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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ERGO Insurance SE

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ERGO Insurance SE, which comprise the statement of financial position as at 31 December 2023, and the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ERGO Insurance SE as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) together with the ethical requirements that are relevant to our audit of the financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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Key audit matter	*How we addressed the key audit matter*
IFRS 17 implementation, including opening balances and financial statement disclosures	
As disclosed in the Note 3 Changes in accounting policies and other adjustments section Effects from the initial application of IFRS 17, the Company is a first-time adopter of IFRS 17 Insurance Contracts from 1 January 2023 with the transition date set by the standards of 1 January 2022. This results in the Company having to retrospectively apply the standard for the comparative year of 2022. The transition approach and its application has a significant impact on the equity at transition and the recognition of profit in the subsequent periods. As disclosed in the Note 3 Changes in accounting policies and other adjustments section Effects from the initial application of IFRS 17, the retained earnings as at 1 January 2022 increased by 4.8 mil euro. This area is material and significant to our audit due the complexity in IFRS 17 modelling and the extent of changes compared to previous IFRS 4 standard. In addition, the new standard requires significant changes in the disclosures from prior periods. We therefore determined this to be a key audit matter.	We involved our actuary specialist to assist in performing the following procedures related to the adoption of IFRS 17, among other procedures: ► We assessed the Company's accounting policies and the management's assumptions relating to transition approach and methodological decisions made and assessed its compliance with the requirements of IFRS 17; ► Assessed the analysis prepared by the Company with respect to the classification of insurance contracts including the applicable measurement model and assessing the grouping of insurance contracts for compliance with IFRS 17 requirements; ► Tested the accuracy and completeness of data used in the calculation of the transition balances by reconciliation input data to the underlying source system; ► Reviewed the Company's methodology and models to determine discount yield curves, risk adjustment and the identification of onerous contracts and assessed whether it was in accordance with the requirements of IFRS 17; ► Assessed the basis used by the Company to identify and allocate cash flows related to the acquisition of insurance contracts to groups of insurance contracts and whether the allocation was done on a systematic basis;; Finally, we assessed the adequacy of disclosures of the matter in the Note 3 Changes in accounting policies and other adjustments section Effects from the initial application of IFRS 17. We evaluated in particular that disclosures adequately convey the accounting policy choices made by the Company's management, the assumptions used at transition and the financial impact at transition date.

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Valuation and completeness of liabilities arising from insurance contracts	
As disclosed in Note 13 Insurance and reinsurance contracts, Insurance contract liabilities as at 31 December 2023 were 182 million euro representing 72% of the Company's total equity and liabilities. Insurance contract liabilities under IFRS 17 consists of several components, where Liability for Incurred Claims and Liability for Remaining Coverage being the most material for the Company. The measurement of the liability for incurred claims includes an estimate of future cash flows, the adjustment of this estimate to reflect the time value of money (discounting) and a risk adjustment for non-financial risk. Estimating future cash flows includes all cash flows for incurred claims that have not yet been settled such as claims payments, claims settlement expenses and administration costs. IFRS 17 Insurance Contracts requires an entity-specific estimate of all future cash flows. Entities shall incorporate all information available without undue cost or effort. The estimates shall be updated at each measurement date. Estimation of future cash flows is subject to considerable judgement. Future cash flows are projected using actuarial models, considering past experience and assumptions about future developments, including social, economic or technological factors. Expected future claims payments are estimated on the basis of historical observations for the entity's own portfolio (settlement patterns) and, if necessary, with reference to external reference data and expert estimates. In this context, past experience is used as a basis for making assumptions about future premiums, as well as the time frames, factors, speed of claims settlement, and inflation of claims. The assessment of major losses is considered separately. Under IFRS 17, an entity shall discount the estimate of future cash flows in order to reflect the time value of money. The discount rates shall reflect the characteristics of the cash flows – including liquidity characteristics – of the insurance contracts and be consistent with observable current market prices for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts in terms of timing, currency and liquidity. The discount rates used shall be updated at each measurement date, using different interest rates as a reference for the update depending on the measurement model. Current interest rates are used as a reference. IFRS 17 requires a risk adjustment for non-financial risk to be added to the present value of the expected future cash flows to account for the uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment for non-financial risk shall be updated at each measurement date.	As part of our audit we involved our actuary specialist to assist us in: ► Understanding the processes for estimating future cash flows and for determining discount rates as well as the risk adjustment for non-financial risk. Further, we evaluated the design of the controls integrated in these processes in order to assess the complete and correct capture and determination of future cash flows as well as the derivation of the discount rates and the risk adjustment for non-financial risk in accordance with the relevant requirements of IFRS 17. For the estimation of future cash flows, this included in particular the assessment of the methodology applied as well as the derivation of entity-specific assumptions on the basis of historical claims development as well as assumptions on administration costs and claims settlement expenses. ► Performing procedures to assess the suitability of the actuarial techniques and statistical methods applied as well as the derivation and plausibility of key assumptions used. For the purpose of assessing the appropriateness of estimates, we analysed the actual development of the previous year's liability for incurred claims based on the run-off results. ► Generating our own loss projections for the estimates of future cash flows for a risk-based selection of lines of business applying mathematical and statistical methods. We calculated our best estimate and compared these with management's calculations. ► Assessing the correct use of portfolio-specific inflation assumptions. ► Obtaining an understanding of the method used to derive the discount rates to assess its suitability. ► Obtaining an understanding of the method used to derive the risk adjustment for non-financial risk to assess its suitability, and evaluated the derivation and plausibility of key assumptions used. Moreover, we analysed the change in the risk adjustment for non-financial risk. We tested the calculation of the provisions for major losses for a sample, taking into account the information and data available at the end of the reporting period. In addition, we tested whether fixed and variable overheads were allocated to the groups of insurance contracts using systematic and rational methods. We evaluated disclosures in relation to insurance contract liabilities in accordance with IFRS 17 Insurance contracts. In particular we evaluated that disclosures adequately convey the degree of estimation uncertainty.

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The determination of the risk adjustment for non-financial risk using the cost-of-capital method is derived from the internal model and takes into account risk diversification. In light of the uncertainty and the use of judgement in estimating future cash flows and determining the discount rates as well as the risk adjustment for non-financial risk, there is a risk of incorrect measurement of the liability for incurred claims in property-casualty insurance business. When applying the general measurement model (GMM) in accordance with IFRS 17 Insurance contracts (IFRS 17), which is effective for the first time this year, the determination of the present value of expected future cash flows includes an estimate of future cash flows and the adjustment of this estimate to reflect the time value of money (discounting). Determining the present value of the expected future cash flows is a key aspect of measuring the liability for remaining coverage. Future cash flows include all cash flows required to fulfil the contractual obligations within the contract boundary such as premium payments, benefit payments as well as administration and acquisition costs. They make up the greatest part of measuring the liability for remaining coverage. IFRS 17 requires an entity-specific estimate of all future cash flows. Entities shall incorporate all information available without undue cost or effort. The estimates shall be updated at each measurement date. Estimation of future cash flows is subject to considerable judgement. Future cash flows are projected using actuarial models, factoring in a large number of possible scenarios and using assumptions on the future development of economic and non-economic variables. These include, in particular, assumptions relating to mortality, disability and morbidity, as well as interest-rate development, lapse rates, acquisition and administration costs, and inflation. The determination or revision of the assumptions is frequently subject to uncertainty, particularly because the assumptions are generally not based on observable market inputs. In primary insurance, management rules that are made depending on the development of the portfolio of investments and insurance contracts are also reflected in the scenarios. The projections generally extend over a long time horizon. In light of the uncertainty and the use of judgement in estimating future cash flows and determining the discount rates, there is a risk of incorrect measurement of the liability for remaining coverage. We therefore determined this to be a key audit matter.	

Other information

Other information consists of ERGO Insurance SE management report but does not consist of the financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

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

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act of the Republic of Estonia. Those procedures include considering whether the Management report is consistent, in all material respects, with the financial statements and is prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia.

Based on the work performed during our audit, in our opinion:

- the Management Report is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared in accordance with the applicable requirements of the Accounting Act of the Republic of Estonia.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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- opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Appointment and approval of the auditor

We were first appointed as auditors of ERGO Insurance SE, as public interest entity, for the financial year ended 31 December 2020 in accordance with the decision made by the General Meeting of Shareholders on 27 December 2018. In accordance with the decision made by the General Meeting of Shareholders on 28 April 2023 we were appointed to carry out the audit of the Company's financial statements for the year ended 31 December 2023. Our total uninterrupted period of engagement is 4 years, covering the periods ended 31 December 2020 to 31 December 2023.

Consistence with Additional Report to Supervisory Board and Audit Committee

Our audit opinion on the annual financial statements expressed herein is consistent with the additional report to the Supervisory Board and Audit Committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit services

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

In addition to statutory audit services and services disclosed in the financial statements, no other services were provided by us to ERGO Insurance SE and its controlled undertakings.

Tallinn, 14 May 2024

/signed digitally/

Olesia Abramova
Authorised Auditor's number 561
Ernst & Young Baltic AS
Audit Company's Registration number 58