all legislation and regulations have to comply with relevant EU directives. Amendment or potential amendment of laws and regulations increases business risk.

Insurance risk management is an integral part of the company's risk management system. To ensure a balanced insurance portfolio, the company has established pricing and underwriting guidelines, which are updated on a regular basis. The core elements of insurance risk management are continuous monitoring of risk developments and regular review of the actuarial assumptions employed to calculate technical provisions. Insurance premiums and provisions are calculated on the basis of carefully selected actuarial assumptions. The inter-relationship between revision risk and concentration risk may give rise to material losses. Such risks are monitored using scenario analysis and modelling, which provide information about the maximum possible liability. To protect itself against such risks and limit fluctuations in income, the company uses reinsurance.

Policies for mitigating insurance risks

The company's insurance activity assumes the risk that a loss event involving a person, or some property directly related to an insurance contract will occur. The risk may relate to a property, liability, health, accident, financial, or other loss arising from an insured event whose time of occurrence and severity are unknown at the date the insurance contract is concluded.

Through its insurance and investment activities, the company is also exposed to market risks.

The company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or exceed set limits, pricing guidelines and centralised management of reinsurance.

The company uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and general insurance risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing.

The theory of probability is applied to pricing and calculating technical provisions. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any year may vary from those estimated using statistical techniques.

The key risks associated with insurance services are underwriting risk and competitive risk. The company is also exposed to the risk of dishonest actions by policyholders.

Underwriting risk is the risk that the company is unable to estimate the probability of an insured event and the size of a potential loss sufficiently accurately and, as a result, insufficient insurance premiums are charged. The risks of a specific contract may be influenced by factors such as the location of the policyholder and the insured property, the safety measures in place, the nature of the policyholder's business, the age of the property, etc. In calculating a premium that is commensurate with the risk insured, the company relies on the loss incurrence statistics for similar risks and the specific features of the risk insured. If insurance risk is systematically underestimated, the company may not be able to indemnify losses and perform its obligations under insurance contracts.

The risks associated with policyholder claims involve the risk that the insured will make false or invalid claims or will exaggerate the amount claimed following a loss. The category also includes the risk of intentional or unintentional underinsurance.

The process used to determine assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for assumptions are internal and external and based on detailed studies that are carried out annually. Assumptions are checked to ensure that they are consistent with observable market prices or other published information. Special attention is paid to assumptions which change over time. Where there is insufficient information to make a reliable estimate, conservative assumptions are used.

Insurance risk management strategy

The company's underwriting strategy seeks diversity to ensure a balanced portfolio. The company believes that a large portfolio of similar risks ensures a better predictability of the outcomes.

The principles of insurance risk management are described in the company's risk strategy. To enforce appropriate risk selection within the portfolio, the underwriting strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write in terms of line size, line of business and industry. Most non-life insurance contracts are annual in nature and underwriters may refuse to renew the contract or change contract terms and conditions on renewal.

Insurance services are designed and updated in accordance with the company's internal regulations that provide a framework for insurance services, definitions of insurance risks, and a list of risks or assets that are not to be insured. Adherence to underwriting rights is determined through exception reports which are prepared in respect of insurance classes and services on a quarterly basis.

General insurance contracts

Liability insurance

Liability insurance is considered a long-tail line as handling and settling claims for a given insured event takes relatively long.

The speed of claim reporting depends on the insurance cover and the terms and conditions of the insurance contract. The speed of claim handling depends on the speed of reporting, the cover provided, the jurisdiction, and specific policy terms and conditions.

The majority of liability covers are written on a 'claims made' or 'act committed' trigger. The main exception is motor liability insurance that is written on an occurrence basis. Liability contracts provide the scope of liability also in geographical terms. Generally, the scope of liability is limited to the country where the entity providing the insurance cover is located.

Motor liability insurance is the insurance of the civil liability of a person in possession of a major source of danger. It covers the losses that may be incurred from activities related to ownership or use of a vehicle. Motor liability insurance is also valid outside the Baltic countries and covers relevant losses incurred in the EU countries and countries that have joined the Green Card Convention. Losses are indemnified in accordance with the liability rates of the country in which the traffic accident occurs. In some countries liability is unlimited. Therefore, in principle, motor liability insurance contracts are contracts with unlimited liability. This means that policies are written without a limit although rates are set considering the actual value of the largest possible claim.

Motor liability insurance covers property damages and personal injuries inflicted on third persons and, locally, also the medical treatment expenses of the driver that caused the insured event. This means that the nature of losses differs. Property losses are handled quickly but the handling of personal injury claims may take years.

In the case of personal injuries that have to be indemnified with periodic payments (pensions) the insurer is not allowed to indemnify the damages in an agreed lump sum. In the case of traffic accidents that occur in the Baltic countries, motor liability insurance does not cover unearned income. Due to a longer handling period and also because personal injuries are directly related to many other socio-economic factors, the proportion of personal injury claims is increasing rapidly.

Motor liability insurance contracts are entered into for an unspecified term. The maximum term of a policy is 12 months. A specific feature of the product is that when the policy expires, the insurer's liability does not expire unless the policyholder has concluded a new insurance contract. An insurer may not refuse to conclude a contract. This increases the importance of risk assessment.

Liability insurance is typically the greatest source of uncertainty regarding claim provisions. Claims with long reporting lags result in greater inherent risk. Claims with long latency also increase the potential recognition lag, i.e. the lag between writing a type of policy in a certain market and the recognition that such policies have potential mass tort or latent claim exposure. As a rule, liability insurance services have long reporting lags and involve several parties, claims may be filed by several persons and claim amounts may be large. Therefore, estimation of provisions in liability insurance is somewhat more difficult than in other classes that do not have such features.

Property insurance

The company offers property insurance to owners of property located in the Baltic countries. Property insurance protects, subject to the limits and restrictions of insured amounts and insurance conditions, policyholders against financial loss caused by damage to their physical property or financial loss arising from business interruption caused by damage to property.

The event (e.g. a fire or burglary) giving rise to a claim for compensating damage to buildings or property located therein usually occurs suddenly and the cause and time are generally easily determinable. The claim is generally reported promptly and can be settled without delay. Delays may result from the determination of the cause of the insured event, restoring the property and making relevant preparations.

Property business is therefore classified as 'short-tailed' meaning that the increase in costs over time and investment return are of negligible importance. This contrasts with the 'long-tailed' classes (e.g. liability insurance) where the ultimate cost of a claim takes longer to determine, making costs and investment return considerably more important.

Marine and transport insurance

This category comprises the insurance of watercraft and the transport of goods such as goods in transit insurance, carrier's liability insurance and forwarding agent's liability insurance. The classes incorporate the features of both property insurance and liability insurance. Similarly, to liability insurance, reporting and handling are long-term processes.

Product-specific risks include claims related to violation of customs regulations. The risks related to property insurance are more indeterminate because insurance cover is valid also outside the Baltic countries.

Pricing risks

Non-life insurance premiums are usually calculated for one year on the basis of established insurance rates. The adequacy of insurance rates is checked on a regular basis. Rates may be changed due to changes in claim incurrence statistics, market trends and the provision of a broader or more limited insurance cover. The company has a routine procedure for changing rates. Rates are calculated based on mathematical assumptions. Therefore, there exists the risk that the frequency and severity of losses will surpass the assumptions. This risk is mitigated by checking the validity of assumptions applied in routine reporting.

Another pricing risk is related to the sales process. The ultimate price of an insurance service depends on various risk factors, some of which are subjective. Therefore, there exists the risk that risk factors are intentionally or unintentionally altered. The company has mitigated the risk by excluding the possibility of price manipulations on the sale of mass products. In classes where each item of insured property has to be assessed on an individual basis, the underwriting process includes risk assessment and supervision by the company's insurance department.

Claims handling risks

The overriding principles of the company's claims handling operations are transparency and prudence. Transparency assumes the clarity of the handling process and its compliance with established guidelines. On the one hand this is in the customer's best interests and on the other allows monitoring and checking the handling process. The risks inherent in the process are mitigated by the absence of cash risk and applying proper quality controls, separating the process into stages, and observing signature rules.

In line with the principle of prudence each reported claim is evaluated on an individual basis considering the circumstances surrounding the claim, the information obtained during the handling process and historical evidence about the size of similar claims. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of reported claims. Therefore, case estimates are reviewed regularly and updated as and when new information becomes available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many factors affecting the ultimate loss is difficult to estimate. Provision estimation difficulties, which differ by line of business, depend also on the terms of the underlying insurance contract, claim complexity and size, determination of the date of occurrence, and reporting lag.

Concentration risks

Within the insurance process, concentration risk may arise where a particular event or series of events has a strong impact on the company's liabilities. Such concentration may arise from a single insurance contract or through a large number of related contracts.

Recognition of losses due to such events will accurately reflect the events that have taken place. The company's cash flows resulting from a high-severity risk such as a flood may differ significantly from the cash flows resulting from an ordinary insured event.

The company is engaged in non-life insurance, providing cover for various risks.

In property insurance, the company needs to monitor the geographical concentration of risks because external factors such as adverse weather conditions may have a negative impact on a large proportion of insured property in a particular geographical area. Claim-triggering perils such as storms, floods, fires, explosions, and growth in crime may occur on a regional basis, meaning that the company has to manage its geographical risk dispersion very carefully. The company assesses and mitigates the geographical concentration of risks by using contemporary tools for analysing geographical information.

In geographical terms company's insurance and reinsurance contract assets and liabilities break down as follows:

In euros	2023				
Country	**Insurance contract assets**	**Insurance contract liabilities**	**Reinsurance contract assets**	**Reinsurance contract liabilities**	**Net provisions**
Estonia	-2 992 369	62 549 633	-12 260 256	5 989 015	53 286 023
Latvia	-262 575	31 277 871	-8 348 394	10 514 384	33 181 286
Lithuania	718 527	88 184 230	-15 270 685	5 562 893	79 194 965
Total	**-2 536 417**	**182 011 734**	**-35 879 335**	**22 066 292**	**165 662 274**

In euros	2022				
Country	**Insurance contract assets**	**Insurance contract liabilities**	**Reinsurance contract assets**	**Reinsurance contract liabilities**	**Net provisions**
Estonia	-1 810	60 454 302	-11 793 407	1 882 856	50 541 941
Latvia	0	38 363 096	-8 153 390	2 051 733	32 261 439
Lithuania	-702 182	80 251 892	-7 595 053	1 234 420	73 189 077
Total	**-703 992**	**179 069 290**	**-27 541 850**	**5 169 009**	**155 992 457**

Impact of catastrophic events

Probable events that could have the strongest impact on the insurance portfolio are natural disasters such as floods and storms. In Estonia, the probable frequency of a severe natural disaster comparable to the storm on 9 January 2005 is once in twenty years. In order to limit the impact of a potential catastrophe, the company has bought natural catastrophe reinsurance with an insured amount of 26 million euros and retention of 3.0 million euros. In addition, the company constantly limits its risk concentration by spreading its insurance risks across Estonia and limiting its contractual exposure to any single peril in the event of a natural disaster.

The biggest possible losses resulting from single events relate to motor liability insurance and property insurance. The company has bought non-proportional peril-based reinsurance cover, limiting its net liability to 1.0 million euros per insurance contract in property insurance and 1.0 million euros per insured event in motor liability insurance.

Reinsurance strategy

The company reinsures a certain part of the risks for which it provides insurance cover under insurance contracts. The purpose of reinsurance is to reduce the company's share of losses and limit the potential net loss through the diversification of risks. The main contract forms in reinsurance are peril-based obligatory non-proportional and peril-based obligatory proportional reinsurance, accompanied by catastrophe reinsurance for aggregated risks related to the whole portfolio. Risks exceeding the limits of obligatory reinsurance contracts or falling outside their scope are reinsured on a facultative basis.

Reinsurance is acquired on the guiding principle that the net loss should not exceed 1.0 million euros for each individual insured item or each individual event. Retention for additional natural catastrophe reinsurance is 3.0 million euros. Standard exclusions from reinsurance contracts are losses arising from nuclear energy.

Breakdown of reinsurance retention by insurance class

Class of insurance	**2023**	**2022**
Motor liability insurance, Property, and technical risks insurance	1 000 000	1 000 000
Liability and marine	750 000	500 000
Travel insurance, accident, livestock, motor own damage and surety insurance	500 000	500 000

Claims development

The claims development table allows comparing the claims outstanding estimates included in the financial statements with the claims incurred in previous years and reflects the company's ability to estimate the total value of claims. The table provides an overview of current estimates of cumulative claims (including claims paid and case-based provisions and IBNR but excluding claims handling costs and the provision for claims handling costs) and demonstrates how claims estimates have changed at subsequent year-ends. An estimate is increased or reduced as claims are paid and more information becomes available about the frequency and severity of claims outstanding.

Various factors may distort current estimates of provisions and cumulative prior year provisions. While the information in the table provides a historical perspective of the adequacy of claims outstanding estimates, it does not provide a basis for extrapolating surpluses or shortfalls of the past on current claims outstanding balances. The company believes that the estimates of claims outstanding as at the end of 2023 are adequate. However, due to the inherent uncertainties of the provisioning process, it cannot be guaranteed that the balances will prove adequate.

Analysis of claims development – gross (as at 31 December 2023)

In euros	*Year of loss incurrence*					
Estimate of cumulative claims	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
At end of year of incurrence	103 750 661	115 357 775	119 504 390	149 529 901	131 653 804	155 075 597
One year later	106 020 656	115 304 000	114 586 983	149 546 105	138 978 029	
Two years later	105 525 465	112 873 248	113 411 779	161 601 592		
Three years later	106 418 086	113 408 739	120 104 123			
Four years later	106 074 711	115 398 865				
Five years later	112 709 794					
Cumulative payments until 31 December 2023	104 870 104	111 146 395	116 429 338	145 793 388	126 852 315	103 339 695
Provision for claims outstanding (incl. IBNR) at 31 December 2023	7 839 690	4 252 470	3 674 785	15 808 204	12 125 714	51 735 902

At 31 December 2023, the provision for claims outstanding for earlier years of loss incurrence amounted to 19,135,694 euros (2022: 19,428,279 euros).

The following sensitivity analysis reflects the effect of a 5% change in the provisions for claims outstanding on the company's net loss ratio, profit or loss for the year, and equity.

Results of the sensitivity analysis for claims

	As at 31 December 2023		**As at 31 December 2022**	
	Change in net loss ratio in percentage points	Impact on profit and equity in euros	Change in net loss ratio in percentage points	Impact on profit and equity in euros
Motor liability insurance	5,2	-2 354 250	4,4	-2 630 680
Motor own damage insurance	0,6	-198 112	0,5	-224 050
Individuals' property insurance	0,6	-120 104	0,6	-106 007
Legal persons' property insurance	2,2	-236 491	3,5	-334 821
Other classes of insurance	2,0	-1 110 407	2,3	-1 120 535

Sensitivity analysis involves applying various methods to assess the volatility of estimates used for creating provisions for claims and its impact on the net loss ratio and net profit or loss. A 5% decrease in total revenue for 2023 would have had a -2.0 million euro impact on the company's insurance result.

4.2. Market, credit, and liquidity risk management

The principles of managing the risks related to financial assets are embedded in the company's risk management policy and observed in adhering to the predetermined risk appetite, strategic investment of assets, and specific risk management processes.

The company manages its asset risk by preparing a new investment policy on an annual basis. Implementation of the strategy and adherence to limits and restrictions is monitored by a multi-level structure. Tactical decisions are made and implemented by GIM (Group Investment Management department of Munich RE) and MEAG (MEAG MUNICH ERGO Asset Management GmbH). The compliance of investments with the adopted strategy is monitored by the asset and liability management (ALM) team and the team of the risk management function. If problems arise, they are reviewed by the ALM team, which includes qualified members from Estonia and Germany, and the management board. Many ERGO Group entities are also involved in planning, monitoring, and managing investment risks.

Credit risk

The credit risk of investments is the risk that the issuer of a security will not honour its obligations. The risk is mitigated by acquiring securities from issuers with a high credit rating. The table below describes the company's debt securities portfolio by the issuer's credit rating. At the year-end, the weighted average rating of the company's fixed-income securities was AA- (2022: A+). The company believes that its credit risk exposure to other financial assets is low due to their small proportion.

IFRS 9 calls for using an expected credit loss model to recognise impairment losses, under which expected credit losses are anticipated before they arise and must be recognised as an expense.

A three-stage impairment model is used to recognise and measure impairment losses on financial assets.

The key parameters for calculating expected credit losses are the probability of default, the loss given default and the exposure at default.

The probability of default is the basis for specifying a stage of the impairment model. In addition, the probability of default is considered whenever expected credit losses are calculated. During our internal rating process, the probability of default is calculated on the basis of historical data, current market conditions, and assumptions about the future.

The loss given default and the exposure at default are likewise factored into calculations of expected credit losses. In this context, the loss given default is derived from the recovery and default studies published by rating agencies. The exposure at default corresponds to the gross carrying amount as at the reporting date.

In its insurance activities, the company's main credit risk is payment default by a broker or reinsurer. The company's credit risk arises principally from its insurance and reinsurance receivables. In each business line, risk management measures are applied to protect the company's financial position. The company has rules in place for consistently monitoring and managing overdue receivables. A receivable that is more than 180 days overdue is written down. To mitigate the risk arising from reinsurance, the company enters into obligatory reinsurance contracts with such reinsurers only whose equity amounts to at least 250 million euros and rating is above A– (according to Standard & Poor's). Facultative reinsurance contracts are concluded with such reinsurers only that have been included in a list approved by the relevant department of ERGO Group. In addition, premiums ceded to any one reinsurer may not exceed 10% of ERGO's annual gross premium income.

The assets presented in the table below have at least one rating of the respective rating group provided by one of the named rating agencies.

Credit risk

2023	Standard & Poor's	AAA	AA	A	BBB	BB	Without rating	Total
In euros	Moody's	Aaa	Aa	A	Baa	Ba	Without rating	
Debt instruments at fair value through other comprehensive income		134 541 450	57 314 519	29 483 382	31 241 579	0	0	**252 580 930**
Proportion of debit instruments at fair value through other comprehensive income		53,27%	22,69%	11,67%	12,37%	0,00%	0,00%	**100,00%**
Reinsurance contract assets		0	30 437 475	4 220 248	0	0	1 221 612	**35 879 335**
Proportion of reinsurance contract assets		0,00%	84,84%	11,76%	0,00%	0,00%	3,40%	**100,00%**
Cash and cash equivalents		0	2 729 991	14 101 833	192 375	0	83 236	**17 107 435**
Proportion of cash and cash equivalents		0,00%	15,96%	82,43%	1,12%	0,00%	0,49%	**100,00%**

2022	Standard & Poor's	AAA	AA	A	BBB	BB	Without rating	Total
In euros	Moody's	Aaa	Aa	A	Baa	Ba	Without rating	
Debt instruments at fair value through other comprehensive income		101 376 267	52 380 181	27 180 444	33 286 276	1 027 228	0	**215 250 396**
Proportion of debit instruments at fair value through other comprehensive income		47,10%	24,33%	12,63%	15,46%	0,48%	0,00%	**100,00%**
Reinsurance contract assets		0	25 846 045	4 571 954	0	0	2 047 741	**32 465 740**
Proportion of reinsurance contract assets		0,00%	79,61%	14,08%	0,00%	0,00%	6,31%	**100,00%**
Cash and cash equivalents		0	13 067 933	1 555 180	0	0	112 550	**14 735 663**
Proportion of cash and cash equivalents		0,00%	88,68%	10,55%	0,00%	0,00%	0,77%	**100,00%**

To mitigate concentration risk for credit exposure, ERGO establishes counterparty limits for all banks and banking groups the companies working with. Compliance with the limits is monitored regularly.

Other financial assets are also exposed to credit risk. The table below analyses financial assets' maturity structure, which reflects their credit quality. Receivables that are more than 180 days past due are written down in full.

As at 31 December 2023 *In euros*	Not past due	Less than 30 days past due	30 to 60 days past due	60 to 180 days past due	Total
Receivables from policyholders	28 156 013	2 623 404	144 985	447 294	**31 371 696**
Receivables from brokers and other intermediaries	1 338 495	340 091	0	219 662	**1 898 248**
Receivables from reinsurers	206 500	699 272	0	1 036 367	**1 942 139**
Other receivables	670 568	5 616	77 097	881 318	**1 634 599**
Total	**30 371 576**	**3 668 383**	**222 082**	**2 584 641**	**36 846 682**

As at 31 December 2022 *In euros*	Not past due	Less than 30 days past due	30 to 60 days past due	60 to 180 days past due	Total
Receivables from policyholders	22 753 076	1 679 532	140 789	226 157	**24 799 554**
Receivables from brokers and other intermediaries	952 132	276 066	25 919	140 937	**1 395 054**
Receivables from reinsurers	2 332	1 313 331	0	1 848 124	**3 163 787**
Other receivables	698 288	85 462	318 728	71 362	**1 173 840**
Total	**24 405 828**	**3 354 391**	**485 436**	**2 286 579**	**30 532 235**

Market risk

The most important risk related to financial assets is a decrease in the value of the investment portfolio, caused by the volatility of market prices.

Exposure to fluctuations in market value is assessed on an ongoing basis using four models. The first, Net Loss Limit (NLL), monitors the probability of achieving a result that surpasses the minimum investment result set by actuaries. The second, Credit Value at Risk (CVaR) measures the potential loss that a portfolio of assets exposed to credit risk could suffer due to a weakening of the issuer's credit rating. The third, Market Value at Risk (MVaR), measures the potential decrease in the value of the current investment portfolio for one year. The fourth, Investment Asset/Liability Mismatch (InvALM) combines two of the above models (CVaR and MVaR) and the company's liabilities side and views how market events could influence the company when the risks taken on the asset side exceed the risk-neutral position resulting from liabilities. Clearly defined processes ensure that the company can respond timely to any significant capital market developments.

Market risk also includes potential inflation-triggered growth in future liabilities, particularly long-term liabilities such as motor liability insurance pensions. The risk is mitigated by estimating pension provisions by applying the expected rate of inflation and not discounting other kinds of case-based claims provisions. In view of the nature of its business and the small proportion of its long-term liabilities, the company believes that the impacts of market risk are moderately low.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The company's investments comprise mostly fixed-income securities whose market value is influenced by changes in interest rates. At 31 December 2022, the weighted average yield to maturity of fixed-income available-for-sale debt securities was 3.17% (31 December 2021: -0.18%).

Assets exposed to interest rate risk, by interest rate

In euros	As at 31 December 2023		As at 31 December 2022	
	Amortized cost	Carrying amount	Amortized cost	Carrying amount
Fixed rate debt securities				
interest rate 0,00% -2,50%	221 298 213	215 828 716	207 024 339	195 772 648
interest rate 2,51% -3,50%	24 797 903	24 662 062	8 265 709	7 695 143
interest rate 3,51% -4,50%	10 057 831	9 990 792	9 823 633	9 654 061
interest rate 4,51% -5,50%	1 040 728	1 037 284	0	0
interest rate 5,51% -6,50%	1 062 528	1 062 076	2 177 831	2 128 544
Total fixed rate debt securities	**258 257 203**	**252 580 930**	**227 291 512**	**215 250 396**
Total	**258 257 203**	**252 580 930**	**227 291 512**	**215 250 396**

If at 31 December 2023 the yield curve had shifted evenly 100 basis points upward or downward across all maturities, the company's equity would have decreased or increased by 4.98 million euros (2022: 4.99 million euros). There would be no impact on profit or loss because the securities, which are measured at fair value, have been mostly classified as fair value through other comprehensive income.

(b) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk), either changes resulting from factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

If on 31 December 2023 the value of investments in equity and debt securities funds had increased or decreased by 10%, the company's income statement would have increased or decreased by 0.5 million euros (2022: 0.3 million euros). The decrease in risk is attributable to the realisation of investments in equity funds during the financial year.

Changes in the economies of different areas may also affect the fair values of financial assets connected with those areas.

Investments in financial instruments by issuer's domicile

In euros **As of 31 December**	**2023**	**2022**
Debt and other fixed-income securities		
Austria	6 276 234	4 748 526
Australia	6 745 961	2 303 490
British Virgin Islands	1 076 484	1 037 456
Belgium	5 033 680	4 863 258
Bulgaria	1 511 750	488 125
Canada	7 086 019	2 552 756
Cayman Islands	1 092 454	1 069 381
Chile	928 077	879 467
China	417 091	2 371 346
Croatia	453 353	0
Czech Republic	1 898 130	1 839 050
Denmark	1 994 635	0
Finland	3 024 434	1 146 869
France	22 321 619	31 121 815
Germany	112 169 331	80 375 011
Great Britain	6 789 594	6 083 661
Hungary	1 853 967	1 709 786
Ireland	1 177 983	1 079 610
Israel	1 930 789	1 936 881
Italy	5 782 155	6 434 067
Japan	2 844 216	3 473 024
Kazakhstan	0	1 481 727
Lithuania	519 530	0
Luxembourg	3 638 547	3 480 571
Macedonia	0	1 027 228
Mexico	2 723 875	1 687 930
Netherlands	13 903 042	11 420 168
New Zealand	3 537 146	0
Norway	2 262 374	1 724 103
Peru	1 006 597	974 482
Philippines	462 235	1 442 000
Poland	2 547 160	2 442 190
Portugal	3 768 766	3 504 471
Romania	1 024 274	1 026 629
Saudi Arabia	992 030	960 636
Singapore	1 473 575	0
Slovakia	992 599	0
South Korea	945 550	1 893 360
Spain	3 542 269	11 016 386
Sweden	2 470 428	1 093 003
Switzerland	1 669 000	1 151 265
United States of America	11 690 869	12 437 790
Venezuela	1 003 108	972 878
Total debt and other fixed-income securities	***252 580 930***	***215 250 396***
Equities and fund units		
Lithuania	43 443	43 443
Luxembourg	4 961 457	3 097 967
Total equities and fund units	***5 004 900***	***3 141 410***
Total investments in financial instruments	**257 585 830**	**218 391 806**

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company's liabilities in different currencies are covered with assets denominated in the same currencies. Currency risk is countered by monitoring that no uncovered currency exposure would exceed 5% of assets.

The following assets and liabilities are exposed to currency risk

In euros	As at 31 December 2023	As at 31 December 2022
	USD	USD
Insurance and other receivables	0	21 691
Investments in financial instruments – Debt instruments at fair value through other comprehensive income	229 958	1 684 229
Total	229 958	**1 705 920**

Liquidity risk

The company has to be able to discharge its payment obligations at any time. This is ensured by liquidity planning that is embedded in the asset and liability management (ALM) model.

To be able meet its settlement commitments at any time, the company needs to know its liabilities and has to acquire a suitable investment portfolio. This is achieved by close cooperation between actuaries, the investment manager and the ALM team.

The debt securities portfolio is composed by considering the average duration of liabilities and modifying the duration of assets in order to achieve duration matching. In addition, a large share of the company's assets is invested in highly liquid securities, which should ensure the availability of sufficient cash even under stressed circumstances. At the year-end, the company's liquid funds totalled 274.7 million euros (2022: 233.0 million euros) including available-for-sale debt securities of 252.6 million euros (2022: 215.3 million euros), equities and fund units of 5 million euros (2022: 3.1 million euros), and cash and cash equivalents of 17.1 million euros (2022: 14.7 million euros).

At the year-end, the weighted average duration to maturity of the available-for-sale debt securities portfolio was 1.98 years (2022: 2.3 years).

All of the company's receivables and liabilities except for liabilities arising from insurance contracts are current, i.e. with a maturity of up to one year.

Financial assets and liabilities exposed to liquidity risk by maturity

In euros

As at 31 December 2023	Note	Without term	Less than 1 year	1-2 years	2-5 years	5-10 years	Over 10 years	Total
Insurance contracts issued		0	56 916 093	25 147 176	19 901 833	12 797 237	12 061 091	**126 823 430**
Reinsurance contracts held		0	23 272 607	-2 530 929	-2 613 650	-1 381 289	-1 663 222	**15 083 517**
Financial assets (investments in financial instruments and cash and cash equivalents)	11.2, 10	17 107 435	122 434 582	29 441 587	74 795 620	25 909 141	0	**269 688 365**
Other financial assets	14		760 552					**760 552**
Other financial liabilities	18		5 572 721	6 000 000		15 500 000		**27 072 721**
Net exposure (assets less liabilities)		**17 107 435**	**60 706 320**	**-1 705 589**	**54 893 787**	**-2 388 096**	**-12 061 091**	**116 552 766**

In euros

As at 31 December 2022	Note	Without term	Less than 1 year	1-2 years	2-5 years	5-10 years	Over 10 years	Total
Insurance contracts issued		0	62 645 019	21 105 587	15 927 938	10 300 185	8 051 437	**118 030 166**
Reinsurance contracts held		0	7 362 507	140 562	41 042	688	0	**7 544 799**
Financial assets (investments in financial instruments and cash and cash equivalents)	11.2, 10	14 735 663	80 427 248	37 130 030	65 059 643	32 633 475	0	**229 986 059**
Other financial assets	14		30 532 235					**30 532 235**
Other financial liabilities	18		36 249 090	6 000 000		6 000 000	9 500 000	**57 749 090**
Net exposure (assets less liabilities)		**14 735 663**	**12 065 374**	**10 024 443**	**49 131 705**	**16 333 290**	**-17 551 437**	**84 739 038**

4.3. Capital management

Management's policy is to maintain a strong capital base so as to protect the interests of investors, creditors, and policyholders and to sustain future development of the business. Management monitors return on equity (the ratio of profit to the period's average equity) on an ongoing basis. The return for 2023 was 2.9% (2022: -7.2%).

Thorough capital planning, regular monitoring and a system of risk limits and warnings enable the company to identify a decrease in the capital buffer and potential shortfalls sufficiently early. The capital management plan includes the financial and solvency forecasts made during the planning process, which in turn are part of the company's own risk and solvency assessment report.

The capital management plan considers the changes planned in the company's own funds. Assessment of the overall solvency needs represents the company's own view of its risk profile and the capital and other funds needed to address these risks.

The company's own funds meet the capital requirements set out in the Insurance Activity Act.

4.4. Strategic risks

Strategic risks may result from wrong business decisions or poor execution of decisions already made. We also regard reluctance to adapt to changes in the environment (e.g. the legal environment) as a strategic risk.

The main strategic risks stem from quality of IT landscape and changing regulatory expectations that could jeopardize achievement of strategic results. Economic turmoil and geopolitical tensions also increase uncertainty and complexity of environment the company operates in. The revised strategy of ERGO continues to address the risk environment adequately.

Strategic risks are mitigated by integrating risk management processes into the adoption of strategic decisions, particularly into the preparations and decisions made during the planning process.

As part of strategic risk management, we identify the most significant risks, which are assessed and monitored at the level of the Management Board. Where necessary, the Management Board determines the appropriate risk mitigation measures. In the case of all significant risks the company appoints the persons responsible for the implementation of measures.

4.5. Operational risks

Operational risks are an inevitable part of the company's business operations. They have to be mitigated or, where possible, avoided if it is economically practicable. Operational risks result from inadequate processes, failures in communication or information technology, and external factors such as natural disasters and legal risks.

In operational risk management, ERGO focuses on the following areas:

- resources, particularly information technology and infrastructure;
- personnel and processes;
- projects.

Operational risk management is underpinned by qualitative and quantitative assessment. Risks related to business processes are managed through relevant processes and appropriate control of IT applications used. Company-level control activities also ensure compliance with legal and regulatory requirements.

Through the internal control system, the company has identified, analysed, and assessed both company-wide risks and the risks inherent in the key processes, including IT risks. There are measures in place for improving risk control and mitigating risks. The company's internal control and risk management systems deal with both risks arising from everyday operations as well as compliance and financial reporting risks. The model adopted allows identifying risks that are common to different departments and processes. Operational risks are identified, analysed, and assessed on a regular basis.

We mitigate the risks resulting from business processes with process, IT, and company level controls. Process level controls include authorisation systems, the four-eye principle, segregation of duties, rules, and regulations, etc. IT controls include backup solutions, access controls and incident management planning. The purpose of company level controls is to assess whether all requirements of an adequate and appropriate control environment are met.

The continuity of critical business processes and systems in emergency or crisis situations is ensured by well-designed incident management, an appropriate crisis management structure and adequate disaster recovery concepts. Business continuity systems are tested on a regular basis.

To mitigate personnel risk, the company has established guidelines for avoiding conflicts of interest. The risk of corporate misconduct is counteracted by a system of powers and authorities, the segregation of duties, internal regulations, and random tests of business transactions.

Although operational risks are mainly managed through the above processes, some risks (either individually or in combination with others) may have such an extensive impact on a specific process and the company as a whole that the company's ability to carry on its regular business activities is put at risk (business interruption). Therefore, significant risk events are evaluated separately to increase awareness of such incidents and highlight their potential impact.

4.6. Reputational risks

Reputational risk is the risk that negative publicity regarding ERGO's business practices or operations, whether true or not, will cause a situation where trust in the company is lost. Reputational risk may arise as a result of some other risk (e.g. operational risk, strategic risk, or concentration risk) or together with other risks. Thus, reputational risks are controlled indirectly, through the control of other risks.

Reputational risk can occur in a number of different ways: directly as a result of the company's actions, indirectly due to the actions of an employee or tangentially through third parties.

ERGO has identified two subcategories of reputational risk:

- data and information;
- communication risk.

Reputational risk related to the unauthorised disclosure of confidential information stays continuously high. Reputational risks are identified by three methods:

- preparation of extraordinary reports;
- regular quarterly communication between the risk management team and other relevant parties, e.g. the compliance control, internal audit, and corporate communication teams;
- the internal control system where the evaluation of every operational risk is accompanied by the assessment of potential damage to reputation.

Risk takers – process owners – determine the measures including the implementation plans required for minimising and managing risk. Depending on relevance and significance, they may consult with other relevant parties such as the compliance control or internal audit teams and inform them about the measures determined. The measures for mitigating the most important reputational risks are discussed and approved by local management. The management of ERGO Group AG and Munich Re or relevant committees are notified of measures adopted according to need.

The greatest reputational risks are added to the company's risk profile and the company prepares quarterly risk reports on them. The company has put in place a special reporting system to make sure that (potential) reputational risks are reported without delay.

Risk controllers – the compliance control and internal audit teams – evaluate reputational risk using their own methods and report all actual or anticipated reputational risks they have identified to the risk management team and other responsible stakeholders.

Note 5. Insurance revenue

The table below presents an analysis of the total insurance revenue recognised in the period:

In euros		**2023**	**2022**
Expected insurance service expenses incurred in the period	a	70 945 415	78 495 196
Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	b	30 160 896	20 851 020
Change in the risk adjustment for non-financial risk	c	555 160	1 445 093
Amount of CSM recognised in profit or loss	d	29 259 704	22 814 001
Realisation of premiums attributable to current period (PAA)	e	127 275 505	103 557 025
Experience adjustments	f	-1 343 628	-15 845 696
Insurance revenue		**256 853 052**	**211 316 639**

a. Expected insurance service expenses incurred in the period comprise claims and other expenses which the Company expects to pay on insured events that occurred during the period.

b. Acquisition cash flows are allocated in a systematic way on the basis of the passage of time over the coverage period of the group of contracts.

c. Change in risk adjustment shows amount of risk which expired during the period.

d. The CSM is recognised in profit or loss over the coverage period of the corresponding group of contracts based on coverage units.

e. Insurance revenue from insurance contracts measured using the premium allocation approach.

f. Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and the estimate, at the beginning of the period, of the amounts expected.

Breakdown of insurance revenue by country

In euros	**2023**	**2022**

Estonia	79 631 623	61 745 332
Latvia	43 261 982	35 687 199
Lithuania	133 959 447	113 884 108
Insurance revenue	**256 853 052**	**211 316 639**

Note 6. Insurance service expense

The table below shows the insurance service expenses:

In euros		2023	2022
Insurance service expenses from insurance contracts issued		**224 312 375**	**192 402 826**
Claims expenses	a	154 731 725	143 520 227
Changes that relate to past service - adjustments to the LIC	b	-3 830 069	-7 391 516
Administration and acquisition costs	c	43 160 242	37 938 891
Other insurance service expenses	d	30 250 477	18 335 224

a. Incurred claims and benefits excluding investment components.

b. Any LIC remeasurements relating to insurance and other non-financial risk with respect to claims incurred in prior periods (such as changes in expense level assumptions).

c. Administration and acquisition costs are presented separately. Acquisition costs are recognised in insurance service expenses in the same amount as used to determine insurance revenue based on systematic allocation to the appropriate periods of the coverage period.

d. Changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components) and other changes haven't mentioned above.

Significant changes in the claims expenses, administrative and acquisition costs, and other insurance service expenses in the reporting period are related to the organic growth of the insurance portfolios.

Note 7. Net income or expense from reinsurance contracts held

The table below shows an analysis of the net expenses from reinsurance contracts held recognised in the reporting period:

In euros		**2023**	**2022**
Allocation of reinsurance premiums		**75 882 573**	**11 091 988**
Expected recovery for insurance service expenses incurred in the period	a	1 324 287	1 898 259
Net cost/gain recognised in profit or loss	b	3 846 851	3 652 018
Release of premiums attributable to current period (PAA)	c	71 580 926	7 257 685
Experience adjustments	d	-869 491	-1 715 974
Amounts recoverable from reinsurers for incurred claims		**65 697 291**	**4 220 662**
Amounts recoverable for claims and other expenses incurred in the period		58 808 507	5 130 780
Changes in amounts recoverable arising from changes in liability for incurred claims		6 888 784	-910 118
Net expense from reinsurance contracts held		**10 185 282**	**6 871 326**

a. Expected recovery for insurance service expenses incurred in the period comprise recovery for claims and other expenses which the Company expects to receive from reinsurers on insured events occurred during the period

b. Net cost/gain recognised in profit or loss during the coverage period of the corresponding group of reinsurance contracts held based on coverage units

c. Reinsurance premiums from contracts measured using the premium allocation approach

d. Experience adjustments that arise from the difference between the reinsurance premium and the estimate, at the beginning of the period, of the amounts expected.

Significant increase in the release of reinsurance premiums and amounts recoverable for claims and other expenses incurred in the reporting period is caused by a change in the reinsurance program e.g., Quata Share agreements concluded for Motor business.

Note 8. Total investment income and net insurance finance result

In euros	31.12.2023	31.12.2022
Investment income		
Amounts recognised in the profit loss		
Interest revenue calculated using the effective interest method	3 820 077	939 389
Other interest and similar income	246 463	62 745
Net fair value gains/(losses) on financial assets at fair value through profit or loss	335 952	0
Net fair value gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	-48 192	-572 032
Impairment loss on financial assets	4 193	-437 067
Investment management expenses	-347 349	-315 617
Net foreign exchange (expense) / income	-213 305	687 548
Total amounts recognised in the profit or loss	**3 797 839**	**364 966**
Amounts recognised in OCI	**6 373 450**	**-14 118 217**
Total investment income	**10 171 289**	**-13 753 251**
Insurance finance income / (expenses) from insurance contracts issued		
Interest accreted to insurance contracts	-3 346 239	615 059
Amounts recognised in profit or loss	**-3 346 239**	**615 059**
Amounts recognised in OCI	**2 324 999**	**-5 946 594**
Total Insurance finance income / (expenses) from insurance contracts issued	**-1 021 240**	**-5 331 535**
Reinsurance finance income / (expenses) from insurance contracts issued		
Interest accreted to reinsurance contracts	921 262	-212 110
Amounts recognised in profit or loss	**921 262**	**-212 110**
Amounts recognised in OCI	**-647 553**	**1 614 601**
Total Reinsurance finance income / (expenses) from insurance contracts issued	**273 709**	**1 402 491**
Total net investment income, insurance finance expenses and reinsurance finance income	**9 423 758**	**-17 682 295**
Represented by:		
Amounts recognised in profit or loss	1 372 862	767 915
Amounts recognised in OCI	8 050 896	-18 450 210

The investment result comprises regular income, income from write-ups, gains, and losses on the disposal of investments, other income, expected credit losses on financial investments not measured at fair value through profit or loss, write-downs of, and impairment losses on, non-financial investments, management expenses, interest charges and other expenses. Regular income and expenses from financial investments not measured at fair value through profit or loss are calculated using the effective interest method, i.e. any premiums or discounts are amortised over the period of maturity, with impact on profit or loss.

In the reporting period interest revenue increased according to positive market developments.

IFRS17 provides a choice for disaggregating insurance income or expenses (IFIE) in each reporting period between profit or loss and other comprehensive income (OCI). That allows to recognise the part from the IFIE which is affected by changes in financial assumptions when measuring of groups of insurance contracts in the OCI. Using the OCI option is possibility to reduce the effects of short-term market volatility.

Insurance finance income or expenses is defined as the change in the effect of the time value of money arising from the passage of time and the effect of changes in financial assumptions on the carrying amounts of insurance contracts recognised in the statement of profit or loss.

Reinsurance finance income or expenses is defined as the change in the effect of the time value of money arising from the passage of time and the effect of changes in financial assumptions on the carrying amounts of reinsurance contracts recognised in the statement of profit or loss.

Note 9. Other income and expenses

In euros	Note	2023	2022
Other income			
Gain on disposal of property and equipment		87 604	300 825
Fees, commissions, and charges received		1 098 645	862 695
Insurance brokerage income		290 622	232 107
Rental income		218 404	56 002
Income from real estate in own use		161 651	170 579
Income from receivables written down		171 135	314 328
Miscellaneous income		65 454	301 913
Total result from other income		**2 093 515**	**2 238 449**
Expenses			
Membership fees to Financial Supervision Authority and professional associations		601 363	379 554
Insurance brokerage expenses		273 925	193 345
Audit and legal fees		311 217	129 732
Business licenses and permits		513 535	432 721
Interest paid		846 398	437 755
Real estate related expenses		179 978	185 537
Write down of intangible assets	15	13 252 729	256
Finance lease interest payments		112 790	49 268
State fees, stamp duties and late payment interest		33 109	36 000
Miscellaneous expenses[1]		3 593 189	745 794
Total result from expenses		**19 718 233**	**2 589 962**
Total result from other income and expenses		**-17 624 718**	**-351 513**

[1] Miscellaneous expenses mostly contain expenses non-attributable to the insurance portfolio, such as other personal expenses, training expenses, not related to certain product marketing expenses, product development expenses, etc.

Note 10. Cash and cash equivalents

The balance of cash and cash equivalents consists of demand deposits with banks.

As of 31.12.2023 the bank accounts of ERGO Insurance SE amounted to 17,107,435 euros (31.12.2022: 14,735,663 euros), of which 13,000,900 euros were in euros (31.12.2022: 14,725,443 euros) and 4,106,535 euros in dollars (2022: 10,220 euros).

Note 11. Investments in financial instruments

IFRS 13 establishes the following three-level fair value hierarchy:

- Level 1: financial instruments whose fair value is measured using quoted prices in active markets;
- Level 2: financial instruments whose all significant fair value measurement inputs are observable;
- Level 3: financial instruments whose fair value is measured using unobservable inputs.

According to the hierarchy, at 31 December 2023 the company's Debt instruments measured at fair value through other comprehensive income of 257,5 million euros (2022: 218,3 million euros) fell into Level 2. The fair value of Debt instruments measured at amortised cost carrying amount at 31 December 2023: 43,443 euros (2022: 43,443 euros) cannot be measured reliably. Therefore, their level has not been determined. More detailed information on the breakdown of assets between the different levels of the fair value hierarchy is provided in note 23 Fair value of financial instruments.

The fair value of Level 1 financial assets is measured by reference to quoted prices in active markets. The fair value of instruments traded in active markets is based on their listed market price at the end of the reporting period. A market is considered active when listed prices are easily and regularly available from a stock exchange, a dealer, a broker, an industry group, a pricing service or a regulatory authority and the prices represent actual and regularly occurring arm's length transactions. The listed market price of the company's financial assets is their current bid price.

The fair value of financial instruments not traded in an active market is determined using valuation techniques. Valuation techniques are applied using as much as possible observable market data, if available, and relying as little as possible on the company's own estimates. An instrument is classified to the Level 2 category when all important inputs that are required for determining fair value are observable.

11.1. Equity and debt instruments at fair value through profit or loss

In euros	As at 31 December 2023		As at 31 December 2022	
	Amortized cost	Carrying amount	Amortized cost	Carrying amount
Units in infrastructure debt funds	5 293 899	4 961 456	3 766 361	3 097 967
Total	**5 293 899**	**4 961 456**	**3 766 361**	**3 097 967**

11.2. Debt instruments at fair value through other compre-hensive income

Debt and other fixed income securities have been classified as debt instruments at fair value through other comprehensive income. Changes in the fair value of such financial assets are recognised in other comprehensive income. Interest income is recognised using the effective interest method.

In euros	As at 31 December 2023		As at 31 December 2022	
	Amortized cost	Carrying amount	Amortized cost	Carrying amount
Debt instruments measured at FVOCI				
Government bonds	171 648 180	168 765 047	116 631 600	110 531 456
Financial institutions' bonds	51 748 115	51 149 668	75 509 230	73 402 119
Corporate bonds	34 860 908	32 666 216	35 150 682	31 316 821
Debt instruments measured at FVOCI	**258 257 203**	**252 580 931**	**227 291 512**	**215 250 396**

Debt instruments at fair value through other comprehensive income (FVOCI) comprise government bonds, corporate bonds and debt securities issued by financial institutions.

The fair value of debt securities is determined by reference to the Bloomberg Generic (BGN) Prices available on the information systems of Bloomberg. Where BGN prices are not available, fair value is determined by reference to quoted market prices. If there is a broker on the market whose price quotation includes the quantity purchased, that quotation is relied on. If a quotation including the quantity purchased is not available, one without quantity is used. If a debt security does not have a listed price, valuation models are applied. If the models cannot be used or it would be impracticable, the security is measured at cost. At 31 December 2023, the portfolio did not include any debt securities measured at cost or using valuation models.

Cash movements related to Debt instruments measured at FVOCI are presented in the statement of cash flows. Non-cash movements such as changes in the fair value reserve are presented in the table below.

Movements in the debt and other fixed income securities

In euros	2023	2022
On 1 January	**215 250 396**	**205 205 709**
Purchased debt securities	122 497 002	68 182 465
Sold debt securities	-4 215 654	-17 940 213
Received on maturity date debt securities	-89 065 937	-25 254 604
Amortisation of debt securities	1 940 355	-1 217 166
Changes in the fair value reserve	6 377 715	-13 144 749
Changes in the expected credit loss OCI	-4 266	0
Loss on the disposal	-53 369	-646 105
Gain on the disposal	1 505	1 981
Written down debt securities	0	-437 067
Expected credit loss	4 266	0
Currency revaluation	-115 822	608 906
Changes in accrued interest	-35 261	-108 761
On 31 December	**252 580 930**	**215 250 396**

11.3. Debt instruments at amortised cost

Debt instruments measured at amortised cost contain unlisted equities with a carrying amount at 31 December 2023: 43,443 euros (2022: 43,443 euros).

Note 12. Investments in subsidiaries

ERGO Insurance SE is the sole shareholder in DEAX Õigusbüroo OÜ, whose share capital amounts to 50,000 euros. Since the business volume of DEAX Õigusbüroo OÜ is insignificant compared to the total assets and revenue of ERGO Insurance SE, the subsidiary is accounted for in the financial statements as of 31 December 2023 using the cost method.

Note 13. Insurance and reinsurance contracts

According to IFRS 17.95. an entity shall aggregate or disaggregate information so that useful information is not obscured either by the inclusion of a large amount of insignificant detail or by the aggregation of items that have different characteristics. Company presents information aggregated to insurance contracts issued and reinsurance contracts held.

13.1. Insurance contracts issued and reinsurance contracts held

The premium allocation approach applied to majority of insurance contract issued and reinsurance contract held portfolios.

Gross motor own damage insurance, property insurance, guarantee insurance and general third party liability insurance portfolios are measured under general measurement model. Ceded general third party liability insurance and guarantee insurance portfolios are measured under general measurement model.

13.1.1. Roll-forward of net asset or liability for insurance contracts issued and reinsurance contracts held showing the liability for remaining coverage and the liability for incurred claims

13.1.1.1. Insurance contracts issued

The tables below show the changes in carrying amounts of the insurance contracts issued and reinsurance contracts held broken down by liability component. The reconciliation tables therefore show the changes between the opening and closing balances for the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage is split into the liability for remaining coverage excluding the loss component and the loss component. Changes in the liability components arise from the insurance service result, investment components, insurance finance income or expenses, other value changes, changes recognised in other comprehensive income, and changes in cash inflows or outflows.

Insurance contracts (gross) - Movement in liabilities	2023			
	Liability for remaining coverage			
	Excluding loss component	Loss component	Liability for incurred claims	Total
Opening balance - insurance portfolios in asset position	487 358	4	-1 191 354	-703 992
Opening balance - insurance portfolios in liability position	64 619 486	5 044 845	109 404 958	179 069 289
Opening balance	**65 106 844**	**5 044 849**	**108 213 604**	**178 365 298**
Insurance service result	**-226 692 156**	**-48 320**	**166 994 017**	**-59 746 459**
Insurance revenue	-256 853 052	0	0	-256 853 052
Expected incurred claims and other expenses for the period	-70 945 415	0	0	-70 945 415
Expected release of risk adjustment for the period	-555 160	0	0	-555 160
Contractual Service Margin for the service provided in the period	-29 259 704	0	0	-29 259 704
Recovery of insurance acquisition cash flows	-30 160 896	0	0	-30 160 896
Experience adjustments from premiums and related cash flows	1 343 628	0	0	1 343 628
Insurance revenue for short term contracts	-127 275 505	0	0	-127 275 505
Insurance service expenses	30 160 896	-48 320	166 994 017	197 106 593
Incurred claims and other incurred service expenses	0	0	170 819 094	170 819 094
Changes that relate to past service	0	0	-3 825 077	-3 825 077
Changes that relate to future service	0	-48 320	0	-48 320
Losses at initial recognition	0	3 389 180	0	3 389 180
Changes in estimates that do not adjust the CSM	0	113 441	0	113 441
Reversal of losses	0	-3 550 941	0	-3 550 941
Amortisation of insurance acquisition cash flows	30 160 896	0	0	30 160 896
Insurance finance income or expenses	**2 311 415**	**62 865**	**971 959**	**3 346 239**
Accretion of interest	2 311 415	62 865	971 959	3 346 239
Changes recognised in OCI	**-215 941**	**0**	**2 540 940**	**2 324 999**
Effects from changes in market variables	-215 941	0	2 540 940	2 324 999
Cash flows	**224 493 889**	**0**	**-169 308 649**	**55 185 240**
Premiums received	261 269 804	**0**	**0**	261 269 804
Insurance acquisition cash flows paid	-36 775 914	**0**	**0**	-36 775 914
Claims and other insurance service expenses paid	**0**	0	-169 308 649	-169 308 649
Closing balance	**65 004 052**	**5 059 393**	**109 411 872**	**179 475 317**
Closing balance - insurance portfolios in asset position	-9 068 926	94 033	6 438 476	-2 536 417
Closing balance - insurance portfolios in liability position	74 072 978	4 965 360	102 973 396	182 011 734

Insurance contracts (gross) - Movement in liabilities	2022			
	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component		
Opening balance - insurance portfolios in asset position	-83 319	0	14 615	-68 704
Opening balance - insurance portfolios in liability position	56 223 808	7 584 859	121 393 904	185 202 571
Opening balance	**56 140 489**	**7 584 859**	**121 408 519**	**185 133 867**
Insurance service result	**-190 465 619**	**-2 528 289**	**150 144 324**	**-42 849 584**
Insurance revenue	-211 316 639	0	0	-211 316 639
Expected incurred claims and other expenses for the period	-78 495 196	0	0	-78 495 196
Expected release of risk adjustment for the period	-1 445 093	0	0	-1 445 093
Contractual Service Margin for the service provided in the period	-22 814 001	0	0	-22 814 001
Recovery of insurance acquisition cash flows	-20 851 020	0	0	-20 851 020
Experience adjustments from premiums and related cash flows	15 845 696	0	0	15 845 696
Insurance revenue for short term contracts	-103 557 025	0	0	-103 557 025
Insurance service expenses	20 851 020	-2 528 289	150 144 324	168 467 055
Incurred claims and other incurred service expenses	0	0	157 491 589	157 491 589
Changes that relate to past service	0	0	-7 347 266	-7 347 266
Changes that relate to future service	0	-2 528 289	0	-2 528 289
Losses at initial recognition	0	3 874 594	0	3 874 594
Changes in estimates that do not adjust the CSM	0	-306 723	0	-306 723
Reversal of losses	0	-6 096 160	0	-6 096 160
Amortisation of insurance acquisition cash flows	20 851 020	0	0	20 851 020
Insurance finance income or expenses	**-67 362**	**-11 721**	**-535 977**	**-615 060**
Accretion of interest	-67 362	-11 721	-535 977	-615 060
Changes recognised in OCI	**1 181 161**	**0**	**-7 127 755**	**-5 946 594**
Effects from changes in market variables	1 181 161	0	-7 127 755	-5 946 594
Cash flows	**198 318 176**	**0**	**-155 675 506**	**42 642 670**
Premiums received	226 027 980	0	0	226 027 980
Insurance acquisition cash flows paid	-27 709 804	0	0	-27 709 804
Claims and other insurance service expenses paid	0	0	-155 675 506	-155 675 506
Closing balance	**65 106 845**	**5 044 849**	**108 213 605**	**178 365 299**
Closing balance - insurance portfolios in asset position	487 358	4	-1 191 354	-703 992
Closing balance - insurance portfolios in liability position	64 619 486	5 044 845	109 404 958	179 069 289

13.1.1.2. Reinsurance contracts held

The following table present the changes during the financial year, broken down by asset components, for reinsurance contracts held that are measured using the general measurement model and the premium allocation approach. The reconciliation tables thus show the changes from opening to closing balances for the assets for remaining coverage and the assets for the recovery of incurred claims. The assets for remaining coverage are broken down further into assets with and without a loss-recovery component. Changes in the asset components arise from the insurance service result, investment components, insurance finance income or expenses, other value changes, changes recognised in other comprehensive income, and changes in cash inflows and outflows.

Reinsurance contracts held - Movement in liabilities / assets	2023			
	Expected recovery (remaining coverage)		Expected recovery for incurred claims	Total
	Excluding loss-recovery component	Loss-recovery component		
Opening balance - insurance portfolios in asset position	438 562	0	27 103 288	27 541 850
Opening balance - insurance portfolios in liability position	-4 233 152	0	-935 858	-5 169 010
Opening balance	**-3 794 590**	**0**	**26 167 430**	**22 372 840**
Reinsurance service result	**-75 882 574**	**0**	**65 697 292**	**-10 185 282**
Reinsurance expense	-75 882 574	0	0	-75 882 574
Expected incurred claims and other expenses for the period	-1 305 521	0	0	-1 305 521
Expected release of risk adjustment for the period	-18 766	0	0	-18 766
Net cost/gain for the service received in the period	-3 846 851	0	0	-3 846 851
Experience adjustments from premiums and related cash flows	869 491	0	0	869 491
Reinsurance expense from short term contracts	-71 580 926	0	0	-71 580 926
Reinsurance service income	0	0	65 697 292	65 697 292
Recoveries of incurred claims and other insurance service expenses	0	0	58 760 671	58 760 671
Changes that relate to past service	0	0	6 936 620	6 936 620
Insurance finance income or expenses	**645 670**	**0**	**275 592**	**921 262**
Accretion of interest	645 670	0	275 592	921 262
Changes recognised in OCI	**11 579**	**0**	**635 974**	**647 553**
Effects from changes in market variables	11 579	0	635 974	647 553
Cash flows	**41 955 713**	**0**	**-41 899 043**	**56 670**
Premiums paid	41 955 713	0	0	41 955 713
Claims and other insurance service expenses reimbursed	0	0	-41 899 043	-41 899 043
Closing balance	**-37 064 202**	**0**	**50 877 245**	**13 813 043**
Closing balance - insurance portfolios in asset position	-18 538 845	0	54 418 180	35 879 335
Closing balance - insurance portfolios in liability position	-18 525 357	0	-3 540 935	-22 066 292

Reinsurance contracts held - Movement in liabilities / assets	2022			
	Expected recovery (remaining coverage)		Expected recovery for incurred claims	Total
	Excluding loss-recovery component	Loss-recovery component		
Opening balance - insurance portfolios in asset position	4 534 504	0	31 552 150	36 086 654
Opening balance - insurance portfolios in liability position	-49 030	0	12 291	-36 739
Opening balance	**4 485 474**	**0**	**31 564 441**	**36 049 915**
Reinsurance service result	**-11 091 988**	**0**	**4 220 662**	**-6 871 326**
Reinsurance expense	-11 091 988	0	0	-11 091 988
Expected incurred claims and other expenses for the period	-1 884 834	0	0	-1 884 834
Expected release of risk adjustment for the period	-13 425	0	0	-13 425
Net cost/gain for the service received in the period	-3 652 018	0	0	-3 652 018
Experience adjustments from premiums and related cash flows	1 715 974	0	0	1 715 974
Reinsurance expense from short term contracts	-7 257 685	0	0	-7 257 685
Reinsurance service income	0	0	4 220 662	4 220 662
Recoveries of incurred claims and other insurance service expenses	0	0	5 117 408	5 117 408
Changes that relate to past service	0	0	-896 746	-896 746
Insurance finance income or expenses	**-86 965**	**0**	**-125 145**	**-212 110**
Accretion of interest	-86 965	0	-125 145	-212 110
Other effects	**3 134**	**0**	**-3 134**	**-0**
Effects from currency exchange rate differences	3 134	0	-3 134	-0
Changes recognised in OCI	**-29 531**	**0**	**-1 585 069**	**-1 614 600**
Effects from changes in market variables	-29 531	0	-1 585 069	-1 614 600
Cash flows	**2 925 286**	**0**	**-7 904 324**	**-4 979 038**
Premiums paid	2 925 286	0	0	2 925 286
Claims and other insurance service expenses reimbursed	0	0	-7 904 324	-7 904 324
Closing balance	**-3 794 590**	**0**	**26 167 430**	**22 372 840**
Closing balance - insurance portfolios in asset position	438 562	0	27 103 288	27 541 850
Closing balance - insurance portfolios in liability position	-4 233 152	0	-935 858	-5 169 010

13.1.2. Roll-forward of the net asset or liability for insurance contracts issued and reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustment and CSM

13.1.2.1. Insurance contracts issued

The tables below show how the measurement components that make up the liability for remaining coverage and the liability for incurred claims changed during the financial year. The reconciliations show the changes from the opening to the closing balances for the measurement components of the present value of the expected net cash flows, risk adjustment and the contractual service margin. Changes in the measurement components also arise from the insurance service result, investment components, insurance finance income or expenses, other changes in value and changes in cash inflows and outflows. Consequently, the tables reveal which changes arose in the present values of expected net cash flows and in the risk adjustment for non-financial risk during the year and how these changes affected the contractual service margin.

The measurement components include the entire liability from insurance contracts issued which were measured using the general measurement model and the variable fee approach, and the liability for incurred claims for insurance contracts issued which were measured using the premium allocation approach.

The liability for remaining coverage for insurance contracts issued which were measured using the premium allocation approach is not included. When applying the premium allocation approach, neither the present value of expected net cash flows nor a risk adjustment for non-financial risk or a contractual service margin for the liability for remaining coverage are explicitly determined.

Insurance contracts (gross) - Movement in components	2023			
	Estimates of the present value of the future cash flows	Risk adjustment for nonfinancial risk	Contractual Service Margin	Total
Opening balance - insurance portfolios in asset position	-1 477 947	822	210 309	-1 266 815
Opening balance - insurance portfolios in liability position	112 190 059	525 416	31 697 534	144 413 009
Opening balance	**110 712 112**	**526 238**	**31 907 844**	**143 146 194**
				0
Insurance service result	**78 396 104**	**244 147**	**-10 394 584**	**68 245 667**
Changes that relate to current service	97 577 281	-474 990	-29 259 704	67 842 588
Contractual Service Margin for the service provided in the period	0	0	-29 259 704	-29 259 704
Changes in the risk adjustment	0	-633 715	0	-633 715
Experience adjustments	13 704 248	0	0	13 704 248
Incurred claims from short term contracts	83 873 033	158 726	0	84 031 759
Changes that relate to future service	-15 351 108	714 145	18 865 120	4 228 156
Contracts initially recognised in the period	-18 675 337	712 900	21 244 129	3 281 692
Changes in the estimates reflected in the Contractual Service Margin	2 391 240	-12 231	-2 379 010	0
Changes in estimates that do not adjust the Contractual Service Margin	932 988	13 476	0	946 464
Changes that relate to past service	-3 830 069	4 992	0	-3 825 077
Changes in fulfilment cash flows relating to incurred claims	-3 830 069	4 992	0	-3 825 077
Insurance finance income or expenses	**1 208 253**	**19 248**	**505 345**	**1 732 846**
Accretion of interest	1 208 253	19 248	505 345	1 732 846
Changes recognised in OCI	**2 310 603**	**14 396**	**0**	**2 324 999**
Effects from changes in market variables	2 310 603	14 396	0	2 324 999
Cash flows	**-63 153 712**	**0**	**0**	**-63 153 712**
Premiums received	142 930 906	0	0	142 930 906
Insurance acquisition cash flows paid	-36 775 969	0	0	-36 775 969
Claims and other insurance service expenses paid	-169 308 649	0	0	-169 308 649
Closing balance	**129 473 361**	**804 029**	**22 018 605**	**152 295 994**
Closing balance - insurance portfolios in asset position	-8 422 972	58 837	4 224 350	-4 139 785
Closing balance - insurance portfolios in liability position	137 896 332	745 192	17 794 255	156 435 779

Insurance contracts (gross) - Movement in components	2022			
	Estimates of the present value of the future cash flows	**Risk adjustment for nonfinancial risk**	**Contractual Service Margin**	**Total**
Opening balance - insurance portfolios in asset position	-293 147	268	224 176	-68 704
Opening balance - insurance portfolios in liability position	148 188 167	2 224 330	8 712 435	159 124 932
Opening balance	**147 895 019**	**2 224 598**	**8 936 611**	**159 056 228**
				0
Insurance service result	**38 242 596**	**-1 686 731**	**23 033 850**	**59 589 715**
Changes that relate to current service	88 874 403	-1 573 566	-22 814 001	64 486 836
Contractual Service Margin for the service provided in the period	0	0	-22 814 001	-22 814 001
Changes in the risk adjustment	0	-1 571 327	0	-1 571 327
Experience adjustments	14 130 559	0	0	14 130 559
Incurred claims from short term contracts	74 743 843	-2 239	0	74 741 605
Changes that relate to future service	-43 240 291	-157 415	45 847 851	2 450 145
Contracts initially recognised in the period	-29 428 335	730 142	32 420 457	3 722 264
Changes in the estimates reflected in the Contractual Service Margin	-12 589 699	-837 695	13 427 394	0
Changes in estimates that do not adjust the Contractual Service Margin	-1 222 257	-49 862	0	-1 272 119
Changes that relate to past service	-7 391 516	44 250	0	-7 347 266
Changes in fulfilment cash flows relating to incurred claims	-7 391 516	44 250	0	-7 347 266
Insurance finance income or expenses	**-336 574**	**-1 754**	**-62 617**	**-400 945**
Accretion of interest	-336 574	-1 754	-62 617	-400 945
Changes recognised in OCI	**-5 936 719**	**-9 875**	**0**	**-5 946 594**
Effects from changes in market variables	-5 936 719	-9 875	0	-5 946 594
Cash flows	**-69 152 210**	**0**	**0**	**-69 152 210**
Premiums received	114 232 644	0	0	114 232 644
Insurance acquisition cash flows paid	-27 709 348	0	0	-27 709 348
Claims and other insurance service expenses paid	-155 675 506	0	0	-155 675 506
Closing balance	**110 712 112**	**526 238**	**31 907 844**	**143 146 194**
Closing balance - insurance portfolios in asset position	-1 477 947	822	210 309	-1 266 815
Closing balance - insurance portfolios in liability position	112 190 059	525 416	31 697 534	144 413 009

13.1.2.2. Reinsurance contracts held

The table below show the changes in the measurement components of reinsurance contracts held in the financial year that are measured using the general measurement model and the premium allocation approach. The measurement components include all elements of reinsurance contracts held that are measured using the general measurement model. In this reconciliation, the present value of the future net cash flows and the risk adjustment for our insurance portfolios measured using the premium allocation approach only includes the assets for the recovery of incurred claims.

Reinsurance contracts held - Movement in components		2023			
		Estimates of the present value of the future cash flows	**Risk adjustment**	**Net cost/gain**	**Total**
	Opening balance - insurance portfolios in asset position	24 704 659	95 997	3 596 111	28 396 766
	Opening balance - insurance portfolios in liability position	-2 445 511	8 853	842 822	-1 593 836
Opening balance		**22 259 149**	**104 850**	**4 438 932**	**26 802 931**
Reinsurance service result		**62 508 859**	**418 471**	**-1 531 687**	**61 395 643**
	Changes that relate to current service	57 957 912	347 963	-3 846 851	54 459 023
	Net cost/gain for the service received in the period	0	0	-3 846 851	-3 846 851
	Changes in the risk adjustment	0	-9 515	0	-9 515
	Experience adjustments	265 197	0	0	265 197
	Incurred claims and other incurred service ceded to reinsurer from short term contracts	57 692 715	357 478	0	58 050 193
	Changes that relate to future service	-2 337 837	22 673	2 315 165	-0
	Contracts initially recognised in the period	-3 478 898	21 717	3 457 181	0
	Changes in the estimates reflected in the net cost/gain	1 141 061	956	-1 142 016	-0
	Changes that relate to past service	6 888 784	47 836	0	6 936 620
	Changes in fulfilment cash flows relating to incurred claims ceded to reinsurer	6 888 784	47 836	0	6 936 620
Insurance finance income or expenses		**205 998**	**6 133**	**95 847**	**307 978**
	Accretion of interest	205 998	6 133	95 847	307 978
Changes recognised in OCI		**645 377**	**2 176**	**0**	**647 553**
	Effects from changes in market variables	645 377	2 176	0	647 553
Cash flows		**-41 206 935**	**0**	**0**	**-41 206 935**
	Premiums paid	692 108	0	0	692 108
	Claims and other insurance service expenses reimbursed	-41 899 043	0	0	-41 899 043
Closing balance		**44 412 449**	**531 630**	**3 003 093**	**47 947 171**
	Closing balance - insurance portfolios in asset position	54 153 650	403 093	524 605	55 081 349
	Closing balance - insurance portfolios in liability position	-9 741 201	128 536	2 478 488	-7 134 178

Reinsurance contracts held - Movement in components	2022			
	Estimates of the present value of the future cash flows	**Risk adjustment**	**Net cost/gain**	**Total**
Opening balance - insurance portfolios in asset position	33 759 181	123 428	1 917 326	35 799 935
Opening balance - insurance portfolios in liability position	-54 075	181	31 563	-22 331
Opening balance	**33 705 106**	**123 609**	**1 948 889**	**35 777 604**
Reinsurance service result	**-2 118 058**	**-5 968**	**2 510 385**	**386 359**
Changes that relate to current service	4 965 638	-30 515	-3 652 018	1 283 105
Net cost/gain for the service received in the period	0	0	-3 652 018	-3 652 018
Changes in the risk adjustment	0	-14 061	0	-14 061
Experience adjustments	628 988	0	0	628 988
Incurred claims and other incurred service ceded to reinsurer from short term contracts	4 336 650	-16 454	0	4 320 196
Changes that relate to future service	-6 173 578	11 175	6 162 402	0
Contracts initially recognised in the period	-5 796 909	28 220	5 768 689	0
Changes in the estimates reflected in the net cost/gain	-376 669	-17 045	393 713	0
Changes that relate to past service	-910 118	13 372	0	-896 746
Changes in fulfilment cash flows relating to incurred claims ceded to reinsurer	-910 118	13 372	0	-896 746
Insurance finance income or expenses	**-174 595**	**-838**	**-20 341**	**-195 775**
Accretion of interest	-174 595	-838	-20 341	-195 775
Other effects	**-3 134**	**0**	**0**	**-3 134**
Effects from currency exchange rate differences	-3 134	0	0	-3 134
Changes recognised in OCI	**-1 602 647**	**-11 953**	**0**	**-1 614 601**
Effects from changes in market variables	-1 602 647	-11 953	0	-1 614 601
Cash flows	**-7 547 524**	**0**	**0**	**-7 547 524**
Premiums paid	356 800	0	0	356 800
Claims and other insurance service expenses reimbursed	-7 904 324	0	0	-7 904 324
Closing balance	**22 259 149**	**104 850**	**4 438 932**	**26 802 931**
Closing balance - insurance portfolios in asset position	24 704 659	95 997	3 596 111	28 396 766
Closing balance - insurance portfolios in liability position	-2 445 511	8 853	842 822	-1 593 836

13.2. Liability for remaining coverage

In the following table, we present the underwritten or acquired insurance contracts recognised in the financial year for the first time in which the general measurement model is predominantly used in order to explain the change in the contractual service margin. The underwritten insurance contracts issued and recognised in the financial year for the first time and measured under the general measurement model – had the following amounts.

Insurance contract issued

2023 *In euros*	**Contracts issued**		**Total**
	Non-Onerous	**Onerous**	
Estimates of the present value of future cash inflows	124 045 959	14 486 424	**138 532 383**
Estimates of the present value of future cash outflows	**-102 376 367**	**-17 480 679**	**-119 857 046**
Expected future claims, expenses, and investment components	-76 345 386	-12 968 659	**-89 314 045**
Expected insurance acquisition cash flows	-26 030 981	-4 512 019	**-30 543 001**
Risk adjustment	-425 462	-287 438	**-712 900**
Contractual Service Margin	-21 244 129	0	**-21 244 129**
Total	**0**	**-3 281 692**	**-3 281 692**

2022 *In euros*	**Contracts issued**		**Total**
	Non-Onerous	**Onerous**	
Estimates of the present value of future cash inflows	125 707 259	7 564 494	**133 271 753**
Estimates of the present value of future cash outflows	**-92 660 192**	**-11 183 226**	**-103 843 418**
Expected future claims, expenses, and investment components	-71 412 084	-9 382 128	**-80 794 212**
Expected insurance acquisition cash flows	-21 248 107	-1 801 098	**-23 049 205**
Risk adjustment	-626 611	-103 531	**-730 142**
Contractual Service Margin	-32 420 457	0	**-32 420 457**
Total	**0**	**-3 722 264**	**-3 722 264**

Reinsurance contracts held

2023 *In euros*	**Contracts issued** **Non-Onerous**	**Onerous**	**Total**
Estimates of the present value of future cash inflows	1 086 859	0	**1 086 859**
Estimates of the present value of future cash outflows	**-4 565 757**	**0**	**-4 565 757**
Expected future claims, expenses, and investment components	-4 565 757	0	**-4 565 757**
Risk adjustment	21 717	0	**21 717**
Net cost/gain	3 457 181	0	**3 457 181**
Total	**0**	**0**	**0**

2022 *In euros*	**Contracts issued** **Non-Onerous**	**Onerous**	**Total**
Estimates of the present value of future cash inflows	1 346 110	0	**1 346 110**
Estimates of the present value of future cash outflows	-7 143 018	**0**	**-7 143 018**
Expected future claims, expenses, and investment components	-7 143 018	0	**-7 143 018**
Risk adjustment	28 220	0	**28 220**
Net cost/gain	5 768 689	0	**5 768 689**
Total	**0**	**0**	**0**

The table below shows our forecast of the recognition in profit or loss of the contractual service margin for insurance contracts issued that are measured under the general measurement model or the variable fee approach, including the corresponding revenue recognised. The recognition of the contractual service margin in profit or loss will influence the amount of insurance revenue, and thus the insurance service result and the amount of the liability for remaining coverage, in subsequent reporting periods.

Forecast of the recognition of the contractual service margin in profit or loss

In euros	2023		2022	
	Insurance contracts issued	**Reinsurance contracts held**	**Insurance contracts issued**	**Reinsurance contracts held**
Carrying amount at 31 December - Contractual service margin	**22 018 604**	**3 003 093**	**31 907 844**	**4 438 933**
Expected amounts recognised in profit or loss				
Year 1 change	12 238 294	1 159 114	17 735 538	2 192 797
Year 2 change	3 144 059	1 039 267	4 555 946	1 265 923
Year 3 change	1 718 597	402 322	2 490 359	490 066
Year 4 change	1 042 968	102 520	1 511 329	124 879
Year 5 change	751 764	51 415	1 089 355	62 628
Year 6 change	547 784	20 505	793 775	24 977
Year 7 change	455 551	17 954	660 122	21 869
Year 8 change	381 976	15 535	553 508	18 923
Year 9 change	303 803	15 044	440 231	18 324
Year 10 change	252 045	13 218	365 229	16 101
Year 11 and subsequent change	1 181 763	166 199	1 712 452	202 446

The following tables present the effects on the contractual service margin resulting from the initial measurement of insurance contracts issued that were measured at the transition date applying the full retrospective, modified retrospective, and fair value approaches. This disclosure is only relevant for insurance contracts measured under the general measurement model or the variable fee approach. The associated insurance revenue also includes insurance contracts issued measured as at the transition date by applying the premium allocation approach.

In euros	2023				2022			
	Contracts measured using the fully retrospective approach[1]	**Contracts measured using the modified retrospective approach**	**Contracts measured using the fair value approach**	**Total**	**Contracts measured using the fully retrospective approach[1]**	**Contracts measured using the modified retrospective approach**	**Contracts measured using the fair value approach**	**Total**
Insurance revenue from insurance contracts issued	1 327 098	136 465	0	1 463 563	87 307 737	15 342 059	0	102 649 796
Carrying amount at 1 January – Contractual service margin from insurance contracts issued	1 282 878	13 228 489	0	14 511 367	6 949 375	1 987 236	0	8 936 611
Contractual service margin for services provided in the reporting period	-962 074	-6 432 004	0	-7 394 078	-4 493 034	-7 809 086	0	-12 302 120
Changes in estimates adjusting the contractual service margin	-55 867	350 357	0	294 490	-1 132 907	19 061 965	0	17 929 058
Effects of contracts initially recognised in the period	0	0	0	0	0	0	0	0
Insurance finance income or expenses	-4 751	-24 282	0	-29 033	-40 556	-11 626	0	-52 182
Other effects	0	0	0	0	0	0	0	0
Carrying amount at 31 December – Contractual service margin from insurance contracts issued	**260 187**	**7 122 560**	**0**	**7 382 747**	**1 282 878**	**13 228 489**	**0**	**14 511 367**

[1]This only shows groups of insurance contracts in force at the transition date.

13.3. Liability for incurred claims

The tables below illustrate how claims and claims payments have changed over the past ten years.

Claims payments for the individual accident years (per calendar year, net)

In euros Calendar year	Accident year <=2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
2013	63 740 100											
2014	14 209 817	41 886 724										
2015	2 397 544	20 344 991	52 381 238									
2016	1 563 858	1 658 183	22 890 212	64 180 904								
2017	909 274	843 842	1 878 540	19 728 523	60 388 705							
2018	1 674 969	282 257	712 354	2 307 952	21 420 835	67 596 619						
2019	888 834	247 199	306 759	1 153 442	2 252 123	24 899 185	75 220 348					
2020	174 369	87 975	181 648	689 833	1 509 440	3 343 705	24 170 080	76 997 526				
2021	127 947	516 914	-33 586	306 149	645 107	945 040	2 937 205	23 303 691	90 102 601			
2022	90 637	56 793	37 781	49 352	299 797	1 116 025	-1 528 397	3 205 030	37 733 778	83 165 103		
2023	219 015	32 719	12 373	100 540	40 744	1 369 877	2 540 181	2 270 802	7 642 058	25 683 381	67 306 820	**107 218 511**

Nominal liability for incurred claims for the individual accident years as at the respective reporting date (net)

In euros Calendar year	Accident year <=2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
2013	56 711 634											
2014	33 474 361	26 654 677										
2015	21 335 142	9 258 126	35 501 535									
2016	9 715 852	4 991 400	8 337 310	39 098 152								
2017	7 595 221	4 158 411	3 203 907	11 866 555	43 731 365							
2018	6 523 383	3 469 174	2 291 310	7 059 202	13 651 250	49 647 000						
2019	5 348 750	3 336 007	1 709 396	5 177 272	7 443 619	17 493 676	51 033 380					
2020	4 754 899	3 129 931	2 033 256	4 104 156	5 664 369	10 207 349	17 922 063	48 892 187				
2021	4 142 802	2 207 331	1 368 328	2 878 192	3 856 077	6 866 711	9 177 054	13 933 168	62 909 513			
2022	3 562 225	1 927 195	1 377 292	2 686 289	3 001 843	4 398 049	7 996 799	6 976 597	18 651 396	43 632 182		
2023	6 893 490	1 544 959	1 113 610	2 727 042	1 780 174	2 760 666	4 280 375	3 703 182	10 474 229	10 728 243	37 649 524	**83 655 495**

Ultimate loss status as at the respective reporting date (net)

In euros Calendar year	Accident year <=2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
2013	120 451 734											
2014	111 424 278	68 541 401										
2015	101 682 603	71 489 842	87 882 773									
2016	91 627 171	68 881 299	83 608 760	103 279 055								
2017	90 415 814	68 892 151	80 353 897	95 775 982	104 120 070							
2018	91 018 944	68 485 171	80 153 655	93 276 581	95 460 790	117 243 619						
2019	90 733 145	68 599 203	79 878 500	92 548 093	91 505 282	109 989 480	126 253 728					
2020	90 313 663	68 481 102	80 384 007	92 164 809	91 235 472	106 046 858	117 312 490	125 889 713				
2021	89 829 512	68 075 416	79 685 494	91 244 995	90 072 287	103 651 260	111 504 687	114 234 385	153 012 114			
2022	89 339 573	67 852 073	79 732 239	91 102 444	89 517 850	102 298 623	108 796 034	110 482 845	146 487 775	126 797 284		
2023	92 889 853	67 502 557	79 480 930	91 243 737	88 336 925	102 031 117	107 619 791	109 480 232	145 952 666	119 576 726	104 956 344	**1 109 070 878**

The ultimate loss for an accident year comprises all payments made for that accident year up to the reporting date, plus the nominal liability for incurred claims remaining as at that date. Given complete information regarding all losses incurred up to the end of the reporting period, the ultimate loss status for each accident-year period would remain the same. In practice, however, the ultimate-loss status (based on estimates) is exposed to fluctuations that reflect the growth in knowledge about the claims.

Note 14. Other receivables

In euros As at 31 December	2023	2022
Other receivables	755 802	2 515 682
Accrued income – interest receivable	4 750	0
Total other financial assets	***760 552***	***2 515 682***
Other insurance receivables	0	4 007 691
Total other insurance receivables	***0***	***4 007 691***
Prepaid taxes	257 212	512 919
Prepaid expenses	2 236 300	2 622 331
Total non-financial assets	***2 493 512***	***3 135 250***
Total	**3 254 064**	**9 658 623**

Note 15. Other intangible assets

During the previous years, the essential effort and contribution was paid to development of the new common IT platform (Space) for three Baltic countries. The program started in June 2019 and was planned to be finished by the end of the year 2021. However, the initial roadmap was assessed as not feasible, and the SPACE platform didn't reach operating readiness in 2023 either.

The platform has only achieved limited functionality in the branches in Latvia and Lithuania, without being able to replace the existing systems. Since no sufficiently convincing roadmap towards a finalization of Space could be created, the management decided to suspend the project and to investigate potential next steps. In the further course, it was concluded that the introduction of the system in Estonia and Latvia was no longer promoted. However, it was decided to develop a plan for a potential gradual operational introduction in Lithuania.

During the financial year, 13,252,729 euros (including 13,160,143 euros Space write off) of assets with a carrying amount were written off (2022: 1,905 euros).

On 31 December 2023, the cost of fully amortised assets still in use was 13,490,957 euros (31 December 2022: 10,224,309 euros).

In euros	**Software and licences**
Cost	

As at 31 December 2021	**33 841 585**
Addition through purchase of software and licences	885 082
Addition through internally generated IT projects	10 169 924
Write-off of software and licences	-74 163
As at 31 December 2022	**44 822 428**
Addition through purchase of software and licences	935 617
Addition through internally generated IT projects	4 312 717
Write-off of software and licences	-6 557 607
Write-off internally generated IT projects	-8 040 529
As at 31 December 2023	**35 472 626**
Accumulated amortisation	
As at 31 December 2021	**13 280 256**
Amortisation for the year	2 329 451
Write-off	-72 258
As at 31 December 2022	**15 537 449**
Amortisation for the year	2 470 929
Write-off	-1 405 551
As at 31 December 2023	**16 602 827**
Carrying amount	
As at 31 December 2022	**29 284 979**
As at 31 December 2023	**18 869 799**

Note 16. Property and equipment

Property and equipment comprise tangible assets employed in the company's activity whose useful life exceeds one year and land and buildings that are in the company's own use. Items of property and equipment are depreciated using the straight-line method.

On 31 December 2023, the cost of fully depreciated items still in use amounted to 2,210,360 euros (31 December 2022: 2,269,938 euros). ERGO Insurance SE has only such items of property and equipment that are in its own use.

Detailed information about right-of-use assets which do not meet the criteria for investment property is disclosed in note 17 Leases.

Buildings write-offs are related to right-of-use assets. Terminations of rental agreements are reported as write-offs in the table below.

Asset class	Land	Buildings	Improvements to leased premises	Equipment and other items	Total
Cost					
At 31 December 2021	**1 039 288**	**16 584 190**	**811 929**	**3 959 144**	**22 394 551**
Recognition of right-of-use asset on initial application of IFRS16	**0**	**0**	**0**	**0**	**0**
Additions	0	3 994 222	392 981	388 544	4 775 747
Sales	0	-345 184	0	-106 129	-451 313
Write-off	0	-2 169 618	-709 722	-301 590	-3 180 930
At 31 December 2022	**1 039 288**	**18 063 610**	**495 188**	**3 939 969**	**23 538 055**
Additions	0	1 050 979	67 036	667 918	1 785 933
Sales	0	0	0	-227 769	-227 769
Write-off	0	-147 265	-7 709	-96 124	-251 098
At 31 December 2023	**1 039 288**	**18 967 324**	**554 515**	**4 283 994**	**24 845 121**
Accumulated depreciation					
At 31 December 2021	**0**	**7 195 136**	**618 409**	**3 407 441**	**11 220 986**
Depreciation for the year	0	1 778 299	39 010	261 996	2 079 305
Sales	0	-168 227	0	-99 738	-267 965
Write-off	0	0	-593 467	-299 846	-893 313
At 31 December 2022	**0**	**8 805 208**	**63 952**	**3 269 853**	**12 139 013**
Depreciation for the year	0	1 684 591	51 459	326 659	2 062 709
Sales	0	0	0	-41 430	-41 430
Write-off	0	0	-7 708	-279 157	-286 865
At 31 December 2023	**0**	**10 489 799**	**107 703**	**3 275 925**	**13 873 427**
Carrying amount					
At 31 December 2022	**1 039 288**	**9 258 402**	**431 236**	**670 116**	**11 399 042**
At 31 December 2023	**1 039 288**	**8 477 525**	**446 812**	**1 008 069**	**10 971 694**

Note 17. Leases

The company as a lessee

The company leases office premises, office equipment and IT equipment. Most leases for office premises are for open-ended. The expected expiry date of the lease is estimated by persons responsible for the area, based on current business needs and the company's development plans. Some leases of office premises provide for a rise in lease payments based on an agreed index.

The terms of IT and office equipment leases are fixed for 2 to 4 years.

Information about leases for which the company is a lessee is provided below.

Right-of-use assets

Right-of use assets which do not meet the criteria for investment property are recognised as items of property and equipment (see note 10 Property and equipment).

	Buildings	Equipment and other items
2022		
Balance on 1st January 2022	5 263 940	93 170
Depreciation charge for the year	-1 608 168	-59 858
Additions under IFRS 16	4 036 249	58 066
Terminations and correction under IFRS16	-2 211 645	0
Balance on 31st December 2022	**5 480 376**	**91 378**
2023		
Depreciation charge for the year	-1 543 932	-103 376
Additions under IFRS 16	1 050 980	565 786
Terminations and correction under IFRS16	-147 265	0
Balance on 31st December 2023	**4 840 159**	**553 788**

Some office rent agreements were terminated during the year, and some new contracts were concluded. For example, in 2022 in Estonia, the company rented a new head office. The contract concluded for ten years.

Movements in the lease liabilities

Lease liabilities	**2023**	**2022**
On 1 January	5 607 779	5 396 915
Payments for the principal portion of lease liabilities	-1 719 827	-1 721 063
Non-monetary movements	1 606 190	1 931 927
On 31st December	**5 494 142**	**5 607 779**

Maturity analysis of lease liabilities

Lease liabilities	**2023**	**2022**
Less than one year	1 367 656	1 371 253
One to two years	1 137 291	981 460
Two to five years	1 805 401	1 718 225
Five to ten years	1 183 794	1 536 841
Total	**5 494 142**	**5 607 779**

Note 18. Other payables and accrued expenses

In euros As of 31 December	2023	2022
Other payables	975 584	1 121 744
Payables to suppliers	1 917 911	3 087 884
Accrued vacation payables	1 774 162	1 560 808
Payables to employees	905 064	863 244
Total other financial liabilities	***5 572 721***	***6 633 680***
Acquisition cost directly expensed PAA 59(a)	7 440 020	5 377 134
Other insurance payables	3 385 002	78 979
Total other insurance payables	***10 825 022***	***5 456 113***
Other accrued items	1 641 790	1 259 298
Personal income tax payable	592 252	547 437
Corporate income tax payable	2 858 823	274 696
Value added tax payable	347 842	434 543
Social security tax payable	1 041 971	775 256
Income tax payable on fringe benefits	5 099	0
Social security tax payable on fringe benefits	8 177	0
Other taxes payable	5	0
Payables to 2nd pillar pension funds (mandatory funded pension)	20 676	19 473
Total non-financial liabilities	***6 516 635***	***3 310 703***
Total	**22 914 378**	**15 400 496**

Note 19. Shareholders and share capital

		Ordinary shares without par value	Total share capital
	Number of shares	**In euros**	**In euros**
As at 31 December 2023	384 629	6 391 391	6 391 391
As at 31 December 2022	384 629	6 391 391	6 391 391

Ordinary shares carry all the rights provided for under the Estonian Commercial Code – the right to participate in the general meeting, distribution of profits and distribution of residual assets upon the dissolution of the company; the right to receive information from the management board about the activities of the company; a pre-emptive right to subscribe for new shares in proportion to the proportionate value of shares already held when share capital is increased, etc. The company's articles of association provide that upon the transfer of shares, other shareholders have a pre-emptive right before third parties. According to the articles of association, shares may be pledged only subject to the consent of the management board.

Adoption of shares without par value allowed the company to convert share capital into euros without changing the size of share capital. Upon conversion of share capital into euros, share capital would have had to be increased or reduced in order to arrive at a whole number. By adopting shares without par value, the company did not have to do this. Adoption of shares without par value also simplifies accounting for capital and allocation of profits. The third advantage of shares without par value is that it is easier to make changes to share capital – articles of association determine only the size of share capital and the number of shares.

The sole shareholder of ERGO Insurance SE is ERGO International AG (registry number HRB 40871, address ERGO-Platz 1, 40198 Dusseldorf, Germany). The shareholder of ERGO International AG is ERGO Group AG. The consolidated financial statements of ERGO Group AG, prepared in accordance with International Financial Reporting Standards, are available at www.ergo.de. The parent of ERGO Versicherungsgruppe AG group is Münchener Rückversicherungs-Gesellschaft AG whose shares are listed on German stock exchanges.

The entire share capital has been paid in.

Dividends

Based on the decision of the sole shareholder, in 2023 and 2022 no dividend was declared.

Note 20. Capital reserve

The capital reserve is created with annual net profit transfers made based on the resolution of the general meeting. Under the articles of association that have been in effect since 17 August 2017, the capital reserve has to amount to one tenth of share capital and pursuant to section 336(2) of the Estonian Commercial Code every year at least one twentieth of net profit for the year has to be transferred to the capital reserve. When the level outlined in the articles of association has been achieved, transfers may be discontinued. At 31 December 2026, the capital reserve of ERGO Insurance SE exceeded the level required by the articles of association.

Under section 337 of the Estonian Commercial Code, subject to a resolution of the general meeting, the capital reserve may be used to cover losses if the latter cannot be covered with unrestricted equity, or to increase share capital. The capital reserve may not be distributed to shareholders.

At 31 December 2023, the capital reserve amounted to 3,072,304 euros (31 December 2022: 3,072,304 euros).

Note 21. Fair value reserve

The fair value reserve comprises the net change in the fair value of debt instruments at fair value through other comprehensive income.

When a financial asset is derecognised, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

In euros	**2023**	**2022**
At 1 January	**-11 943 065**	**1 408 708**
Derecognised from equity and recognised in profit or loss in connection with sale and impairment	54 892	571 258
Derecognised from equity and recognised in profit or loss in connection with arrival of maturity date	206 729	17 891
Net change in fair value recognised in other comprehensive income or expense during the year	6 116 095	-14 707 366
Change in Expected credit loss (ECL)	-4 266	0
Total change in the value of debt instruments measured at FVOCI	**6 373 450**	**-14 118 217**
At 31 December	**-5 569 615**	**-12 709 509**
IFRS9 transition effect	0	766 444
Fair value reserve after transition	**-5 569 615**	**-11 943 065**

Note 22. Fair value of financial instruments

In euros		**As at 31 December 2023**					
	Note	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value							
Units in infrastructure debt funds	14.1	4 961 457	4 961 457	0	0	4 961 457	4 961 457
Unlisted equities[1]	14.1	43 443	N/A[2]	N/A[2]	N/A[2]	N/A[2]	0
Government bonds	14.2	168 765 046	168 765 046	0	168 765 046	0	168 765 046
Financial institutions' bonds	14.2	51 149 668	51 149 668	0	51 149 668	0	51 149 668
Other bonds	14.2	32 666 216	32 666 216	0	32 666 216	0	32 666 216

In euros		**As at 31 December 2022**					
	Note	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value							
Units in infrastructure debt funds	14.1	3 097 967	3 097 967	0	0	3 097 967	3 097 967
Unlisted equities[1]	14.1	43 443	N/A[2]	N/A[2]	N/A[2]	N/A[2]	0
Government bonds	14.2	110 531 456	110 531 456	0	110 531 456	0	110 531 456
Financial institutions' bonds	14.2	73 402 119	73 402 119	0	73 402 119	0	73 402 119
Other bonds	14.2	31 316 821	31 316 821	0	31 316 821	0	31 316 821

[1] Fair value measured using a discounted cash flow (DCF) approach, considering all the expected future cash flows of the respective investment as well as an adequate discount rate.

[2] Fair value cannot be measured reliably.

The table does not include the fair values of short-term receivables and payables because these approximate their carrying amounts.

For level 3 investments company develops unobservable inputs using the best information available in the circumstances, which include the entity's own data, considering all information about market participant assumptions that is reasonably available. The fair value measurement is not noticeably sensitive to changes in used unobservable inputs.

Note 23. Income tax

At 31 December 2023, the company's retained earnings totalled 85,724,424 euros (31 December 2022: 83,145,521 euros) and the carrying amount of intangible assets was 18,869,799 euros (31 December 2022: 29,284,979 euros). Thus, distributable profit amounted to 66,854,625 euros (31 December 2022: 53,860,542 euros). The maximum income tax liability that could arise if all of the distributable profit as at the reporting date were distributed as dividends amounts to 13,370,925 euros (31 December 2022: 10,772,108 euros) and the maximum amount that could be distributed as the net dividend is 53,483,700 euros (31 December 2022: 43,088,434 euros).

To determine the amount of income tax liability, retained earnings are adjusted for the carrying amount of intangible assets.

The income tax liability has been calculated without considering that in the reporting period the profit of the Lithuanian entity was taxed in its domicile when earned. The maximum possible income tax liability has been calculated on the assumption that the net dividend and the dividend tax recognised in the income statement for 2023 cannot exceed the company's distributable profit as at 31 December 2022.

On 31 December 2023, ERGO Insurance SE Latvian branch has accumulated losses; therefore, deferred tax liability has not recognized.

In euros

Income tax expense	**2023**	**2022**
Income tax expense	3 545 689	741 120
Change in deferred income tax	-31 678	-85 247
Total income tax expense	**3 514 011**	**655 873**

In euros

Recognised deferred income tax assets	**2023**	**2022**
Deductible temporary differences on other liabilities	267 548	235 870
Total	**267 548**	**235 870**

In euros

Reconciliation of accounting profit and income tax expense	2023	2022
Consolidated profit before tax	7 569 671	3 585 564
Parent company's domestic tax rate 0%		
Effect of tax rates in foreign jurisdictions	2 227 270	-613 532
Effect of expenses non-deductible for tax purposes	1 318 419	1 354 652
Change in recognised deferred tax assets	-31 678	-85 247
Income tax expense for the year	**3 514 011**	**655 873**

Note 24. Transactions with related parties

The company considers parties to be related if one controls the other or exerts significant influence on the other's operating decisions. Related parties include:

- the parent company ERGO International AG and the ultimate controlling party Münchener Rückversicherungs-Gesellschaft AG;
- associates;
- other companies belonging to the same group;
- members of the company's management and supervisory boards and individuals with a significant shareholding unless the above persons cannot exert significant influence on the company's operating decisions.

In addition, related parties include close family members of, and companies related to the above persons.

The remuneration, performance bonuses and benefits provided to the members of the management board for the reporting period totalled 827,134 euros (2022: 821,682 euros). The members of the supervisory were not remunerated.

The remuneration of a member of the management board consists of fixed remuneration and performance benefits. Performance benefits depend on the achievement of targets which are agreed between the chairman of the supervisory board and the member of the management board before the beginning of the financial year. Payment of performance benefits is decided by the chairman of the supervisory board after the general meeting has approved the company's results for the financial year. When the agreed targets are partly not achieved, the company may decide not to pay any performance benefits. The share of maximum performance benefits in the annual income of members of the management board is considerably smaller than that of their basic remuneration. The targets that underlie provision of performance benefits include financial metrics applicable to the whole group as well as personal metrics applicable at the local level. Depending on the terms of their contracts and the circumstances of termination, members of the management board may be eligible to termination benefits for a period that may extend to the end of their term of office. Generally, the term of office of members of the management board is five years.

In euros

As of 31 December Related party	Receivables 2023	Payables 2023	Receivables 2022	Payables 2022
Parent of the group – Münchener Rück	74 968	4 832	1 303	26 752
Other group companies	481 494	45 984 745[1]	1 671 331	27 821 808[1]

In euros

Related party	Services purchased 2023	Services sold 2023	Services purchased 2022	Services sold 2022
Parent of the group – Münchener Rück	117 285	0	112 482	0
Other group companies	3 437 751[2]	848 688	8 767 996[2]	742 010

[1] Including a subordinated loan of 21,500,000 euros (2022: 21,500,000 euros) and related interest 208,815 euros (2022: 203,396 euros), total liability 21,708,815 euros (2021: 21,703,396). Loans received from ERGO Life Insurance SE.

[2] Including interest of 846,398 euros (2021: 437,755 euros) on the loan received from ERGO Life Insurance SE.

Signatures to annual report 2023

The management board of ERGO Insurance SE has prepared the company's review of operations and financial statements for 2023.

Ursula Clara Deschka
Chairwoman of the Management Board
/signed digitally/

Ljuba Jaufmann
Member of the Management Board
/signed digitally/

Tadas Dovbyšas
Member of the Management Board
/signed digitally/

Marek Ratnik
Member of the Management Board
/signed digitally/

Aija Medne
Member of the Management Board
/signed digitally/

Independent auditor's report

Profit allocation proposal

In accordance with subsections 2 and 3 of section 332 of the Estonian Commercial Code, the management board of ERGO Insurance SE makes the sole shareholder ERGO International AG a proposal that:

1) no transfers be made to the capital reserve because the capital reserve exceeds the level required by the articles of association;
2) no transfers be made to other reserves;

3) the net profit for 2023 of 2,589,528 (two million five hundred eighty-nine thousand five hundred and twenty-eight) euros be transferred to retained earnings;

4) no distribution be made to the sole shareholder.

5) As of 1 January 2024, retained earnings amount to 85,724,424 (eighty-five million seven hundred and twenty-four thousand four hundred and twenty-four) euros.

On behalf of the management board of ERGO Insurance SE

Ursula Clara Deschka

Chairwoman of the Management Board

/signed digitally/

Information on the sole shareholder

This information is presented as of 14 May 2024.

The information is disclosed in accordance with section 334(2) of the Estonian Commercial Code.

Name of	
sole shareholder:	**ERGO International Aktiengesellschaft**
Legal address:	ERGO-Platz 1, 40198 Düsseldorf, Germany
Registry number:	HRB 40871, entered in the Commercial Register of Dusseldorf District Court, Germany

Dates of acquisition and subscription of the shares

1. Ordinary shares with no par value:

- 287,439 shares, 30 May 2000
- 61,550 shares, 29 May 2001
- 32,088 shares, 3 December 2001
- 65 shares, 3 June 2002
- 17 shares, 24 July 2002
- 77 shares, 10 September 2002
- 2 shares, 10 September 2002
- 62 shares, 17 September 2002
- 17 shares, 18 September 2002
- 5 shares, 2 December 2002
- 5 shares, 2 December 2002
- 865 shares, 18 November 2003
- 2 shares, 26 October 2004
- 3 shares, 2 December 2004
- 2,366 shares, 17 May 2006
- 23 shares, 24 May 2006
- 43 shares, 7 December 2007

List of business activities

Activities during the period 1 January 2023 – 31 December 2023	Amount in euros

Non-life insurance (65121)	272,177,988
Reinsurance (65201)	453,049

Activities planned for the period 1 January 2024 – 31 December 2024

Non-life insurance (65121)

Reinsurance (65201)