ERGO Insurance SE

Annual Report 2024

Legal name:	**ERGO Insurance SE**
Commercial Register Code:	10017013
VAT Code:	EE100295906
LEI Code:	549300WOSFHL8FRS5V57
Legal Address:	Veskiposti 2/1, 10138 Tallinn, Estonia
Phone:	(+372) 610 6500
E-mail:	info@ergo.ee
Website:	www.ergo.ee
Core Business:	Non-life Insurance
Financial Year:	01.01.2024 - 31.12.2024
Chairwoman of the Management Board:	Ursula Clara Deschka
Members of the Management Board:	Marek Ratnik
	Tadas Dovbyšas
	Aija Medne
	Laimė Naruševičienė
Chairman of the Supervisory Board:	Theodoros Kokkalas
Members of the Supervisory Board:	Ilona Mihele
	Dirk Christoph Schautes
	Dominique Godin
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 is one of the leading insurance companies in the Baltic States, offering life and health insurance to both private and corporate clients.

ERGO is operating in the Baltic countries, with the headquarters in Estonia and branches in Lithuania and Latvia. 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 Life Insurance SE is 100% owned by ERGO International AG, Germany, which is part of the ERGO Group AG, Germany. ERGO Group is one of the major insurance groups in Germany and Europe.

The ERGO Group is represented in over 20 countries worldwide and focuses on its core and growth markets in Europe and Asia. ERGO offers a comprehensive range of insurance policies, pensions, investments and services. Three separate units operate under the umbrella of ERGO Group AG: ERGO Deutschland AG, ERGO International AG and ERGO Technology & Services Management AG. About 38,700 people worldwide work as salaried employees or sales agents for ERGO Group. The excellent financial strength of the ERGO Group is confirmed by the ratings of independent rating agencies: AA- by Fitch, A+ by Standard & Poor's.

ERGO Group is part of Munich Re (Münchener Rückversicherungs-Gesellschaft AG, Munich) – one of the world's leading reinsurers and risk carriers. Munich Re stands for exceptional solution-based expertise, consistent risk management, financial stability and client proximity. Munich Re has well over a century of international experience and is a member of the DAX 40 and EURO STOXX 50. MEAG, Munich Re's asset manager and fund provider, also manages ERGO's investments, amounting around to 136 billion euros.

Munich Re's excellent ratings reflect the strength of its balance sheet. Strong sustainability ratings, on the other hand, speak for the high standards to which we hold our operations in terms of environmental, social and governance criteria (ESG): A+ superior A.M. Best, AA very strong Fitch, AA very strong Standard & Poor's, Leader in industry rating by Sustainalytics, Good ESG rating by MSCI, Prime rating by oekom research.

ERGO Group collaborates with the world's leading reinsurance companies, carefully managing potential risks to ensure that claims are covered professionally regardless of size.

1.2. Strategic vision

Our strategy focuses on putting customers first, recognising that employees who feel supported are best equipped to provide the best service they can to the outside world.

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 connecting people - our customers and ourselves - will lead us to sustainable success and will fulfil our promise.

Our Brand Promise: **Simple because it matters.** We want to design insurance for our customers as simple, fast and convenient as possible. We therefore seamlessly link our competent advice with modern mobile and online services, thus allowing our customers to decide flexibly how and where to contact us.

The essence of our ERGO brand – "Making insurance easier" – is the compass for our actions. As an active companion at every stage in life, as an equal partner, and as a positive driving force for the future. Simple because it matters.

Our Team: **Grow together**. Our success as an employer comes from within. It is the people who work here. It is the people who make us who we are – and make us special. For them, and also for those who will work with us in future, we want to create a working environment that promotes diversity and allows everyone to flourish.

We want to create scope to shape the future of ERGO together and for one another.

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 89% in 2024. The participation rate also reached a remarkable 95%. Such results show that most of our people feel as a part of our company. It also reflects our success in implementing effective strategies throughout the year, leading to positive results.

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. Our strategic direction remains improving on digital development and the transition to shared 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 goal of these changes is to leverage our strengths and experiences in the Baltics while also honouring local characteristics and fully utilizing local opportunities. The changes in our structure and operations support our focus on understanding our customers' personal needs by offering them clear added value.

1.3. Main achievements / recognitions on company level 2024

Category	Award-winning performance	Reference	Country
Valued company/ brand	**Nielsen IQ Brand Study Brand Awareness** ➢ 2nd place (92%) ➢ 2nd place (83%) ➢ 2nd place (87%)	Omnibus Study (CAWI) by Nielsen Consumer LLC	Estonia Latvia Lithuania
Sustainable company	**Sustainability awards, collaboration, index** ➢ Annual Sustainability Index, Platinum category	https://www.ergo.lv/lv/par-ergo/jaunumi/ergo-sanem-treso-platinu-ilgtspejas-indeksa-novertejuma	Latvia Estonia
	➢ Responsible Business Forum: Silver category in CSR	https://csr.ee/uudised/vastutustundliku-ettevotluse-indeks-2024-tulemused/	
	➢ The members of Diversity Charter	https://humanrights.ee/teemad/mitmekesisus-ja-kaasatus/charter/ 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** ➢ 1st place in Best Customer Service / Dive	Customer surveys by https://dive-group.com/	Estonia Lithuania
	➢ 2nd place in Best Customer Service / Dive		Latvia

Valued Employer	**Humane company**		
	➢ Family-friendly workplace	https://vietagimenei.lv/gimenei-draudziga-darbavieta/programmas-dalibnieki/ https://www.tooelu.ee/et/peres%C3%B5bralik#programmi-labinud-tooandjad	Latvia Estonia
	➢ Diversity empowering employer	https://socmin.lrv.lt/lt/veiklos-sritys/darbo-rinka-uzimtumas/imoniu-socialine-atsakomybe-isa/nacionaliniai-atsakingo-verslo-apdovanojimai/nacionaliniu-atsakingo-verslo-apdovanojimu-laureatai-2024-m/	Lithuania
	➢ Diverse Workplace Label	https://humanrights.ee/teemad/mitmekesisus-ja-kaasatus/mitmekesise-tooandja-margis/	Estonia
	Best Employer		
	➢ CV-online: 10th place on finance sector	https://tooelublogi.ee/2024/01/30/top-tooandjad-2024-finantssektoris/	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 2024 in figures

Main figures	ERGO Insurance SE 2024
Insurance revenue	289.0 million euros
Total assets	396.6 million euros
Investments in financial instruments	297.2 million euros
Insurance contract provisions[1]	185.4 million euros
Equity	119.4 million euros
Comprehensive income	29.2 million euros
Return on equity	24.4%

Insurance contracts in force	1 038 574
Number of ERGO offices	8 in Estonia, 21 in Latvia, 57 in Lithuania
Number of employees	951

[1] Net (insurance contracts in liability (including reinsurance) - insurance contracts in assets (including reinsurance)

2. Market and Macro Economical View

2.1. Global Economic Trends

The European Union (EU) economy, after enduring a period of stagnation, is set to experience a modest rebound in 2024. According to the European Commission's Autumn 2024 Economic Forecast, the real GDP growth in the EU is projected at 0.9%, with a slightly lower growth forecast for the euro area at 0.8%. This recovery is expected to be driven by strong domestic demand, supported by employment growth, improved real wages, and the gradual decline in inflationary pressures. However, growth rates remain subdued, reflecting persistent challenges in the global economic environment and ongoing structural issues within the EU economy.

While the outlook for 2024 is positive, it is lower than initial projections made earlier in 2024, largely due to ongoing geopolitical tensions, particularly the war in Ukraine and military conflict in the Middle East, and structural shifts within major sectors such as manufacturing and energy-intensive industries. Growth in the EU is expected to somewhat strengthen in subsequent years, with projections of 1.5% in 2025 and 1.8% in 2026.

On the global front, economic activity outside the EU has remained resilient despite rising geopolitical tensions. Global GDP growth is projected to follow the same trend as in 2023 and expand at the rate of 3.2% also in 2024, then slightly increasing to 3.3% in 2025 and 2026. The growth momentum is expected to be driven primarily by emerging markets, especially in Asia, with China and India continuing to contribute significantly to global growth. Global trade also is expected to recover gradually, with growth in global trade of goods by 2.1% in 2024 (then 3.2% in 2025 and 3.3% in 2026) – increase from -1.3% in 2023.

While global services trade continues to expand, particularly in sectors like tourism and digital services, merchandise exports from the EU are expected to remain subdued through 2024. However, an improvement in global manufacturing demand, particularly from emerging markets, is expected to lift EU exports in 2025 and beyond.

The disinflationary trend that began in late 2022 is expected to continue in 2024. Headline inflation in the euro area is forecast to fall to 2.4% in 2024, significantly down from the 5.4% recorded in 2023. Similarly, inflation in the EU is projected to decrease from 6.4% in 2023 to 2.6% in 2024, with further easing to 2.4% in 2025 and 2.0% in 2026.

This decline in inflation is attributed to the reduction in energy prices (though remaining volatile), the easing of supply chain disruptions, and the continued moderation in non-energy goods prices. However, services inflation remains persistent, with pressures expected to continue until early 2025 before gradually declining. The European Central Bank's (ECB) monetary policy has played a critical role in controlling inflation, though tighter financial conditions continue to weigh on overall economic activity.

The labor market in the EU remains resilient, despite a slowdown in economic growth. In the first half of 2024, employment growth continued, supported by strong performance in sectors like construction and IT services. The EU unemployment rate is expected to remain low in 2025 and 2026, maintaining its record low 5.9% reached in October 2024 (in euro are 6.5% in 2024 declining further to 6.3% in 2025 and 2026).

Real wages, which had been significantly impacted by the inflation surge, are expected to recover as inflation subsides. Nominal wage growth is projected to be strong in 2024 at 4.9% (followed by 3.5% and 3% in 2025 and 2026 respectively). The overall labor market remains tight, but the demand for labor is expected to slow down. Productivity growth continues to stagnate.

Despite the resilient labor market, investment in the EU has remained weak, with a broad-based contraction observed across multiple sectors. Household consumption, however, is projected to pick up as real incomes recover and inflationary pressures ease. The saving rate, which had been elevated during the pandemic and in the face of high inflation, is expected to gradually decline as confidence returns to the economy.

Investment is expected to recover in the coming years, driven by the Recovery and Resilience Facility (RRF), which is expected to boost public infrastructure spending and also assist businesses to transition to more sustainable production. However, structural challenges in key sectors such as manufacturing and the energy-intensive automotive industry will likely slow down the recovery in investment.

Fiscal policy across the EU is focused on consolidation, with the general government deficit forecast to decline to 3.1% of GDP in 2024, down from 3.5% in 2023. This reduction is mainly driven by revenue windfalls and ongoing fiscal discipline. However, the debt-to-GDP ratio in the EU is expected to increase slightly from 82.1% in 2023 to 83.4% in 2026, reflecting still-elevated deficits and rising interest payments.

The European Central Bank (ECB) is expected to ease its monetary stance in 2024, following a series of interest rate cuts. Financial conditions are likely to remain tight in the short term, but they are expected to improve gradually as interest rates decrease, particularly in the second half of 2024. Bank lending is expected to pick up as credit conditions loosen, supporting the recovery in private investment.

Geopolitical risks, particularly the ongoing conflict in Ukraine and deepening conflict in the Middle East, remain a significant threat to EU economic stability. These conflicts have already disrupted energy markets, and the EU's dependence on energy imports makes it particularly vulnerable to any further escalation in global energy prices. Moreover, the EU’s external trade environment remains fraught with challenges, as increasing protectionist measures from key trading partners may weigh on the EU’s highly open economy.

Economic developments in the Baltic States

Baltic countries have been facing declining inflation rates for the past two years reaching 0.9% - 3.2% in 2024 and further expected to stabilize at 1.7% - 3.6% in 2025 and around 2% in 2026.

GDP development in the upcoming 2 years is forecasted to increase slightly from around -1% - 2% in 2024 to 2% - 3% in 2026.

In 2024, Estonia's economic performance was marked by a continuation of weak growth trends, reflecting structural challenges and external pressures. Real GDP contracted by an estimated 1% (expected to grow by 1.1% in 2025 and by 2.6% in 2026), highlighting persistent economic difficulties following multiple quarters of contraction. This decline was driven by subdued domestic demand and weak investment levels, worsened by low capacity utilization and moderate demand. Despite a slight recovery in exports, domestic economic activity remained sluggish, underpinned by geopolitical tensions and the permanent loss of inexpensive inputs from Russia, which collectively erodes Estonia's competitiveness.

Government spending increased, particularly in the defense sector, but its stimulative effect on economic growth was limited. Private consumption faced downward pressure from tax increases scheduled for 2025 and a delayed increase in the minimum tax-free threshold. These fiscal adjustments, combined with higher unemployment and constrained consumer purchasing power, dampened consumer confidence and spending.

The labor market also showed signs of strain, with the unemployment rate rising to 7.8% by August 2024. Employment contraction further illustrated the economy's struggles, though demographic factors, such as an aging population, helped limit sharper increases in unemployment rates that are expected to remain at 7.7% in 2025 and decrease slightly to 7.2% in 2026. Inflation remained elevated, with the Harmonized Index of Consumer Prices (HICP) reaching 3.2% in September 2024. Although energy and unprocessed food prices moderated earlier in the year, the third quarter saw a reversal, fueled by persistently high services inflation driven by healthcare and administered prices. Due to projected tax increases in 2025, inflation is set to rise to 3.6% in 2025 and then decrease slightly to 2.4% in 2026.

On the fiscal side, Estonia's general government deficit increased to 3.0% of GDP, up from 2.8% in 2023. This expansion was largely attributed to heightened military spending and expanded social benefits, partially offset by tax hikes, including VAT and corporate income tax increases. The public debt-to-GDP ratio rose from 20.2% in 2023 to 21.8% in 2024 (projected to increase further to 25.4% in 2026), reflecting ongoing fiscal pressures.

Looking ahead, the outlook remains cautious. GDP growth is projected to rebound slightly in 2025 and 2026, as private consumption recovers with restored purchasing power and exports benefit from improved external demand. However, structural reforms and investments will be crucial to bolster Estonia's economic resilience and competitiveness in the medium term.

Latvia's economic landscape in 2024 is characterized by stagnation, with GDP growth projected at 0.0%. This follows a moderate recovery of 1.7% in 2023, but the economy faces challenges primarily in private consumption and export performance. Despite pronounced wage growth, private consumption has not fully rebounded, as real disposable income increases are not translating into higher spending. Public expenditure remains a key driver, bolstered by investments in healthcare and research.

The labor market is expected to remain tight, with the unemployment rate increasing slightly to 6.7% in 2024, following 6.5% in 2023. Wages are anticipated to grow robustly, with compensation per employee rising by 8.8%, driven by increases in minimum and public wages. This wage growth surpasses productivity, underscoring labor market imbalances. In the year 2025 and 2026 nominal wage growth is expected to reach 4% and 3.5% respectively.

Inflation is projected to ease significantly, dropping to 1.2% in 2024 from higher levels in previous years and then to slightly increase to 2.2% (year 2025 and 2026). The decline in 2024 is largely driven by falling energy prices and a broad-based slowdown in other price categories. However, services inflation will remain elevated at 4.5% due to ongoing wage pressures, though it is expected to gradually converge to headline inflation by 2026. Notably, inflation excluding energy and food will stay above the headline rate during this period.

Exports of both goods and services are expected to decline in 2024, impacted by strong base effects and weak external demand. Investment, a major growth component in 2023, has significantly contracted, particularly in the construction sector. However, recovery prospects for 2025 and 2026 look more optimistic, with GDP growth forecasted at 1.0% and 2.1%, respectively. These improvements are anticipated to stem from a gradual recovery in exports and increased investment, supported by EU funding and better financial conditions.

Fiscal pressures are mounting, with the general government deficit expected to rise from 2.4% of GDP in 2023 to 2.8% in 2024. This increase reflects higher public spending, including on wages and social support, alongside modest revenue growth. The deficit is forecasted to widen further to 3.2% in 2025 and 2026, as tax revenue growth slows due to labor tax reforms and reduced income from state-owned enterprises. Meanwhile, the debt-to-GDP ratio is set to rise, reaching 48.1% in 2024 and climb further to 50.3% in 2025 and 51.6% in 2026.

Overall, while 2024 presents a challenging economic environment for Latvia, medium-term prospects suggest a gradual recovery, subject to improving external conditions and sustained fiscal support.

Lithuania's economic performance is expected to exhibit moderate growth in 2024, with real GDP forecasted to increase by 2.2%. This growth will primarily be driven by strong private consumption, supported by declining inflation and rising nominal wages. Inflation, which had been a significant concern, is projected to drop significantly to 0.9% in 2024, largely due to the rapid decline in energy and unprocessed food prices. However, inflationary pressures are expected to re-emerge in 2025 as services inflation and other components normalize (projected increase to 1.7% in 2025 and 1.6% in 2026).

On the fiscal front, the general government deficit is anticipated to widen from 0.7% of GDP in 2023 to 2.0% in 2024 and then further to 2.4% and 2.6% in 2025 and 2026 respectively. This increase is attributed to higher social spending, including public wages and pensions, as well as increased capital transfers linked to national defense needs. The public debt-to-GDP ratio is also forecasted to rise to 38.3% in 2024 (41.0% in 2025 and

44.6% in 2026), reflecting these fiscal pressures.

The labor market is expected to remain tight despite a temporary loosening due to the continued inflow of refugees from Ukraine. Employment is projected to grow by a modest 1.9% in 2024, with the unemployment rate reaching 7.5% in 2024 and then slightly decreasing to 7.0% in 2025 and 6.9% in 2026. Wage growth remains robust (at 10% in 2024), influenced by both private sector dynamics and planned public sector wage increases.

The trade sector will see mixed performance. While services exports are expected to maintain their strong trajectory, trade in goods is forecasted to recover at a slower pace, aligned with gradual improvements in the EU and global economies. However, imports are predicted to outpace exports, indicating a potential trade balance challenge.

Investment activity is likely to contract slightly in 2024 after a robust performance in 2023, constrained by trade uncertainties and low capacity utilization. However, from 2025 onwards, investment in areas such as intangibles, defense, and energy is expected to rebound, supported by EU funding and a more accommodative monetary policy.

In summary, Lithuania's economy in 2024 will navigate a landscape of moderate growth, easing inflation, and fiscal expansion. Structural challenges, including balancing trade and managing public debt, will require careful policy attention to sustain economic momentum.

Main risks:

- The geopolitical situation, particularly the ongoing war in Ukraine, continues to pose significant risks and heightened uncertainty which in turn deters investments;
- The Baltic economies face fluctuating energy prices, challenging exports and low domestic demand. Public finances are increasingly strained by rising expenditures on defense, social benefits, and public sector wages;
- Labor markets remain tight. This is characterized by low unemployment rates and persistent labor shortages. Such conditions lead to upward pressure on wages;
- Aging of population and decreasing population puts additional strains on labor market and then social security system.

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2.2. Legal environment

As from January 1, 2024, marriage equality applies in Estonia. This means that marriage can be entered into by two adults regardless of gender. With marriage and registered cohabitation, couples have rights and obligations that do not extend to couples in an unmarried relationship. They are mainly related to receiving benefits, property, housing and lineage. From 1 January 2024, same-sex parents raising a child are entitled to family benefits under the same conditions as all other parents.

From 01.01.2024, the new Labor Market Measures Act is in force. It replaces the previous Labor Market Services and Support Act and other legal acts that regulated the provision of labor market services to different target groups. New act makes the understanding of employment policy clearer (what labor market services and to whom the Unemployment Fund offers).

The Law on the Amendment of the Health Insurance Act and the Other related Acts (Occupational Health and Safety Act) was published in the State Gazette in May, 2024, which allows those on long-term sick leave to continue working under adjusted conditions. Until now, a person on sick leave was not allowed to work or receive income subject to social tax during the sick leave period. According to the new law, after being on sick leave for 60 days, the employee can work on the basis of the sick leave under conditions adapted to health, for example part-time or performing lighter tasks. At the same time as working on the basis of a sick leave, it is possible to receive labor market services that support the ability to work and compensation from the Health Insurance Fund to compensate for the decrease in wages.

As from 15th of July 2024 the amended Motor Insurance Act came into force, according to the European Union Traffic Insurance Directive transposed into Estonian law. The law increases the limits of the maximum indemnified insurance sums: from 1.2 million to 1.3 million euros in case of property damage and from 5.6 million to 6.45 million euros in case of personal injury.

According to the law, light scooters whose speed reaches more than 25 kilometers per hour or more than 14 kilometers per hour must be insured now as from 1st of December 2024 if the vehicle weighs more than 25 kilograms. Any vehicle that moves on land with only engine power must be insured. Exceptions are made for motorized wheelchairs and restricted area vehicles such as lawn tractors. Also, the insurance now covers any damage caused to others by the vehicle. Now, for example, the costs of a replacement car are also covered if the damaged vehicle cannot be used and it was necessary for work or for another important reason. The definition of an insurance event is now more clear and simple. An insured event is an event, upon the occurrence of which the insurer must compensate for the loss. A traffic insurance event is damage caused to a third party by a vehicle covered by the insurance obligation during the use of the vehicle as a means of transport. The earlier wording was much more complicated. In addition, the insurer's obligation to explain the principles of damage compensation and the methodology used by the insurer to calculate the damage compensation is emphasized at the request of the injured party. In order to simplify the fulfillment of this obligation, the Estonian Motor Insurance Bureau publishes the loss compensation methodologies on its website.

As from 21st of October 2024 the changes of the Law of Financial Supervision Authority Act were published in the Riigi Teataja, which ensures consistency between the law regulating the activities of the domestic financial sector and the European Union's digital operational efficiency requirements (DORA Act) applicable to financial institutions. The purpose of the law is to reduce the risk of disruption of business operations and important services in the financial sector, as well as the threat to information and financial assets of the company and customers, which can be caused by cyber attacks, technical failures and other operational errors (e.g by ICT service providers).

From November 1, 2024, mandatory liability insurance for healthcare providers, or so called “patient insurance”, is valid in Estonia. During the transition period lasting until December 1, medical facilities were required to sign liability insurance contracts. For the patient, the new system gives the right to claim compensation from the insurance, if real avoidable health damage has occurred in the treatment process due to an error that occurred after the law came into force.

On 17th January 2025 latest version of the Law of Accounting Act was published in the Riigi Teataja where key changes are related to transposition of European Union Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS) requirements into local legislation. Legal act defines principles how companies shall prepare, report and publish information about their sustainability impacts, sustainability risks, opportunities and overall related sustainability performance. In accordance with this Act ERGO Insurance SE is exempted from the obligation to prepare a sustainability report as its parent undertaking organisation has prepared consolidated group sustainability statement in accordance with CSRD and ESRS requirements. Parent undertaking organisation and its consolidated group sustainability statement related information:

- Consolidated group sustainability statement is provided by Munich RE, headquarters address: Königinstr. 107, 80802 Munich, Germany
- Website address of the group annual consolidated sustainability statement: https://www.munichre.com/en/company/investors/reports-and-presentations/annual-report.html

2.3. Insurance Market

Non-life Insurance market volume in Estonia in 2024 grew by 8.5%, reaching 601 million euros. ERGO’s market share decreased by 2.4 pp to 14,7%, falling to fourth position. Compared to previous year Bonds insurance market decreased by 7.4% while Liability, Private Property and Travel insurance lines had highest growths (48.5%, 9.8% and 9.2% respectively). ERGO improved market position in Bonds line.

In Latvia non-life Insurance market volume increased by 6.3% to 464 million euros in 2024. ERGO’s market share decreased by 0.2 pp to 10.2%, falling to fourth position. Marine Liability, Property & Engineering and Business Interruption insurance markets grew by 12.8%, 12.5% and 8.8% respectively. ERGO improved market positions in Liability insurance.

In 2024 Lithuania non-life Insurance market had highest growth in Baltics by 10.0%, reaching 1 092 million euros. ERGO's share decreased by 0.6 pp to 13.9% with same, third, market position as year before. Goods in transit insurance had the highest growth (21.1%) while Liability customs procedures, Railway and Property insurance markets grew by 18.0%, 15.0% and 13.6% respectively. ERGO improved market position in Compulsory liability 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 contribute to the achievement of international climate targets by providing active support to verified climate protection projects.

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. For example, in 2024 we strengthened our partnership in Baltics with a startup company whose activity focus is to extend lifecycle of IT equipment which is no longer used by corporate companies.

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.

Environment: lowering carbon emissions, reducing resource consumption and preventing environmental damage.

Social sector: the upholding of human rights and labour rights, equality, health protection.

Governance: responsible corporate governance, dialogue with interest groups, transparent reporting.

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 a Corporate Responsibility Agreement and confirm Supplier Code of Conduct. 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 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 2024 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.

Last 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.

ERGO Baltics continues cooperation with the Diversity Charters. By joining we committed to create an inclusive work environment reflecting diversity, celebrating differences and encouraging every employee to feel dignified, valued and respected.

3.3. Social responsibility

3.3.1. Customer orientated services and products

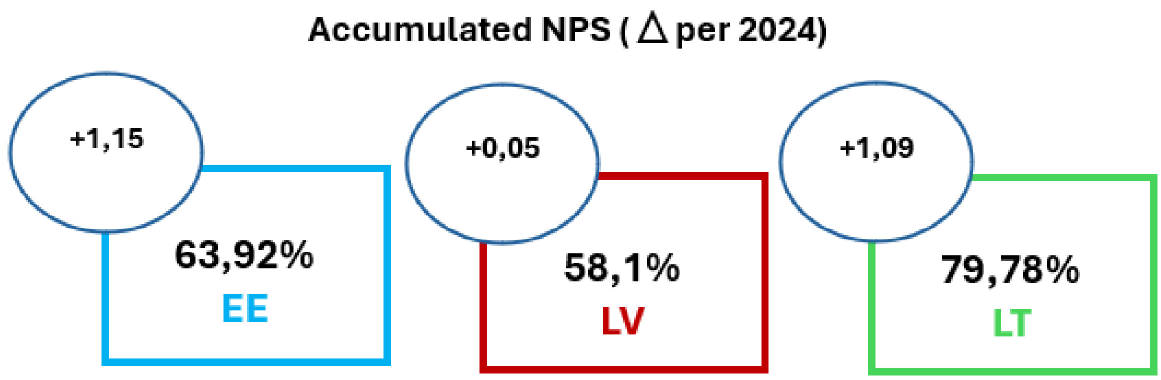
At ERGO, we believe that people are the most important in business. We strive to combine customer satisfaction with our employee's engagement.

Our goal is to make ERGO a place that allows us to grow together and succeed. We shape a culture of diversity, collegiality, success and development. This would lead us to the customer-oriented promise – to make insurance as simple as possible.

We believe that insurance offers a sense of security. We provide insurance people need and we do it in a simple and humane way, being fair and approachable.

Insurance is a long-term commitment, so we always think about the future. We make responsible choices, support environmental protection, foster a positive workplace culture, and dedicate ourselves to helping others. 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 the 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 positive feedback from our clients, which we also incorporate into our culture of recognition.

At ERGO customer satisfaction is a core part of our company culture, meaning it is a fundamental aspect of how our organization operates and how our 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 the clients, but also about back-office employees who serve internal customers and understand how their work impacts client expectations. We systematically gather customer feedback, analyse it, and take appropriate actions to address issues and improve our service.



In 2024, the market research company Dive conducted a study focusing on the insurance companies. Through mystery shopping exercises, they determined that ERGO, operating in Estonia, Latvia and Lithuania, stood out for its exceptional customer service within the insurance industry.

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

3.3.2. Sponsorships / social responsibility actions 2024

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 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 foundation for our social commitment reporting. We prefer projects that align with our business activities, support them, and provide added value to our employees and clients.

ERGO aims to advocate for a mindset of prevention; therefore, in Estonia we continued with **ERGO's preventive action competition** "Ennetades täna, loome turvalisema homse" (eng. By preventing today, we create a safer tomorrow), launched in 2022.

On the business side, we focus on providing direct assistance for effective loss prevention. In our communications, we are committed to highlighting those who are making a positive impact on society, helping to create a healthier, more sustainable, and safer future.

We continued collecting the previous year's outstanding activities, 9 of which we introduced to a wider audience together with media partner Postimees. The third ERGO Prevention Action of the Year was the project "Turvalisem ööelu" (eng. Safer Night Life), which helps to ensure a safer nightlife using Night Fairies, a group of harm reduction specialists, increasing their capacity to assist those in need. Their goal is to prevent and reduce harm, ensuring that everyone can enjoy nightlife without worry and get home safely. This project was followed Perepesad, which support the well-being of children and families, and Tartu Health Care College project of AED use and first aid “Aita päästa elu” (eng. Save the lives!).

ERGO's **cycling campaign** in the summer has already become a tradition. This year ERGO Estonia kicked off a nationwide bicycle collection campaign for SOS Children's Village “Help SOS Children's Village to bicycles”. The goal was to help collect bicycles for SOS Children's Village so that all residents of the children's village could ride around on bicycles that were appropriate for their age and in good condition. The broader goal was to use this appeal to value caring for each other and show that even a small act of kindness can have a big meaning. SOS Children's Village needed minimum of 91 bicycles, but we received a total of 176.

In cooperation with the Estonian Olympic Committee, ERGO has awarded **scholarships to young** athletes for nine years in order to give a boost to young Estonian athletes. In 2024 the total amount was €25,000.

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 the sports equipment.

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

We continued our cooperation with our long-term partners, including the **Estonian**

Rescue Association and the **Estonian Cancer Society**.

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

ERGO Estonia is also a member of **“Green Tiger”**, a collaborative platform that aims to devise, teach, and implement a plan for a balanced economy. The idea of the representative organization of the Green Tiger is to share knowledge and tools to implement sustainable changes and to provide a collaborative platform for sharing experiences, successes and lessons learned

We celebrated the 35th anniversary of the Baltic Way in Estonia, Latvia and Lithuania. To mark the occasion, ERGO supported the app **#walk15 campaign "Walking the Baltic Way 2024"**, which started in April. The challenge involved walking 650 km (the distance of the Baltic Way) over a period of four months. The challenge ran until 23 August and more than 30,000 people from all over the world participated.

During 2024 ERGO donated 5,000 euros to SOS Children Village in Lithuania; ERGO financial support was used for day care centres where children gather to spend some their free time. It is a very important place for Ukrainian refugees’ children as well, so we aimed this charity to support them and their integration.

For the first year **Pie Day** was organized in Lithuanian headquarter and other sales offices and it was a great success. The main idea was to bake pies, take them to work and sell it to the colleagues. The money collected for these pies were donated to the NGO of our choice. This year ERGO employees have voted and selected to donate this money to Rimantas Kaukenas charitable foundation. The aim was to collect 500 euros, and we've collected almost 1500 euros. These money were dedicated to fulfil the dreams of two girls who are in a fight with cancer.

ERGO Lithuania traditionally supported the Vilnius International Film Festival "Kino pavasaris" and was one of the main sponsors. ERGO sponsored the programme "Today's Films for Tomorrow", which focuses on themes such as migration, human rights, tolerance. These values are very important to us as a company and as a team in our daily work.

On 12 April, ERGO Latvia held a **forest planting event** with over 60 ERGO employees and their family members. A total of 5500 spruce trees were planted.

For the fourth year in a row, our Lithuanian colleagues gathered on the last weekend of August to volunteer in environmental, educational, and cultural festival **"Let's do it by the sea"**. The volunteers covered a 450-metre stretch of dunes with branches, collected 1,000 litres of rubbish and cleaned up the coastal area.

Volunteering is highly encouraged at ERGO, and the employer also provides one paid day for a volunteer work or charity activities every year.

3.3.3. People Management

ERGO is one of the most valued and recognized employers in the Baltics. In 2023 we were in the top of the best employers' rank by CV-Online in Latvia and Lithuania. Also, all three countries are acknowledged as a workplace that fosters diversity and inclusion (LT: rewards received in 2023 and 2024; EE: award in 2024; LV: Diversity Champion 2024; Diversity is Power 2024 (Silver category)). Moreover, all three countries are labelled as a family friendly company (LV: since 2023; EE and LT: since 2022). Lastly, Estonian Chamber of Commerce and Industry ranked us in TOP 10 best insurance company in the financial sector in 2023.

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

ERGO Baltics strategy that was renewed in September, 2023 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, equity and inclusion (DEI)

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

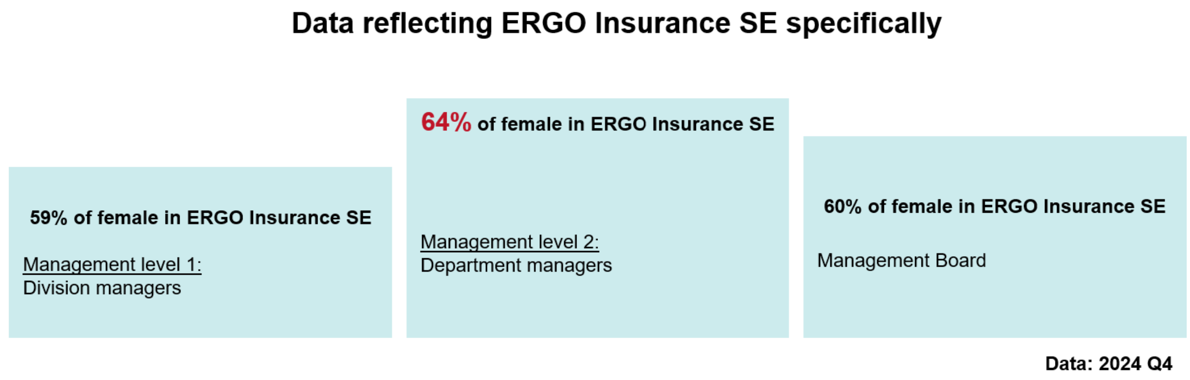
Inclusion means that all community members are embraced and encouraged to make meaningful contributions.

The term "DEI" commonly used in a 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 different colleagues gives us a precious opportunity to share the best practices, encourage out of the box thinking, foster 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 – to be achieved by 2025.

ERGO Baltics has managed to achieve and exceed these targets way before 2025, please see the pictures below. We have a lot of efficient leaders, that is not so common in all companies and especially in an insurance sector.



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 specific actions at ERGO that one may have not considered as equity topics, some of them:

- Our salaries are determined according to the "Hay" (in LT) and "Fontes/ Figure" methodologies (in LV and EE), where job positions are evaluated rather than specific individuals.
- Promotion decisions are driven by skills and performance results, in such case eliminating possibilities for personal biases, prejudice and stereotypes.
- In case of discrimination or violated equal opportunities people can seek for anonymous support via the “Line of trust”.
- Opportunities for external candidates. We do encourage transparent job postings meaning that our job ads are competency and role-based with no gender-specific wording or keywords. Also, our job ads pass the message that we support equal opportunities for all applicants regardless of race, colour, religion, sex, sexual orientation, age, gender identity and/or national origin.

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 (and continue practicing) various initiatives to ensure an inclusive and supportive environment for all:

1. Development opportunities and focus on employees’ well-being:

o ERGO Baltic leaders' conference "Lead Together", held in Riga (October 2-3, 2024). More than 60 managers from all Baltic countries gathered at the event, the main purpose of which was to promote a culture of cooperation, inclusion and to foster a knowledge exchange.

o Unconscious bias trainings for leaders (in 2022). The main goal was to increase leaders’ awareness of unconscious prejudices, stereotypes and biases in employee-related processes. It is crucial since awareness is the first step to overcome them.

o Neurodiversity trainings. Knowing that invisible disabilities are way more common than the physical ones, however, surrounded by many stigmas, we sought to develop the ability of our employees to recognize them in 2024. We talked about what neurodiversity is and what forms it takes; what are the most common myths about neurodiverse people; what challenges neurodiverse people face at work and in their personal lives, and most importantly - how to behave in a friendly and supportive way from our side.

o ERGO Baltics Health Month. In 2024 employees in all three countries were involved in theoretical and practical sessions emphasizing how to improve physical, emotional and psychological health.

o ERGO Shadowing Days. Started in 2023 in Estonia and Latvia, the initiative received an immediate success since our people had a chance to have a peak at the daily work of other departments and colleagues, understand what they are responsible for and what challenges they face. Back then our CEO of ERGO Baltics

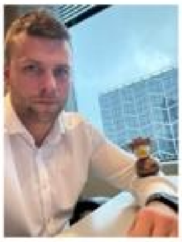
Ursula Clara Deschka also participated in the shadowing days and encouraged colleagues to join as well. The initiative was continued in 2024 in all three countries. As many as 207 participants joined the project in the Baltics.

o Mentoring programs:

- New joiners' program (LT; LV; EE): to support a newcomer at the beginning of his/her career at ERGO and help him/her feel welcome.
- Career mentoring program (LT): a voluntary initiative for ambitious colleagues seeking to acquire practical business knowledge, improve their personal qualities and skills during a continuous cooperation (3 months) with a selected mentor.

2. A culture encouraging "have your say!" approach:

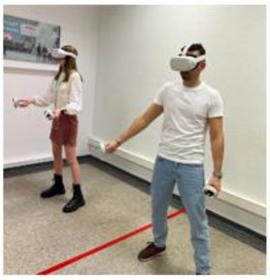
o ERGO Baltics DEI Council. Elected in 2024 July the committee aspires to represent everyone's voice and opinion. The Council is composed of 16 (initially) members of different age, gender, functions and seniority levels. Council members gather once per two months to discuss how to make ERGO a great place to work at for absolutely everyone.



o ERGO ambassador program. An opportunity for anyone aspiring to grow, gain new skills and tell the whole LinkedIn audience about themselves and their professional experience at ERGO. There are 15 ambassadors at ERGO Baltics. This is our way to involve ERGO community and let everyone's voice to be heard.

o An internal campaign “Idea Box” (LT). The main goal – encourage employees to have their say by offering ideas how to improve ERGO culture. One idea was implemented every quarter. In total there were four ideas were implemented in 2024: organized blood donation; created ERGO Wardrobe; established a massage room (a message chair); created VR (virtual reality room)






3. Initiatives/projects reflecting and focusing on different DEI target groups:

o “DuoDay” (LT) and “Different shoes day” (LV) initiatives. A bit different form of job shadowing focusing on integration of disabled people. In 2024 Lithuania and Latvia opened their doors to people with disabilities so that they could try themselves in different job roles. In Latvia there were 11 visitors in 8 departments, while Lithuania welcomed two people with disabilities in Corporate Sales and Customer Service departments.

Initiative “ERGO tėveliai” (ERGO parents), created in 2022 and continued further on (LT). The purpose of this project is to create a positive experience and accompany ERGO employees before/during/after childcare leave.

4. Initiatives to celebrate our people:

o **Recognition month**. In 2024 Baltics wise employees received and expressed recognitions to colleagues 656 times (Latvia – 471 times; Estonia – 39 times; Lithuania – 146 times). Colleagues receiving the most recognitions distributed accordingly: Latvia – 12 times; Estonia – 2 times (three employees); Lithuania – 7 times. The colleague who gave the most recognitions: Latvia – 37 times; Estonia – 15 times; Lithuania – 16 times. The numbers reflect both companies (ERGO Insurance SE and ERGO Life Insurance SE).

o **Celebrating career milestones at ERGO**. We do celebrate and reward our people based on the duration of their work at ERGO – 10, 15, 20, 25, 30 years. In the Baltics we rewarded 84 ERGO Insurance SE colleagues in total. Distribution by countries is as follows:

- LT (51 colleague in total): 10 years – 8 colleagues; 15 years – 13 colleagues; 20 years – 19 colleagues; 25 years – 7 colleagues; 30 years – 4 colleagues.
- LV (12 colleagues in total): 10 years – 4 colleagues; 15 years – 0 colleagues; 20 years – 4 colleagues; 25 years – 4 colleagues; 30 years – 0 colleagues.
- EE (21 colleague in total): 10 years – 6 colleagues; 15 years – 9 colleagues; 20 years – 1 colleague; 25 years – 4 colleagues; 30 years – 1 colleague.

Since for a few years in a row we have been rewarded as a family friendly employer, it is crucial for us to justify that name by making sure our community has no difficulties in managing work/life balance. To do that we continue working under an innovative solution ("3+2 model": 3 days of work at the office, 2 days – at home) so that our employees don't have to choose between family/pets and the office. Also, people can take up to 28 calendar days of workation per year in European Union countries – in 2024, 13 ERGO Insurance SE colleagues used the workation solution.

These are just a few examples indicating how we are ensuring inclusion. It should be noted that Iin ERGO, employees are also 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

Shared events and joint activities are very important for our employee experience. Employee summer events were held in all Baltic countries. In winter and early spring events we hosted a celebrations 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 2024		
Total number of staff		1122	
Gender balance (nr/%)	Male:	239	21%
	Female:	883	79%
Managers on Level 1-3 (nr/%)	Male:	49	31%
	Female:	108	69%
Average age (years)	Male:	44	
	Female:	45	
Average tenure (years)		9	
Training hours per employee		49	
Employees on maternity leave		32	

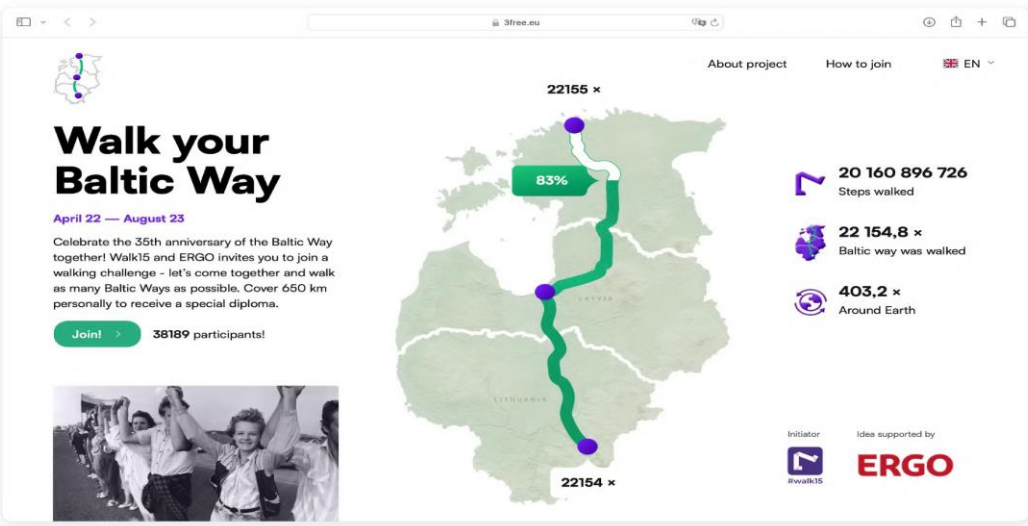
3.4. Environmental responsibility

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 2024 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.



3.4.1. 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.

Bureau Veritas Certification

Certification

ERGO INSURANCE SE LIETUVOS FILIALAS AU
ERGO LIFE INSURANCE SE

STANDARD

ISO 14001:2015

SCOPE OF CERTIFICATION

LIFE INSURANCE AND NON-LIFE INSURANCE SERVICES

Certificate Number: LV007399 Version: 1 Revision date: 24-01-2022

Bureau Veritas Certification

Certification

Awarded to

ERGO INSURANCE SE
ERGO LIFE INSURANCE SE EESTI FILIAAL

Tallinn, ESTONIA

STANDARD

ISO 14001:2015

SCOPE OF CERTIFICATION

LIFE INSURANCE AND NON-LIFE INSURANCE SERVICES

Certificate Number: LV007927 Version: 1 Revision date: 21-10-2022

During 2024, ERGO Baltics successfully passed ISO14001:2015 surveillance audits in all three countries, ISO14064:2018 surveillance audit in Estonia and 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

	2024	2023	2022	2021	2020
Carbon emission in CO2 kilograms	334 731	403 606	459 976	398 429	403 606
Direct carbon emissions from primary energy consumption - Scope 1	285 934	295 792	367 540	319 283	295 792
Indirect carbon emissions from procured energy - Scope 2	0*	41 307	44 817	43 788	41 307
Other indirect carbon emissions - Scope 3	48 797	66 507	47 619	35 358	66 507
Carbon emissions per employee	468	572	579	499	572
Carbon savings per employee compared to baseline Year 2019	42%	29%	28%	38%	29%

* Scope2 carbon emissions are zero as ERGO Lithuania consumes verified green energy which is proved by Guarantee of Origin from representatives of Association of Issuing Bodies.

ERGO Latvia key environmental figures

	2024	2023	2022	2021	2020
Carbon emission in CO2 kilograms	97 216	106 288	93 141	88 942	96 812
Direct carbon emissions from primary energy consumption - Scope 1	23 470	27 071	28 718	25 743	27 011
Indirect carbon emissions from procured energy - Scope 2	26 321	33 154	48 902	59 888	63 059
Other indirect carbon emissions - Scope 3	47 425	46 063	15 521	3 311	6 742
Carbon emissions per employee	322	370	335	326	322
Carbon savings per employee compared to baseline Year 2019	29%*	18%*	26%	28%	29%

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

ERGO Estonia key environmental figures

	2024	2023	2022	2021	2020
Carbon emission in CO2 kilograms	57 216	89 559	296 700	409 526	397 139
Direct carbon emissions from primary energy consumption - Scope 1	20 270	15 117	12 736	10 679	14 469
Indirect carbon emissions from procured energy - Scope 2	10 635	48 702	266 471	391 402	369 849
Other indirect carbon emissions - Scope 3	26 311	25 740	17 493	7 445	12 821
Carbon emissions per employee	211	435	1529	2155	2079
Carbon savings per employee compared to baseline Year 2019	92%*	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

In marketing we focused on sales support, and in communication our goal was to communicate about insurance and prevention, using our expertise, statistics, and potential risks to demonstrate our commitment to making the world a safer place.

Our goal of simplifying insurance was also reflected in our internal communications, client sales materials, and on our homepage. In Lithuania we launched a new and modern website.

4.2. Sales support & service

Main sales support campaigns were launched in all Baltic countries for home, MTPL and motor hull insurance products. In Estonia one of our 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.

In spring ERGO Estonia main sales campaigns focused on home and motor hull insurance. In the home insurance campaign, we reminded people to ensure their parents have home insurance. In our motor hull campaign, we offered new clients a free car wash.

In September ERGO Estonia organised a seminar for the insurance brokers.

In addition to ERGO's sales network, which offers direct contact, we remain close to our customers by participating in major fairs. This year, ERGO could be seen in travel fair Tourest, construction fair EstBuild and agriculture, forestry, gardening and food expo Maamess.

5. Financial performance

5.1. Overview

ERGO Insurance SE's insurance revenue for 2024 was 289.0 million euros. Insurance service expenses totalled 246.7 million euros, accounting for 85.4% of Insurance revenue. The net expense ratio was 39.8% (2023: 39.4%) and the net loss ratio was 47.9% (2023: 48.3%). The net combined ratio for 2024 was 87.7% (2023: 87.6%). ERGO Insurance SE ended 2024 with total comprehensive income of 29.2 million euros (2023: expense of 10.6 million euros). The insurance service result was profit of 27.0 million euros (2023: profit of 22.4 million euros), total investment income amounted to 7.4 million euros (2023: 3.8 million euros), net insurance financial result was expense of 4.9 million euros (2023: expense of 2.4 million euros) and other expenses amounted to 1.6 million euros (2023: 17.6 million euros). Income tax expense amounted to 2.1 million euros (2023: 3.5 million euros). The comprehensive result was also influenced by a 2.3-million-euro increase in the value of available-for-sale financial assets and by a 1.1-million-euro increase in insurance/reinsurance finance reserve (2023: increase 1.7 million euros).

At the year-end, ERGO Insurance SE had assets of 396.6 million euros (2023: 346.5 million euros). Investments in financial instruments amounted to 297.2 million euros (2023: 257.6 million euros), debt securities accounting for 98.3% (2023: 98.1%) and equities and fund units for 1.7% (2023: 1.9%) of the total. Altogether, investments in financial instruments accounted for 74.9% (2023: 74.3%) of total assets. Insurance provisions totalled 213.8 million euros (2023: 182.0 million euros), accounting for 77.1% (2023: 71.6%) of total liabilities and 53.9% (2023: 52.5%) of total assets. At the reporting date, insurance provisions were backed with investments in financial instruments and reinsurance assets which exceeded insurance provisions by 125.1 million euros (2023: 111.5 million euros), providing the company with an adequate liquidity buffer.

5.2. Gross premiums

Gross premium income by line of business

In euros	2024 Gross written premiums	Share of class, %	2023 Gross written premiums	Share of class, %	Change in Gross written premiums	Share of class, %
Motor liability insurance	96 965 858	33,7%	95 715 794	35,1%	1 250 064	8,3%
Motor own damage insurance	75 552 292	26,3%	70 728 467	25,9%	4 823 825	32,0%
Individuals' property insurance	26 340 556	9,2%	22 735 580	8,3%	3 604 976	23,9%
Legal persons' property insurance	15 574 442	5,4%	15 366 315	5,6%	208 127	1,4%
Liability insurance	14 984 417	5,2%	13 932 205	5,1%	1 052 213	7,0%
Technical risks insurance	13 771 178	4,8%	12 383 405	4,5%	1 387 773	9,2%
Accident insurance	13 578 176	4,7%	12 467 551	4,6%	1 110 625	7,4%
Guarantee insurance	10 477 549	3,6%	8 344 702	3,1%	2 132 847	14,2%
Travel insurance	4 462 510	1,6%	4 773 538	1,8%	-311 028	-2,1%
Assistance insurance	4 146 866	1,4%	3 990 689	1,5%	156 178	1,0%
Carrier's liability insurance	2 935 024	1,0%	3 034 667	1,1%	-99 643	-0,7%
Goods in transit insurance	2 780 807	1,0%	2 386 022	0,9%	394 784	2,6%
Legal expenses insurance	1 509 259	0,5%	1 518 567	0,6%	-9 307	-0,1%
Agricultural risks insurance	1 457 528	0,5%	1 884 562	0,7%	-427 034	-2,8%
Financial risks insurance	1 271 718	0,4%	1 294 269	0,5%	-22 552	-0,1%
Loss of employment insurance	859 756	0,3%	620 691	0,2%	239 066	1,6%
Watercraft insurance and watercraft owner's liability insurance	738 373	0,3%	765 728	0,3%	-27 355	-0,2%
Railway rolling stock insurance	271 437	0,1%	248 746	0,1%	22 691	0,2%
Total from insurance activities	**287 677 747**	**100,0%**	**272 191 498**	**99,8%**	**15 486 250**	**102,8%**
Legal persons' property insurance	11 683	0,0%	439 540	0,2%	-427 857	-2,8%
Total from reinsurance activities	**11 683**	**0,0%**	**439 540**	**0,2%**	**-427 857**	**-2,8%**
Total	**287 689 430**	**100,0%**	**272 631 037**	**100,0%**	**15 058 393**	**100,0%**

In 2024, ERGO Insurance SE generated premium income of 287.7 million euros, a 5.5% increase on 2023. The largest classes were motor liability insurance and motor own damage insurance, which generated premium income of 97.0 million euros and 75.6 million euros, accounting for 33.7% and 26.3% of the total portfolio, respectively. Individuals' property insurance contributed 26.3 million euros i.e., 9.2%, liability insurance 15.0 million euros i.e., 5.2% and accident insurance 13.6 million euros i.e., 4.7%. Premiums written in legal persons' property insurance, technical risk insurance and guarantee insurance totalled 15.6 million euros, 13.8 million euros and 10.5 million euros, respectively, and their respective contributions were 5.4%, 4.8% and 3.6%. The total contribution of other insurance classes, which each accounted for less than 2.0%, was 20.4 million euros i.e., 7.1%.

Compared to 2023, the share of motor own damage insurance increased by 0.3 percentage points and its premium income grew by 4.8 million euros i.e., 6.8%. In addition to that, good growth was achieved in individuals' property insurance where premium income grew by 3.6 million euros i.e., 15.9% and in guarantee insurance with premium income growth 2.1 million euros i.e., 25.6%.

5.3. Claims

Claims and benefits paid by line of business

In euros	2024		2023		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	60 878 802	38,2%	55 428 897	36,2%	5 449 905	85,2%
Accident insurance	48 886 795	30,7%	44 564 427	29,1%	4 322 368	67,6%
Travel insurance	14 759 304	9,3%	13 239 504	8,7%	1 519 800	23,8%
Technical risks insurance	5 891 493	3,7%	8 807 283	5,8%	-2 915 790	-45,6%
Individuals' property insurance	5 340 447	3,3%	4 935 001	3,2%	405 446	6,3%
Legal persons' property insurance	5 275 551	3,3%	6 540 892	4,3%	-1 265 341	-19,8%
Agricultural risks insurance	4 960 758	3,1%	3 853 666	2,5%	1 107 092	17,3%
Motor own damage insurance	3 163 656	2,0%	4 931 441	3,2%	-1 767 785	-27,6%
Liability insurance	2 371 396	1,5%	2 147 542	1,4%	223 854	3,5%
Goods in transit insurance	2 155 471	1,4%	2 190 822	1,4%	-35 351	-0,6%
Carrier's liability insurance	2 150 300	1,3%	2 298 624	1,5%	-148 324	-2,3%
Watercraft insurance and watercraft owner's liability insurance	1 019 687	0,6%	1 290 195	0,8%	-270 508	-4,2%
Guarantee insurance	984 747	0,6%	393 725	0,3%	591 022	9,2%
Railway rolling stock insurance	674 566	0,4%	587 077	0,4%	87 489	1,4%
Assistance insurance	575 440	0,4%	1 490 312	1,0%	-914 872	-14,3%
Financial risks insurance	198 527	0,1%	150 132	0,1%	48 395	0,8%
Loss of employment insurance	112 211	0,1%	206 745	0,1%	-94 534	-1,5%
Legal expenses insurance	55 612	0,0%	0	0,0%	55 612	0,9%
Total	**159 454 760**	**100,0%**	**153 056 285**	**100,0%**	**6 398 475**	**100,0%**

Claims and benefits paid in 2024 totalled 159.5 million euros (2023: 153.1 million euros). There were few significant increases in claims and benefits paid in 2024. Compared to 2023 motor liability insurance claims grew by 5.4 million euros i.e., 9.8%, motor own damage insurance grew by 4.3 million euros i.e., 9.7% and individuals' property insurance grew by 1.5 million euros i.e., 11.5%. The largest share of claims was settled in motor liability insurance: 60.9 million euros i.e., 38.2% of all the claims paid. The next-largest class was motor own damage insurance where claims and benefits paid totalled 48.9 million euros i.e., 30.7%. The total contribution of other insurance classes, which each accounted for less than 10.0% of all the claims paid, was 49.7 million euros i.e., 31.2%.

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 2024, 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: 54.1% (2023: 53.3%) had an AAA (by Standard & Poor's) or Aaa (by Moody's) credit rating, 20.1% (2023: 22.7%) were rated AA or Aa, 16.7% (2023: 11.7%) had an A rating, 9.1% (2023: 12.4%) had a BBB or Baa rating, and 0% (2023: 0%) were rated BB or Ba.

At the year-end, investments consisted of investments in associates and subsidiaries of 0.05 million euros (2023: 0.05 million euros), debt securities of 291.9 million euros (2023: 252.6 million euros), loans of 0 million euros (2023: 0 million euros), and equities and fund units of 5.2 million euros (2023: 5 million euros). There were no investments in term deposits.

Income on assets with interest rate risk amounted to 7.4 million euros (2023: 4.1 million euros). Realisation of debt securities produced a loss of 0.05 million euros (2023: loss of 0.05 million euros). The revaluation effect though profit and loss statement were 0.24 million euros (2023: 0.34 million euros). The fair value reserve increased by 2.3 million euros (2023: increased by 6.4 million euros). Thus, the overall yield of the investment portfolio was 3.5% (2023: -4.3%). Investment management expenses accounted for 0.15% of the carrying value of managed investments (2023: 0.15%).

Key financial indicators

As at 31 December or for the year	2024	2023
For the year		
Loss ratio[1]	**47,9%**	**48,3%**
Cost ratio[2]	**39,8%**	**39,4%**
Combined ratio[3]	**87,7%**	**87,6%**
Total investment income[4]	**3,5%**	**4,3%**

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 2024 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	2024	2023
Insurance revenue	4	289 038 978	256 853 052
Insurance service expense	5	-246 715 774	-224 312 375
Insurance service result before reinsurance contracts held		**42 323 204**	**32 540 677**
Allocation of reinsurance premiums	6	-69 638 031	-75 882 574
Amounts recoverable from reinsurers for incurred claims	6	54 333 281	65 697 292
Net expense from reinsurance contracts held		**-15 304 750**	**-10 185 282**
Insurance service result		**27 018 454**	**22 355 395**
Interest revenue calculated using the effective interest method	7	7 037 409	3 820 077
Other interest and similar income	7	405 121	246 463
Net fair value gains/(losses) on financial assets at fair value through profit or loss	7	236 202	335 952
Net fair value gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	7	-53 140	-48 192
Impairment loss on financial assets	7	7 103	4 193
Investment management expenses	7	-406 444	-347 349
Net foreign exchange (expense) / income	7	154 494	-213 305
Total investment income		**7 380 745**	**3 797 839**
Insurance finance expenses for insurance contracts issued	7	-6 560 043	-3 346 239
Reinsurance finance income for reinsurance contracts held	7	1 634 254	921 262
Net insurance financial result		**-4 925 789**	**-2 424 977**
Other income and expense	8	-1 627 024	-17 624 718
Profit before tax		**27 846 386**	**6 103 539**
Income tax expense	22	-2 176 568	-3 514 011
Profit for the year		**25 669 818**	**2 589 528**

Statement of comprehensive income

In euros	Notes	2024	2023
Profit/loss for the year		**25 669 818**	**2 589 528**
OCI to be reclassified to profit or loss in subsequent periods			
Change in fair value of financial assets	21	2 334 010	6 373 450
Debt instruments at fair value through other comprehensive income		**2 334 010**	**6 373 450**
Change in insurance/reinsurance finance reserve		1 073 960	1 677 446
Net insurance financial result		**1 073 960**	**1 677 446**
Total other comprehensive income		**3 407 970**	**8 050 896**
Total comprehensive income for the year		**29 077 788**	**10 640 424**

The notes on pages 47 to 120 are an integral part of these financial statements.

Statement of financial position

In euros	Notes	As at 31 December 2024	2023
Assets			
Cash and cash equivalents	9	15 662 845	17 107 435
Equity and debt instruments at fair value through profit or loss	10.1	5 197 659	4 961 456
Debt instruments at fair value through other comprehensive income	10.2	291 918 821	252 580 931
Debt instruments at amortised cost	10.3	43 443	43 443
Investments in subsidiaries	11	50 000	50 000
Insurance contract assets	12	12 033 879	2 536 417
Reinsurance contract assets	12	41 795 976	35 879 335
Deferred tax assets	22	281 149	267 548
Other receivables	13	4 692 556	3 254 064
Intangible assets	14	18 064 322	18 869 799
Property and equipment	15	6 823 165	10 971 694
Total Assets		**396 563 815**	**346 522 122**
Liabilities			
Current tax liabilities			
Insurance contract liabilities	12	213 849 764	182 011 734
Reinsurance contract liabilities	12	25 430 353	22 066 292
Lease-related liabilities	16	5 807 010	5 494 142
Other payables and accrued expenses	17	16 521 826	22 914 378
Subordinated loans	24	15 698 233	21 708 815
Total liabilities		**277 307 186**	**254 195 361**
Equity			
Issued capital	18	6 391 391	6 391 391
Capital reserve	19	3 072 304	3 072 304
Retained earnings		85 724 424	83 134 896
Profit/loss for the reporting year		25 669 818	2 589 528
Fair value reserve	20	-3 235 605	-5 569 615
Insurance/reinsurance finance reserve	25	1 634 297	2 708 257
Total equity		**119 256 629**	**92 326 761**
Total liabilities and equity		**396 563 815**	**346 522 122**

The notes on pages 47 to 120 are an integral part of these financial statements.

Statement of cash flows

In euros

(Inflow + , outflow –)	Note	**2024**	**2023**
Cash flows from operating activities		**824 715**	**10 557 583**
Insurance premiums received		278 846 879	261 224 906
Claims, benefits, and handling costs paid		-151 792 645	-149 306 600
Settlements with reinsurers		-15 710 965	859 243
Settlements with holders of reinsurance policies		-34 399	0
Paid in operating expenses		-87 235 695	-77 006 597
Other income and expenses		12 182 587	4 708 835
Acquisition of equities and fund units	10.1	0	-246 975
Acquisition of debt and other fixed income securities	10.2	-232 288 221	-124 092 318
Disposal of debt and other fixed income securities	10.2	199 081 859	93 291 677
Interest received	6	3 276 360	2 235 770
Dividends received	6	120 899	91 635
Corporate income tax paid		-5 369 454	-1 002 343
Paid in investment expenses	6	-252 490	-199 650
Cash flows used in investing activities		**5 646 677**	**-6 465 984**
Acquisition of property and equipment and intangible assets	14, 15	-2 382 623	-6 482 984
Proceeds from sale of property and equipment and intangible assets	14, 15	8 029 300	17 000
Cash flows used in financing activities		**-7 915 982**	**-1 719 827**
Subordinated loan paid	24	-6 000 000	0
Payments for the principal portion of lease liabilities	16	-1 915 982	-1 719 827
Net cash outflow/ inflow		**-1 444 590**	**2 371 772**
Cash and cash equivalents at beginning of year	9	**17 107 435**	**14 735 663**
Decrease/ increase in cash and cash equivalents		-1 444 590	2 371 772
Cash and cash equivalents at end of year	9	**15 662 845**	**17 107 435**

[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 47 to 120 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 2022	**6 391 391**	**3 072 304**	**-11 943 065**	**4 385 703**	**626 356**	**82 508 540**	**77 548 610**
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**
Profit for the year	0	0	0	0	0	25 669 818	25 669 818
Other comprehensive income	0	0	2 334 010	-1 073 960	0	0	1 260 050
Total comprehensive income for the year	**0**	**0**	**2 334 010**	**-1 073 960**	**0**	**25 669 818**	**29 929 868**
Balance at 31 December 2024	**6 391 391**	**3 072 304**	**-3 235 605**	**1 634 297**	**626 356**	**110 767 886**	**119 256 629**

The notes on pages 47 to 120 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 2024 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 11 April 2025. 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 2024.

(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.

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.

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.

(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 2024) 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)

The financial statements are prepared based on the principles of consistency and comparability, ensuring that the Company consistently applies the same accounting policies and presentation of information. Any changes in accounting policies or presentation are made only when required by newly adopted or revised IFRS standards issued by the EU, or when a new accounting policy or presentation method provides a more objective view of the Company's financial position, performance, and cash flows.

Adoption of New and Revised IFRS Standards and Interpretations

The following new standards and amendments to existing standards, issued by the International Accounting Standards Board (IASB), have been adopted:

1. **Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current**

Issued by the IASB on January 23, 2020, and October 31, 2022, these amendments clarify the classification of liabilities based on contractual arrangements in place at the reporting date. The 2020 amendments provide a general approach to liability classification, while the 2022 amendments focus on how conditions that must be complied with within twelve months of the reporting date affect the classification of a liability. The effective date for both amendments is set for annual periods beginning on or after January 1, 2024.

2. **Amendments to IAS 7 - Statement of Cash Flows, and IFRS 7 - Financial Instruments: Disclosures: Supplier Finance Arrangements**

Issued on May 25, 2023, these amendments introduce new disclosure requirements and enhanced qualitative and quantitative information about supplier finance arrangements.

3. **Amendments to IFRS 16 - Leases: Lease Liability in a Sale and Leaseback**

Issued on September 22, 2022, these amendments require a seller-lessee to measure lease liabilities arising from a leaseback in a manner that does not recognize any gain or loss related to the retained right of use. The new requirements do not prevent a seller-lessee from recognizing gains or losses in profit or loss related to the partial or full termination of a lease.

In the current year, the Company has adopted these amendments to IFRS standards, which became mandatory for reporting periods beginning on or after January 1, 2024. These amendments, as applicable to the Company's operations, have had no material impact on the financial statements or the disclosures made.

New Standards and Interpretations Issued but Not Yet Effective

The following standards have been issued by the IASB but are not yet effective during the reporting period:

1. **Amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability**

Issued on August 15, 2023, and effective January 1, 2025 (early adoption permitted), these amendments clarify when a currency is exchangeable and how to determine the exchange rate when exchangeability is lacking.

2. **Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments**

Issued on May 30, 2024, these amendments provide clarification regarding the classification of financial assets with environmental, social, and corporate governance (ESG) features, as well as the derecognition of financial assets and liabilities. Additional disclosure requirements for investments in equity instruments and contingent financial instruments are also introduced.

3. **Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7 - Annual Improvements to IFRS Accounting Standards - Volume 11**

Issued on July 18, 2024, these amendments include clarifications and simplifications in various areas, such as hedge accounting, derecognition of financial instruments, disclosure of fair value and transaction price differences, credit risk disclosures, and lease liability derecognition.

4. **IFRS 18 - Presentation and Disclosures in Financial Statements**

Issued on April 9, 2024, this standard replaces IAS 1 and introduces new categories for financial reporting, including operating, investing, financing, income tax, and discontinued operations. It also enhances aggregation and disaggregation of financial data and requires disclosures on Management-defined Performance Measures (MPMs).

5. **IFRS 19 - Subsidiaries without Public Accountability: Disclosures**

Issued on May 9, 2024, this standard allows subsidiaries to provide reduced disclosures when applying IFRS Accounting Standards, and it outlines the disclosure requirements for subsidiaries that choose to apply it.

6. **IFRS 14 - Regulatory Deferral Accounts**

Issued on January 30, 2014, this standard allows first-time adopters of IFRS to continue recognizing regulatory deferral accounts under their previous GAAP when transitioning to IFRS.

7. **Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

Issued on September 11, 2014, these amendments clarify that, in transactions involving associates or joint ventures, the recognition of gains or losses depends on whether the assets sold or contributed constitute a business.

While these standards have been issued, they are not yet mandatory for the Company. A preliminary assessment indicates that their adoption is not expected to have a significant impact on the financial statements when first applied.

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 2024 and estimations that could lead to substantial adjustments in future financial statements are Investment assets (Note 10) and Insurance liabilities (Note 12).

The risks and estimation uncertainties related to insurance contracts and financial instruments are described in note 3.

Note 3. 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.

3.1. 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	2024				
Country	**Insurance contract assets**	**Insurance contract liabilities**	**Reinsurance contract assets**	**Reinsurance contract liabilities**	**Net provisions**
Estonia	-8 541 575	59 336 440	-9 546 804	7 895 023	49 143 084
Latvia	-2 662 582	31 473 708	-9 796 918	10 676 597	29 690 805
Lithuania	-829 722	123 039 616	-22 452 254	6 858 734	106 616 374
Total	**-12 033 879**	**213 849 764**	**-41 795 976**	**25 430 354**	**185 450 263**

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**

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 23 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	**2024**	**2023**
Motor liability insurance, Property, and technical risks insurance	1 000 000	1 000 000
Liability and marine	750 000	750 000
Travel insurance, accident, livestock, motor own damage and surety insurance	500 000	500 000

Claims development

Information on the development of claims and claims payments over time can be found in the Notes 12.3 Liability for incurred claims.

The company believes that the estimates of claims outstanding as at the end of 2024 are adequate.

The following sensitivity analysis reflects the effect of a 5% change in the provisions for claims outstanding on the company's before and after reinsurance, profit or loss for the year, and equity. The effects represent the immediate impact on the liability's values as a result of changes and all other variables remain constant.

Results of the sensitivity analysis for incurred claims as at 31.12.2024:

	Change in profit and equity Nominal claims increase by +5%		**Change in profit and equity Nominal claims increase by -5%**	
	Gross	**Net**	**Gross**	**Net**
Motor liability insurance	-4 195 729	-2 801 315	4 195 729	2 801 315
Motor own damage insurance	-417 647	-234 817	417 647	234 817
Individuals' property insurance	-101 736	-101 736	101 736	101 736
Legal persons' property insurance	-518 184	-382 593	518 184	382 593
Other classes of insurance	-1 313 134	-1 136 766	1 313 134	1 136 766

Results of the sensitivity analysis for incurred claims as at 31.12.2023:

	Change in profit and equity Nominal claims increase by +5% Gross		**Change in profit and equity Nominal claims increase by -5% Gross**	
	Net		**Net**	
Motor liability insurance	-3 685 910	-2 354 250	3 685 910	2 354 250
Motor own damage insurance	-388 619	-198 112	388 619	198 112
Individuals' property insurance	-120 104	-120 104	120 104	120 104

Legal persons' property insurance	-409 462	-236 491	409 462	236 491
Other classes of insurance	-1 284 437	-1 110 407	1 284 437	1 110 407

An increase of 2 percentage points in the annual inflation assumption for nominal claims gives an effect of 7.38 million euros on the company's profit and equity (2023: 6.68 million euros).

	Changes in profit and equity 2024		Changes in profit and equity 2023	
	Gross	Net	Gross	Net
Infloation Increase by +2PP	10 806 429	-7 377 720	9 974 999	6 683 138

A 5% decrease in total revenue for 2024 result in a negative impact of 2.5 million on company's insurance result.

3.2. 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 team (AL Team) and the team of the risk management function. If problems arise, they are reviewed by the AL 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.

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

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- (2023: AA-). 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 equal or 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.

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

2024	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		158 013 450	58 577 380	48 856 144	26 472 235	0	0	**291 918 821**
Proportion of debit instruments at fair value through other comprehensive income		54,13%	20,07%	16,74%	9,07%	0,00%	0,00%	**100,00%**
Reinsurance contract assets		0	37 052 996	3 509 969	0	0	1 233 011	**41 795 976**
Proportion of reinsurance contract assets		0,00%	88,65%	8,40%	0,00%	0,00%	2,95%	**100,00%**
Cash and cash equivalents		0	2 697 754	12 916 780	37 671	0	10 640	**15 662 845**
Proportion of cash and cash equivalents		0,00%	17,22%	82,47%	0,24%	0,00%	0,07%	**100,00%**

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%**

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 2024 *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	28 675 143	2 476 417	441 282	266 965	**31 859 807**
Receivables from brokers and other intermediaries	1 310 628	181 858	67 942	1 512	**1 561 940**
Receivables from reinsurers	578 638	767 012	8 167	1 158 318	**2 512 135**
Other receivables	1 424 152	932 916	38 093	871 813	**3 266 974**
Total	**31 988 561**	**4 358 203**	**555 484**	**2 298 608**	**39 200 856**

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**

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 2024, the weighted market average yield to maturity of fixed-income available-for-sale debt securities was 2.66% (31 December 2023: 3.16%).

Assets exposed to interest rate risk, by interest rate

In euros	As at 31 December 2024		As at 31 December 2023	
	Amortized cost	Carrying amount	Amortized cost	Carrying amount
Fixed rate debt securities				
interest rate 0,00% -2,50%	247 978 908	244 606 094	221 232 684	215 828 717
interest rate 2,51% -3,50%	34 765 838	34 839 985	24 781 734	24 662 062
interest rate 3,51% -4,50%	10 218 924	10 281 983	10 032 872	9 990 792
interest rate 4,51% -5,50%	2 078 253	2 077 664	1 040 728	1 037 284
interest rate 5,51% -6,50%	112 503	113 095	1 062 528	1 062 076
Total fixed rate debt securities	**295 154 426**	**291 918 821**	**258 150 546**	**252 580 931**
Total	**295 154 426**	**291 918 821**	**258 150 546**	**252 580 931**

If at 31 December 2024 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 5.2 million euros (2023: 4.98 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 2024 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 (2023: 0.5 million euros).

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**	**2024**	**2023**
Debt and other fixed-income securities		
Austria	5 031 491	6 276 234
Australia	8 863 054	6 745 961
British Virgin Islands	7 941 748	1 076 484
Belgium	1 102 725	5 033 680
Bulgaria	2 040 219	1 511 750
Canada	9 170 606	7 086 019
Cayman Islands	0	1 092 454
Chile	1 962 477	928 077
China	431 334	417 091
Croatia	466 965	453 353
Czech Republic	933 860	1 898 130
Denmark	1 003 456	1 994 635
Estonia	3 000 628	0
Finland	2 087 091	3 024 434
France	22 266 519	22 321 619
Germany	138 510 640	112 169 331
Great Britain	4 871 704	6 789 594
Hungary	1 924 459	1 853 967
Ireland	2 221 074	1 177 983
Israel	940 383	1 930 789
Italy	5 000 389	5 782 155
Japan	3 099 590	2 844 216
Latvia	2 957 564	0
Lithuania	3 598 072	519 530
Luxembourg	2 701 194	3 638 547
Mexico	2 764 996	2 723 875
Netherlands	13 624 843	13 903 042
New Zealand	2 105 195	3 537 146
Norway	993 556	2 262 374
Peru	1 019 981	1 006 597
Philippines	1 466 091	462 235
Poland	3 878 924	2 547 160
Portugal	4 870 830	3 768 766
Romania	0	1 024 274
Saudi Arabia	0	992 030
Singapore	1 998 706	1 473 575
Slovakia	0	992 599
South Korea	2 962 963	945 550
Spain	7 597 086	3 542 269
Sweden	2 821 945	2 470 428
Switzerland	695 426	1 669 000
United States of America	12 991 037	11 690 869
Venezuela	0	1 003 108
Total debt and other fixed-income securities	***291 918 821***	***252 580 930***
Equities and fund units		
Lithuania	43 443	43 443
Luxembourg	5 197 659	4 961 457
Total equities and fund units	***5 241 102***	***5 004 900***
Total investments in financial instruments	**297 159 923**	**257 585 830**

(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 2024**	**As at 31 December 2023**
	USD	**USD**
Investments in financial instruments – Debt instruments at fair value through other comprehensive income	2 022 556	229 958
Total	**2 022 556**	**229 958**

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 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 AL 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 312.8 million euros (2023: 274.7 million euros) including available-for-sale debt securities of 291.9 million euros (2023: 252.6 million euros), equities and fund units of 5.2 million euros (2023: 5 million euros), and cash and cash equivalents of 15.7 million euros (2023: 17.1 million euros).

At the year-end, the weighted average duration to maturity of the available-for-sale debt securities portfolio was 1.8 years (2023: 1.98 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 2024	**Note**	**Without term**	**Less than 1 year**	**1-2 years**	**2-5 years**	**5-10 years**	**Over 10 years**	**Total**
Insurance contracts issued		0	84 578 356	23 100 954	24 414 332	14 925 552	13 327 743	**160 346 937**
Reinsurance contracts held		0	21 485 060	-1 810 648	-1 889 999	-1 127 502	-1 422 337	**15 234 574**
Financial assets (investments in financial instruments and cash and cash equivalents)	9, 10.2,	15 662 845	143 992 327	46 458 086	69 919 165	31 549 243	0	**307 581 666**
Other financial assets	13	0	940 629	0	0	0	0	**940 629**
Other financial liabilities	17, 24	0	6 343 757	0	0	15 500 000	0	**21 843 757**
Net exposure (assets less liabilities)		**15 662 845**	**54 010 843**	**23 357 132**	**45 504 833**	**1 123 691**	**-13 327 743**	**126 331 601**

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)	9, 10.2	17 107 435	122 434 582	29 441 587	74 795 620	25 909 141	0	**269 688 365**
Other financial assets	13	0	760 552	0	0	0	0	**760 552**
Other financial liabilities	17, 24	0	5 572 721	6 000 000	0	15 500 000	0	**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**

3.3. 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 2024 was 24.4% (2023: 2.9%).

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.

3.4. 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, market volatility and changes in tax regulation that could jeopardize achievement of strategic results. As well cyber and information security risks continuously increasing due to increasing digitalization. The 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.

3.5. 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.

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.

3.6. 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 4. Insurance revenue

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

In euros		2024	2023
Expected insurance service expenses incurred in the period	a	94 122 698	70 945 415
Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	b	33 351 937	30 160 896
Change in the risk adjustment for non-financial risk	c	-307 873	555 160
Amount of CSM recognised in profit or loss	d	22 298 653	29 259 704
Realisation of premiums attributable to current period (PAA)	e	136 700 699	127 275 505
Experience adjustments	f	2 872 864	-1 343 628
Insurance revenue		**289 038 978**	**256 853 052**

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	**2024**	**2023**
Estonia	90 184 090	79 631 623
Latvia	46 878 349	43 261 982
Lithuania	151 976 538	133 959 447
Insurance revenue	**289 038 977**	**256 853 052**

Note 5. Insurance service expense

The table below shows the insurance service expenses:

In euros		2024	2023
Insurance service expenses from insurance contracts issued		**246 715 774**	**224 312 375**
Claims expenses	a	168 985 892	154 731 725
Changes that relate to past service - adjustments to the LIC	b	3 172 407	-3 830 069
Administration and acquisition costs	c	42 419 913	43 160 242
Other insurance service expenses	d	32 137 562	30 250 477

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 6. 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		2024	2023
Allocation of reinsurance premiums		**69 638 031**	**75 882 573**
Expected recovery for insurance service expenses incurred in the period	a	1 540 305	1 324 287
Net cost/gain recognised in profit or loss	b	3 031 559	3 846 851
Release of premiums attributable to current period (PAA)	c	65 162 413	71 580 926
Experience adjustments	d	-96 246	-869 491
Amounts recoverable from reinsurers for incurred claims		**54 333 281**	**65 697 291**
Amounts recoverable for claims and other expenses incurred in the period		58 334 786	58 808 507
Changes in amounts recoverable arising from changes in liability for incurred claims		-4 001 505	6 888 784
Net expense from reinsurance contracts held		**15 304 750**	**10 185 282**

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 7. Total investment income and net insurance finance result

In euros	31.12.2024	31.12.2023
Investment income		
Amounts recognised in the profit loss		
Interest revenue calculated using the effective interest method	7 037 409	3 820 077
Other interest and similar income	405 121	246 463
Net fair value gains/(losses) on financial assets at fair value through profit or loss	236 202	335 952
Net fair value gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	-53 140	-48 192
Impairment loss on financial assets	7 130	4 193
Investment management expenses	-406 444	-347 349
Net foreign exchange (expense) / income	154 494	-213 305
Total amounts recognised in the profit or loss	**7 380 745**	**3 797 839**
Amounts recognised in OCI	**2 334 010**	**6 373 450**
Total investment income	**9 714 755**	**10 171 289**
Insurance finance income / (expenses) from insurance contracts issued		
Interest accreted to insurance contracts	-6 560 043	-3 346 239
Amounts recognised in profit or loss	**-6 560 043**	**-3 346 239**
Amounts recognised in OCI	**1 576 630**	**2 324 999**
Total Insurance finance income / (expenses) from insurance contracts issued	**-4 983 413**	**-1 021 240**
Reinsurance finance income / (expenses) from insurance contracts issued		
Interest accreted to reinsurance contracts	1 634 254	921 262
Amounts recognised in profit or loss	**1 634 254**	**921 262**
Amounts recognised in OCI	**-502 670**	**-647 553**
Total Reinsurance finance income / (expenses) from insurance contracts issued	**1 131 584**	**273 709**
Total net investment income, insurance finance expenses and reinsurance finance income	**5 862 926**	**9 423 758**
Represented by:		
Amounts recognised in profit or loss	2 454 956	1 372 862
Amounts recognised in OCI	3 407 970	8 050 896

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.

During the reporting period, interest revenue saw significant growth due to the expansion of the bond portfolio, a higher interest rate environment, and the reinvestment of matured bonds with lower interest rates into bonds offering higher yields.

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 8. Other income and expenses

In euros	Note	2024	2023
Other income			
Gain on disposal of property and equipment		4 281 023	87 604
Fees, commissions, and charges received		919 985	1 098 645
Insurance brokerage income		295 180	290 622
Rental income		157 094	218 404
Income from real estate in own use		0	161 651
Income from receivables written down		0	171 135
Miscellaneous income		274 322	65 454
Total result from other income		**5 927 604**	**2 093 515**
Expenses			
Membership fees to Financial Supervision Authority and professional associations		685 169	601 363
Insurance brokerage expenses		278 160	273 925
Audit and legal fees		227 320	311 217
Business licenses and permits		552 355	513 535
Interest paid		855 939	846 398
Real estate related expenses		147 546	179 978
Losses on sale of property and equipment		504 525	0
Write down of intangible assets	15	0	13 252 729
Finance lease interest payments		146 301	112 790
State fees, stamp duties and late payment interest		274 994	33 109
Miscellaneous expenses[1]		3 882 318	3 593 189
Total result from expenses		**7 554 628**	**19 718 233**
Total result from other income and expenses		**-1 627 024**	**-17 624 718**

[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 9. Cash and cash equivalents

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

As of 31.12.2024 the bank accounts of ERGO Insurance SE amounted to 15,662,845 euros (31.12.2023: 17,107,435 euros), of which 15,257,336 euros were in euros (31.12.2023: 13,000,900 euros) and 405,509 euros in dollars (2023: 4,106,535 euros).

Note 10. 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 2024 the company's Debt instruments measured at fair value through other comprehensive income of 297,1 million euros (2023: 257,5 million euros) fell into Level 2. The fair value of Debt instruments measured at amortised cost carrying amount at 31 December 2024: 43,443 euros (2023: 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.

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

In euros	As at 31 December 2024		As at 31 December 2023	
	Amortized cost	Carrying amount	Amortized cost	Carrying amount
Units in infrastructure debt funds	5 293 899	5 197 659	5 293 899	4 961 456
Total	**5 293 899**	**5 197 659**	**5 293 899**	**4 961 456**

10.2. Debt instruments at fair value through other comprehensive 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 2024		As at 31 December 2023	
	Amortized cost	Carrying amount	Amortized cost	Carrying amount
Debt instruments measured at FVOCI				
Government bonds	182 214 050	180 392 067	171 561 227	168 765 047
Financial institutions' bonds	78 499 338	78 361 393	52 477 043	51 838 964
Corporate bonds	34 441 038	33 165 361	34 112 276	31 976 920
Debt instruments measured at FVOCI	**295 154 426**	**291 918 821**	**258 150 546**	**252 580 931**

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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 2024, 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	2024	2023
On 1 January	**252 580 931**	**215 250 396**
Purchased debt securities	231 036 683	122 497 003
Sold debt securities	-6 634 528	-4 215 654
Received on maturity date debt securities	-192 472 653	-89 065 937
Amortisation of debt securities	4 508 827	1 940 355
Changes in the fair value reserve	2 344 158	6 377 715
Changes in the expected credit loss OCI	-10 147	-4 266
Loss on the disposal	3 044	-53 369
Gain on the disposal	0	1 505
Expected credit loss	7 103	4 266
Currency revaluation	69 854	-115 822
Changes in accrued interest	485 549	-35 261
On 31 December	**291 918 821**	**252 580 931**

10.3. Debt instruments at amortised cost

Debt instruments measured at amortised cost contain unlisted equities with a carrying amount at 31 December 2024: 43,443 euros (2023: 43,443 euros).

Note 11. 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 2024 using the cost method.

Note 12. 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.

12.1. 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.

12.1.1. 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

12.1.1.1. 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	2024			
	Liability for remaining coverage			
	Excluding loss component	Loss component	Liability for incurred claims	Total
Opening balance - insurance portfolios in asset position	-9 068 926	94 033	6 438 479	-2 536 417
Opening balance - insurance portfolios in liability position	74 072 978	4 965 360	102 973 396	182 011 734
Opening balance	**65 004 052**	**5 059 393**	**109 411 872**	**179 475 317**
Insurance service resultP	**-255 687 041**	**-1 479 210**	**190 385 446**	**-66 780 806**
Insurance revenue	-289 038 978	0	0	-289 038 978
Expected incurred claims and other expenses for the period	-94 122 698	0	0	-94 122 698
Expected release of risk adjustment for the period	307 873	0	0	307 873
Contractual Service Margin for the service provided in the period	-22 298 653	0	0	-22 298 653
Recovery of insurance acquisition cash flows	-33 351 937	0	0	-33 351 937
Experience adjustments from premiums and related cash flows	-2 872 864	0	0	-2 872 864
Insurance revenue for short term contracts	-136 700 699	0	0	-136 700 699
Insurance service expenses	33 351 937	-1 479 210	190 385 446	222 258 172
Incurred claims and other incurred service expenses	0	0	187 173 906	187 173 906
Changes that relate to past service	0	0	3 211 540	3 211 540
Changes that relate to future service	0	-1 479 210	0	-1 479 210
Losses at initial recognition	0	2 658 237	0	2 658 237
Changes in estimates that do not adjust the CSM	0	-478 006	0	-478 006
Reversal of losses	0	-3 659 442	0	-3 659 442
Amortisation of insurance acquisition cash flows	33 351 937	0	0	33 351 937
Insurance finance income or expenses	**4 387 386**	**79 784**	**2 092 873**	**6 560 043**
Accretion of interest	4 387 386	79 784	2 092 873	6 560 043
Changes recognised in OCI	**213 311**	**0**	**1 789 941**	**1 576 630**
Effects from changes in market variables	213 311	0	1 789 941	1 576 630
Cash flows	**267 963 160**	**0**	**-186 978 458**	**80 984 701**
Premiums received	308 355 486	**0**	**0**	308 355 486
Insurance acquisition cash flows paid	-40 392 327	**0**	**0**	-40 392 327
Claims and other insurance service expenses paid	**0**	0	-186 978 458	-186 978 458
Closing balance	**81 454 246**	**3 659 967**	**116 701 673**	**201 815 886**
Closing balance - insurance portfolios in asset position	-23 843 675	1 304 312	10 505 484	-12 033 879
Closing balance - insurance portfolios in liability position	105 297 921	2 355 655	106 196 189	213 849 765

Insurance contracts (gross) - Movement in liabilities	2023			
	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component		
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	-27 709 804
Claims and other insurance service expenses paid	0	0	-169 308 649	-155 675 506
Closing balance	**65 004 052**	**5 059 393**	**109 411 872**	**178 365 299**
Closing balance - insurance portfolios in asset position	-9 068 926	94 033	6 438 476	-703 992
Closing balance - insurance portfolios in liability position	74 072 978	4 965 360	102 973 396	179 069 289

12.1.1.2. 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	2024			
	Expected recovery (remaining coverage)		Expected recovery for incurred claims	Total
	Excluding loss-recovery component	Loss-recovery component		
Opening balance - insurance portfolios in asset position	-18 538 845	0	54 418 180	35 879 335
Opening balance - insurance portfolios in liability position	-18 525 357	0	-3 540 935	-22 066 292
Opening balance	**-37 064 202**	**0**	**50 877 245**	**13 813 043**
Reinsurance service result	**-69 638 032**	**0**	**54 333 281**	**-15 304 751**
Reinsurance expense	-69 638 032	0	0	-69 638 032
Expected incurred claims and other expenses for the period	-1 525 323	0	0	-1 525 323
Expected release of risk adjustment for the period	-14 982	0	0	-14 982
Net cost/gain for the service received in the period	-3 031 559	0	0	-3 031 559
Experience adjustments from premiums and related cash flows	96 246	0	0	96 246
Reinsurance expense from short term contracts	-65 162 414	0	0	-65 162 414
Reinsurance service income	0	0	54 333 281	54 333 281
Recoveries of incurred claims and other insurance service expenses	0	0	58 364 369	58 364 369
Changes that relate to past service	0	0	-4 031 088	-4 031 088
Reinsurance finance income or expenses	**867 017**	**0**	**767 237**	**1 634 254**
Accretion of interest	867 017	0	767 237	1 634 254
Changes recognised in OCI	**12 778**	**0**	**489 921**	**502 699**
Effects from changes in market variables	12 778	0	489 892	502 699
Cash flows	**65 961 213**	**0**	**-50 240 835**	**15 720 378**
Premiums paid	65 961 213	0	0	65 961 213
Claims and other insurance service expenses reimbursed	0	0	-50 240 835	-50 240 835
Closing balance	**-39 861 225**	**0**	**56 226 848**	**16 365 623**
Closing balance - insurance portfolios in asset position	-22 204 517	0	64 000 494	41 795 976
Closing balance - insurance portfolios in liability position	-17 656 708	0	-7 773 645	-25 430 353

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
Reinsurance finance income or expenses	**645 670**	**0**	**275 592**	**921 262**
Accretion of interest	645 670	0	275 592	921 262
Other effects	**0**	**0**	**0**	**0**
Effects from currency exchange rate differences	0	0	0	0
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

12.1.2. 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

12.1.2.1. 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	2024			
	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	-8 422 972	58 837	4 224 350	-4 139 785
Opening balance - insurance portfolios in liability position	137 896 332	745 192	17 794 255	156 435 779
Opening balance	**129 473 361**	**804 029**	**22 018 605**	**152 295 994**
				0
Insurance service result	**71 353 947**	**646 598**	**-1 781 316**	**70 219 229**
Changes that relate to current service	86 350 690	476 085	-22 298 653	64 528 122
Contractual Service Margin for the service provided in the period	0	0	-22 298 653	-22 298 653
Changes in the risk adjustment	0	337 701	0	337 701
Experience adjustments	-10 634 844	0	0	-10 634 844
Incurred claims from short term contracts	96 985 534	138 385	0	97 123 918
Changes that relate to future service	-18 169 150	131 380	20 517 337	2 479 567
Contracts initially recognised in the period	-15 441 267	-1 257 794	19 286 759	2 587 698
Changes in the estimates reflected in the Contractual Service Margin	-2 623 711	1 393 133	1 230 578	0
Changes in estimates that do not adjust the Contractual Service Margin	-104 171	-3 960	0	-108 131
Changes that relate to past service	3 172 407	39 133	0	3 211 540
Changes in fulfilment cash flows relating to incurred claims	3 172 407	39 133	0	3 211 540
Insurance finance income or expenses	**2 703 036**	**1 666**	**746 135**	**3 450 837**
Accretion of interest	2 706 036	1 666	746 135	3 450 837
Changes recognised in OCI	**1 579 003**	**-2 373**	**0**	**1 576 630**
Effects from changes in market variables	1 579 003	-2 373	0	1 576 630
Cash flows	**-59 160 944**	**0**	**0**	**-59 160 944**
Premiums received	166 079 344	0	0	166 079 344
Insurance acquisition cash flows paid	-38 261 829	0	0	-38 261 829
Claims and other insurance service expenses paid	-186 978 458	0	0	-186 978 458
Closing balance	**145 948 408**	**1 449 920**	**20 983 424**	**168 381 746**
Closing balance - insurance portfolios in asset position	-13 652 400	97 132	4 240 597	-9 314 670
Closing balance - insurance portfolios in liability position	159 600 802	1 352 788	16 742 827	177 696 416

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

12.1.2.2. 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	2024			
	Estimates of the present value of the future cash flows	Risk adjustment	Net cost/gain	Total
Opening balance - insurance portfolios in asset position	54 153 650	403 093	524 605	55 081 349
Opening balance - insurance portfolios in liability position	-9 741 201	128 536	2 478 488	-7 134 178
Opening balance	**44 412 449**	**531 630**	**3 003 093**	**47 947 171**
Reinsurance service result	**49 871 817**	**-160 613**	**146 459**	**49 857 663**
Changes that relate to current service	57 057 551	-137 241	-3 031 559	53 888 751
Net cost/gain for the service received in the period	0	0	-3 031 559	-3 031 559
Changes in the risk adjustment	0	-85 535	0	-85 535
Experience adjustments	-794 621	0	0	-794 621
Incurred claims and other incurred service ceded to reinsurer from short term contracts	57 852 172	-51 706	0	57 800 466
Changes that relate to future service	-3 184 229	6 211	3 178 018	0
Contracts initially recognised in the period	-3 487 574	8 942	3 478 632	0
Changes in the estimates reflected in the net cost/gain	303 345	-2 731	-300 614	0
Changes that relate to past service	-4 001 505	-29 583	0	-4 031 088
Changes in fulfilment cash flows relating to incurred claims ceded to reinsurer	-4 001 505	-29 583	0	-4 031 088
Insurance finance income or expenses	**652 548**	**11 860**	**180 244**	**844 652**
Accretion of interest	652 548	11 860	180 244	844 652
Other effects	**29**	**0**	**0**	**29**
Effects from currency exchange rate differences	29	0	0	29
Changes recognised in OCI	**503 219**	**-548**	**0**	**502 670**
Effects from changes in market variables	503 219	-548	0	502 670
Cash flows	**-47 668 012**	**0**	**0**	**-47 668 012**
Premiums paid	2 572 823	0	0	2 572 823
Claims and other insurance service expenses reimbursed	-50 240 835	0	0	-50 240 835

Closing balance	**47 772 050**	**382 328**	**3 329 795**	**51 484 173**
Closing balance - insurance portfolios in asset position	63 867 965	249 666	503 348	64 620 979
Closing balance - insurance portfolios in liability position	-16 095 916	132 662	2 826 447	-13 136 807

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
Other effects	**0**	**0**	**0**	**0**
Effects from currency exchange rate differences	0	0	0	0
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

12.2. 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

2024 *In euros*	**Contracts issued** **Non-Onerous**	 **Onerous**	**Total**
Estimates of the present value of future cash inflows	132 703 915	18 174 184	**150 878 100**
Estimates of the present value of future cash outflows	**-114 825 985**	**-20 681 387**	**-135 507 372**
Expected future claims, expenses, and investment components	-85 418 141	-14 803 189	**-100 221 331**
Expected insurance acquisition cash flows	-29 407 844	-5 878 198	**-35 286 041**
Risk adjustment	1 408 829	-151 035	**1 257 794**
Contractual Service Margin	-19 286 759	0	**-19 286 759**
Total	**0**	**-2 658 237**	**-2 658 237**

2023 *In euros*	**Contracts issued** **Non-Onerous**	 **Onerous**	**Total**
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**

Reinsurance contracts held

2024 *In euros*	**Contracts issued** **Non-Onerous**	**Onerous**	**Total**
Estimates of the present value of future cash inflows	1 096 987	0	**1 096 987**
Estimates of the present value of future cash outflows	**-4 584 561**	**0**	**-4 584 561**
Expected future claims, expenses, and investment components	-4 584 561	0	**-4 584 561**
Risk adjustment	8 942	0	**8 942**
Net cost/gain	3 478 632	0	**3 478 632**
Total	**0**	**0**	**0**

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**

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	2024		2023	
	Insurance contracts issued	**Reinsurance contracts held**	**Insurance contracts issued**	**Reinsurance contracts held**
Carrying amount at 31 December - Contractual service margin	**20 983 434**	**3 329 795**	**22 018 604**	**3 003 093**
Expected amounts recognised in profit or loss				
Year 1 change	12 288 871	1 651 135	12 238 294	1 159 114
Year 2 change	2 956 793	858 277	3 144 059	1 039 267
Year 3 change	1 539 650	356 422	1 718 597	402 322
Year 4 change	960 866	149 620	1 042 968	102 520
Year 5 change	620 426	65 754	751 764	51 415
Year 6 change	441 690	26 641	547 784	20 505
Year 7 change	372 569	21 820	455 551	17 954
Year 8 change	307 960	20 604	381 976	15 535
Year 9 change	256 695	15 845	303 803	15 044
Year 10 change	215 506	11 555	252 045	13 218
Year 11 and subsequent change	1 022 398	152 121	1 181 763	166 199

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	2024				2023			
	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	769 797	-189 000	0	580 797	1 327 098	136 465	0	1 463 563
Carrying amount at 1 January – Contractual service margin from insurance contracts issued	260 187	7 122 560	0	7 382747	1 282 878	13 228 489	0	14 511 367
Contractual service margin for services provided in the reporting period	-183 358	-1 405 113	0	-1 588 471	-962 074	-6 432 004	0	-7 394 078
Changes in estimates adjusting the contractual service margin	65 626	206 501	0	272 129	-55 867	350 357	0	294 490
Effects of contracts initially recognised in the period	0	0	0	0	0	0	0	0
Insurance finance income or expenses	-911	1 790	0	879	-4 751	-24 282	0	-29 033
Other effects	0	0	0	0	0	0	0	0
Carrying amount at 31 December – Contractual service margin from insurance contracts issued	**141 545**	**5 925 738**	**0**	**6 067 284**	**260 187**	**7 122 560**	**0**	**7 382 747**

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

12.3. 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 <=2014	2015	2016	2017	2018	2019	2020	2021	2022	2013	2024	Total
2014	56 096 541											
2015	22 742 535	52 381 238										
2016	3 222 041	22 890 212	64 180 904									
2017	1 753 115	1 878 540	19 728 523	60 388 705								
2018	1 957 226	712 354	2 307 952	21 420 835	67 596 619							
2019	1 136 033	306 759	1 153 442	2 252 123	24 899 185	75 220 348						
2020	262 344	181 648	689 833	1 509 440	3 343 705	24 170 080	76 997 526					
2021	644 861	-33 586	306 149	645 107	945 040	2 937 205	23 303 691	90 102 601				
2022	147 430	37 781	49 352	299 797	1 116 025	-1 528 397	3 205 030	37 733 778	83 165 103			
2023	251 734	12 373	100 540	40 744	1 369 877	2 540 181	2 270 802	7 642 058	25 683 381	67 306 820		
2024	277 876	79 405	567 672	145 730	149 724	423 932	641 456	3 452 276	3 204 077	25 542 089	72 175 041	**106 659 278**

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

In euros Calendar year	Accident year <=2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
2014	60 129 038											
2015	30 593 268	35 501 535										
2016	14 707 252	8 337 310	39 098 152									
2017	11 753 631	3 203 907	11 866 555	43 731 365								
2018	9 992 557	2 291 310	7 059 202	13 651 250	49 647 000							
2019	8 684 757	1 709 396	5 177 272	7 443 619	17 493 676	51 033 380						
2020	7 884 830	2 033 256	4 104 156	5 664 369	10 207 349	17 922 063	48 892 187					
2021	6 350 133	1 368 328	2 878 192	3 856 077	6 866 711	9 177 054	13 933 168	62 909 513				
2022	5 489 421	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	8 438 450	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		
2024	8 370 081	1 124 699	2 104 802	1 977 195	2 895 632	4 277 479	2 303 049	7 908 478	8 946 991	14 834 965	42 940 587	**97 683 959**

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

In euros Calendar year	Accident year <=2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
2014	116 225 580											
2015	109 432 345	87 882 773										
2016	96 768 370	83 608 760	103 279 055									
2017	95 567 865	80 353 897	95 775 982	104 120 070								
2018	95 764 016	80 153 655	93 276 581	95 460 790	117 243 619							
2019	95 592 249	79 878 500	92 548 093	91 505 282	109 989 480	126 253 728						
2020	95 054 665	80 384 007	92 164 809	91 235 472	106 046 858	117 312 490	125 889 713					
2021	94 164 829	79 685 494	91 244 995	90 072 287	103 651 260	111 504 687	114 234 385	153 012 114				
2022	93 451 547	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	96 652 310	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		
2024	96 861 818	79 571 424	91 189 168	88 679 676	102 315 807	108 040 827	108 721 555	146 839 190	120 999 552	107 683 875	115 115 628	**1 166 018 519**

Reconciliation of the nominal liability for incurred claims (net) to the liability for incurred claims recognised in the balance sheet (total, net)

In euros **As at 31 December**	**2024**
Nominal liability for incurred claims	97 683 959
Effect of discounting	-6 079 431
Risk adjustment for non-financial risk for incurred claims	557 412
Liability for incurred claims recognised in the balance sheet (net)	**92 161 940**

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 13. Other receivables

In euros		
As at 31 December	**2024**	**2023**
Other receivables	940 629	755 802
Accrued income – interest receivable	0	4 750
Total other financial assets	***940 629***	***760 552***
Prepaid taxes	962 837	257 212
Prepaid expenses	2 789 090	2 236 300
Total non-financial assets	***3 751 927***	***2 493 512***
Total	**4 692 556**	**3 254 064**

Note 14. Other intangible assets

In previous years, significant efforts were dedicated to the development of a new common IT platform for the three Baltic countries. However, due to the inability to establish a sufficiently compelling roadmap for the project's completion, the management decided to suspend the initiative and explore alternative next steps. Upon further assessment, it was determined that the system's rollout in Estonia and Latvia would no longer be pursued.

In Lithuania, however, the system continues to function effectively as a bidirectional gateway between backend systems and externally available resources, including frontends, partner APIs, and data transfers from sources such as traffic insurance foundations, motor bureaus, and banks. As such, the software has become an integral part of the process chain, supporting customer authentication, as well as facilitating claims and payment transactions with banks.

There were no write-downs of intangible assets during the financial year (2023: 13,252,729 euros mostly related to IT platform development in Latvia and Estonia).

On 31 December 2024, the cost of fully amortised assets still in use was 14,498,614 euros (31 December 2023: 13,490,957 euros).

In euros	Software and licences
Cost	
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**
Addition through purchase of software and licences	1 930 989
Addition through internally generated IT projects	565 003
Write-off of software and licences	-68 591
As at 31 December 2024	**37 900 027**
Accumulated amortisation	
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**
Amortisation for the year	3 301 470
Write-off	-68 592
As at 31 December 2024	**19 835 705**
Carrying amount	
As at 31 December 2023	**18 869 799**
As at 31 December 2024	**18 064 322**

Note 15. 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 2024, the cost of fully depreciated items still in use amounted to 2,170,094 euros (31 December 2023: 2,210,360 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 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**
Additions	0	1 516 536	49 062	688 125	2 253 723
Sales	-1 039 288	-5 911 238	0	-256 038	-7 206 564
Write-off	0	-25 148	0	-167 143	-192 291
At 31 December 2024	**0**	**14 547 474**	**603 577**	**4 548 938**	**19 699 989**
Accumulated depreciation					
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**
Depreciation for the year	0	1 570 393	59 670	452 852	2 082 915
Sales	0	-2 669 177	0	-256 038	-2 925 215
Write-off	0	0	0	-154 303	-154 303
At 31 December 2024	**0**	**9 391 015**	**167 373**	**3 318 436**	**12 876 824**
Carrying amount					
At 31 December 2023	**1 039 288**	**8 477 525**	**446 812**	**1 008 069**	**10 971 694**
At 31 December 2024	**0**	**5 156 459**	**436 204**	**1 230 502**	**6 823 165**

Note 16. 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
2023		
Balance on 1st January 2023	5 480 376	91 378
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**
2024		
Depreciation charge for the year	-1 535 306	-273 768
Additions under IFRS 16	1 516 535	592 024
Terminations and correction under IFRS16	-25 149	-12 840
Balance on 31st December 2024	**4 796 239**	**859 204**

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	**2024**	**2023**
On 1 January	5 494 142	5 607 779
Payments for the principal portion of lease liabilities	-1 915 982	-1 719 827
Non-monetary movements	2 228 850	1 606 190
On 31st December	**5 807 010**	**5 494 142**

Maturity analysis of lease liabilities

Lease liabilities	**2024**	**2023**
Less than one year	917 775	1 367 656
One to two years	1 689 768	1 137 291
Two to five years	1 314 577	1 805 401
Five to ten years	1 884 890	1 183 794
Total	**5 807 010**	**5 494 142**

Note 17. Other payables and accrued expenses

In euros **As of 31 December**	**2024**	**2023**
Other payables	984 109	975 584
Payables to suppliers	2 445 136	1 917 911
Accrued vacation payables	1 963 473	1 774 162
Payables to employees	951 039	905 064
Total other financial liabilities	***6 343 757***	***5 572 721***
Expected acquisition costs for future instalments of existing policies	6 631 796	7 440 020
Other insurance payables	0	3 385 002
Total other insurance payables	***6 631 796***	***10 825 022***
Other accrued items	1 720 822	1 641 790
Personal income tax payable	689 049	592 252
Corporate income tax payable	-304 209	2 858 823
Value added tax payable	418 856	347 842
Social security tax payable	982 477	1 041 971
Income tax payable on fringe benefits	4 405	5 099
Social security tax payable on fringe benefits	5 589	8 177
Other taxes payable	0	5
Payables to 2nd pillar pension funds (mandatory funded pension)	29 284	20 676
Total non-financial liabilities	***3 546 273***	***6 516 635***
Total	**16 521 826**	**22 914 378**

Note 18. Shareholders and share capital

		Ordinary shares without par value	**Total share capital**
	Number of shares	**In euros**	**In euros**
As at 31 December 2024	384 629	6 391 391	6 391 391
As at 31 December 2023	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 2024 and 2023 no dividend was declared.

Note 19. 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 2024, the capital reserve amounted to 3,072,304 euros (31 December 2023: 3,072,304 euros).

Note 20. 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	2024	2023
At 1 January	**-5 569 615**	**-11 943 065**
Derecognised from equity and recognised in profit or loss in connection with sale and impairment	58 885	54 892
Derecognised from equity and recognised in profit or loss in connection with arrival of maturity date	110 489	206 729
Net change in fair value recognised in other comprehensive income or expense during the year	2 174 783	6 116 095
Change in Expected credit loss (ECL)	-10 147	-4 266
Total change in the value of debt instruments measured at FVOCI	**2 334 010**	**6 373 450**
At 31 December	**-3 235 605**	**-5 569 615**
Fair value reserve after transition	**-3 235 605**	**-5 569 615**

Note 21. Fair value of financial instruments

In euros		As at 31 December 2024					
	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	5 197 659	5 197 659	0	0	5 197 659	5 197 659
Unlisted equities[1]	14.1	43 443	N/A[2]	N/A[2]	N/A[2]	N/A[2]	0
Government bonds	14.2	180 392 067	180 392 067	0	180 392 067	0	180 392 067
Financial institutions' bonds	14.2	77 964 010	77 964 010	0	77 964 010	0	77 964 010
Other bonds	14.2	33 562 744	33 562 744	0	33 562 744	0	33 562 744

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

[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 22. Income tax

At 31 December 2024, the company's retained earnings totalled 111,394,242 euros (31 December 2023: 85,724,424 euros) and the carrying amount of intangible assets was 18,064,322 euros (31 December 2023: 18,869,799 euros). Thus, distributable profit amounted to 93,329,920 euros (31 December 2023: 66,854,625 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 18,665,984 euros (31 December 2023: 13,370,925 euros) and the maximum amount that could be distributed as the net dividend is 74,663,936 euros (31 December 2023: 53,483,700 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 2024 cannot exceed the company's distributable profit as at 31 December 2023.

On 31 December 2024, ERGO Insurance SE Latvian branch has accumulated losses; therefore, deferred tax liability has not recognized.

In euros

Income tax expense	2024	2023
Income tax expense	2 190 169	3 545 689
Change in deferred income tax	-13 601	-31 678
Total income tax expense	**2 176 568**	**3 514 011**

In euros

Recognised deferred income tax assets	2024	2023
Deductible temporary differences on other liabilities	281 149	267 548
Total	**281 149**	**267 548**

In euros

Reconciliation of accounting profit and income tax expense	2024	2023
Consolidated profit before tax	27 846 386	7 569 671
Parent company's domestic tax rate 0%		
Effect of tax rates in foreign jurisdictions	1 006 421	2 227 270
Effect of expenses non-deductible for tax purposes	1 183 748	1 318 419
Change in recognised deferred tax assets	-13 601	-31 678
Income tax expense for the year	**2 176 568**	**3 514 011**

Note 23. 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 978,984 euros (2023: 827,134 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	Receivables 2024	Payables 2024	Receivables 2023	Payables 2023
Related party				
Parent of the group – Münchener Rück	44 262	720 212	74 968	4 832
Other group companies	1 065 465	39 935 301[1]	481 494	45 984 745[1]

In euros

Related party	Services purchased 2024	Services sold 2024	Services purchased 2023	Services sold 2023
Parent of the group – Münchener Rück	860 560	0	117 285	0
Other group companies	4 018 061[2]	877 626	3 437 751[2]	848 688

[1] Including a subordinated loan of 15,500,000 euros (2023: 21,500,000 euros) and related interest 198,233 euros (2023: 208,815 euros), total liability 15,698,233 euros (2023: 21,708,815). Loans received from ERGO Life Insurance SE.

[2] Including interest of 856,506 euros (2023: 846,398 euros) on the loan received from ERGO Life Insurance SE.

Note 24. Subordinated Loans

Subordinated loans are financial liabilities that are ranked lower in priority for repayment in the event of liquidation or bankruptcy, after senior debt obligations are settled. These loans are generally issued by the entity to raise capital and provide funding flexibility. Subordinated loans are classified and measured at amortized cost using the effective interest rate (EIR) method. Interest expense is recognized using the EIR, which takes into account the expected cash flows over the term of the loan.

in EUR **As at 31 December**	**2024**	**2023**
3–4 years	0	6,010,582
4 years and more	15,698,233	15,698,233
In total	**15,698,233**	**21,708,815**

IFRS 9 requires the recognition of impairment for subordinated loans using the expected credit loss (ECL) model. The ECL model requires the recognition of an allowance for credit losses based on the probability of default over the life of the loan (stage 1, 2, or 3), which is currently stage 1. No impairment is recognized due to the intercompany nature of the loan.

Note 25. Insurance/Reinsurance Finance Reserve (IFIE)

The Insurance/Reinsurance Finance Reserve (IFIE) refers to the reserve that is set aside by an insurance or reinsurance company to account for the financial aspects of insurance and reinsurance contracts, in accordance with IFRS17 Insurance Contracts. This reserve represents the future financial obligations of the insurer/reinsurer under existing contracts, and its recognition ensures that the insurer's or reinsurer's financial position reflects the current expected cash flows related to its portfolio of contracts.

The IFIE is updated at each reporting period to reflect:

- Changes in estimates: Any adjustments to the expected cash flows from insurance contracts, including the impact of changes in underwriting assumptions, claims experience, and economic conditions;

- Risk Adjustment Adjustments: As the risk profile of the contract changes over time (e.g., as the insurer's exposure to risk changes), adjustments to the risk adjustment will impact the reserve;

- Amortization of Contractual Service Margin (CSM): The CSM is amortized as the insurer delivers the services under the insurance contracts, thereby recognizing revenue and profit over the coverage period.

As of 31.12.2024 Insurance Finance Reserve was 2 103 706 euros (2023: 3 680 336 euros). Reinsurance Finance Reserve was – 469 409 euros (2023: – 972 079 euros).

Signatures to annual report 2024

The management board of ERGO Insurance SE has prepared the company's review of operations and financial statements for 2024.

Ursula Clara Deschka
Chairwoman of the Management Board

Tadas Dovbyšas
Member of the Management Board

Marek Ratnik
Member of the Management Board

Aija Medne
Member of the Management Board

Laimė Naruševičienė
Member of the Management Board

Ernst & Young Baltic AS
Rävala 4
10143 Tallinn
Eesti
Tel.: +372 611 4610
Faks.: +372 611 4611
Tallinn@ee.ey.com
www.ey.com/et_ee

Äriregistri kood 10877299
KMKR: EE 100770654

Ernst & Young Baltic AS
Rävala 4
10143 Tallinn
Estonia
Phone.: +372 611 4610
Fax.: +372 611 4611
Tallinn@ee.ey.com
www.ey.com/en_ee

Code of legal entity 10877299
VAT payer code EE 100770654

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 2024, 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 2024, 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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with confidence

Key audit matter	*How we addressed the key audit matter*
Valuation and completeness of liabilities arising from insurance contracts	
As disclosed in Note 12 Insurance and reinsurance contracts, Insurance contract liabilities as at 31 December 2024 were 214 million euro representing 54% 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. 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. 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. 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.	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.

Shape the future with confidence

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 scepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 14 May 2024 we were appointed to carry out the audit of the Company's financial statements for the year ended 31 December 2024. Our total uninterrupted period of engagement is 5 years, covering the periods ended 31 December 2020 to 31 December 2024.

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, 11 April 2025

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

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 2024 of 25,669,818 (twenty-five million six hundred and sixty-nine thousand eight hundred and eighteen) euros be transferred to retained earnings;

4) dividend distribution in the amount EUR 7,450,000 be made to the sole shareholder;

5) As of 1 January 2025, retained earnings amount to 111,394,242 (one hundred and eleven million three hundred and ninety-four thousand two hundred and forty-two) euros.

On behalf of the management board of ERGO Insurance SE
Ursula Clara Deschka
Chairwoman of the Management Board

Information on the sole shareholder

This information is presented as of 11 April 2025.

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 2024 – 31 December 2024	Amount in euros
Non-life insurance (65121)	287,618,838
Reinsurance (65201)	70,592

Activities planned for the period 1 January 2025 – 31 December 2025

Non-life insurance (65121)

Reinsurance (65201)