ERGO

Simple because it matters.

ERGO Insurance SE

Annual Report 2025

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:	01.01.2025 - 31.12.2025
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 property and casualty 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 Insurance SE is 100% owned by ERGO International AG, Germany, which is part of the ERGO Group AG, Germany. In its home market of Germany, ERGO ranks among the leading providers across all segments. ERGO not only stands for a comprehensive range of products and services, but also for excellent financial stability and security: AA- by Fitch, A+ by Standard & Poor's.

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 37 000 people worldwide work as salaried employees or sales agents for ERGO Group.

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 138.1 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). Facts and Figures: A+ superior A.M. Best, AA very strong Fitch, AA very strong Standard & Poor's. Sustainability ratings: Low ESG Risk rating by Sustainalytics, AAA rating by MSCI, Prime status by ISS ESG.

ERGO 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 foster a culture where our team members feel valued and encouraged to contribute. By connecting people - our customers and ourselves - we aim to achieve sustainable success and fulfil our commitments.

Our Brand Promise: **Simple because it matters.** We aim to make insurance as simple, fast, and convenient as possible for our customers. To achieve this, we seamlessly combine expert advice with modern mobile and online services, giving our customers the flexibility to choose how and when they interact with us.

The essence of our ERGO brand – "Making insurance easier" – guides everything we do. 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 for those who will join us in the future, we aim to create a working environment that celebrates diversity and allows everyone to flourish.

We strive to provide opportunities to shape the future of ERGO together and support one another along the way. Our goal is to make ERGO a place where we can truly grow together.

Our engagement

Based on ERGO International engagement survey, our employees' sustainable engagement is extremely high in the Baltics - 92% in 2025 – with a participation rate of 95%. These results show that most of our people feel as a part of our company and highlight the effectiveness of our strategies.

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. We continue to focus on digital development, shared systems, and harmonized processes across the Baltics. These changes leverage our regional strengths while respecting local characteristics, helping us better understand our customers' needs and deliver clear added value.

1.3. Main achievements / recognitions on company level 2025

Category	Award-winning performance	Reference	Country
Valued company/ brand	**Nielsen IQ Brand Study Brand Awareness** ➢ 2nd place (95%) ➢ 3rd place (85%) ➢ 2nd place (88%)	Omnibus Study (CAWI) by Nielsen Consumer LLC	Estonia Latvia Lithuania
Sustainable company	**Sustainability awards, collaboration, index** ➢ Silver label award "Diversity is Strength"	https://www.sif.gov.lv/lv/jaunums/novertejuma-dazadiba-ir-speks-ietvaros-apbalvoti-dazadibai-atverti-latvijas-darba-deveji	Latvia
	➢ 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 ➢ ISO14001:2015 Environmental Management System 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 Latvia
	➢ 2nd place in Best Customer Service / Dive		Lithuania
Valued Employer	**Humane company** ➢ Family-friendly workplace	https://vietagimenei.lv/gimenei-draudziga-darba-vieta/106-darba-deveji-iegust-statusu-gimenei-draudziga-darbavieta/	Latvia
	➢ „Diversity is Strength "	https://www.ergo.lv/jaunumi/ergo-sanem-sudraba-statusu-novertejuma-dazadiba-ir-speks	Latvia

➢ Health-promoting workplace	https://www.terviseinfo.ee/et/tervise-edendamine/tookohal/tet-margis/maergise-saajad	Estonia
➢ "Supporter of the National Defenders"	https://kaitseministeerium.ee/et/uudised/tunnustuse-riigikaitsjate-toetaja-2025-palvinud-tooandjad	Estonia
➢ A diversity-friendly workplace	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
Best Employer		
➢ CV-online: 10th place on finance sector	https://toptooandja.ee/aasta/top-tooandja-2024-tulemused/	Estonia
➢ CV-online: in TOP 50 of the best employers	https://www.topdarbadevejs.lv/gads/2024/	Latvia
➢ CV-Online: 3rd place on Top 10 of the best employers	https://www.apiedarba.lt/nustatyti-2024-metu-top-darbdaviai-ir-kriterijai-kurie-lemia-darbdavio-patraukluma/	Lithuania

1.4. Year 2025 in figures

Main figures	ERGO Insurance SE 2025
Insurance revenue	284.3 million euros
Total assets	420.0 million euros
Investments in financial instruments	314.4 million euros
Insurance contract provisions[1]	184.3 million euros
Equity	135.4 million euros
Comprehensive income	22.4 million euros
Return on equity[2]	17.8%

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

[2] Calculated by dividing Net income by average of Total Equity. Average Total Equity = (Equity at Beginning of Time Period + Equity at End of Time Period) / 2.

Insurance contracts in force	1 005 391
Number of ERGO offices	8 in Estonia, 21 in Latvia, 55 in Lithuania
Number of employees	944

2. Market and Macro Economical View

2.1. Global Economic Trends

The European Union economy recorded modest growth in 2025, supported by resilient domestic demand, gradually improving financing conditions, and a robust labour market. According to the European Commission's Spring 2025 Economic Forecast, real GDP increased by 1.1% in the EU and 0.9% in the euro area during 2025, as inflation continued to moderate toward the ECB's 2% target. Disinflation progressed throughout the year, with euro-area HICP easing toward 2.1% by mid-2025, reflecting fading energy base effects and moderating core price pressures.

Labour market conditions remained strong during 2025. Rising real wages supported private consumption, while employment growth contributed to sustained household spending. The EU unemployment rate continued to trend downward, supported by stable labour demand and easing inflation pressures. Investment activity improved, aided by Recovery and Resilience Facility (RRF) funding and more favourable financing conditions.

Fiscal balances in 2025 reflected ongoing adjustment, with the EU general government deficit around 3.3% of GDP and public debt edging slightly higher. External conditions remained challenging due to trade tensions, slower global activity, and energy-price volatility, which limited export growth despite resilient internal demand.

Although 2025 concluded with moderate growth, the European Commission forecasts that EU and euro-area GDP growth will rise to around 1.4–1.5% in 2026, supported by recovering investment, improved global demand, and stabilising labour markets. Euro-area inflation is projected to ease further to around 1.7% in 2026, continuing the disinflation path observed in late 2025. Labour market performance is expected to remain strong, with EU unemployment approaching 5.7%, a historical low.

Economic developments in the Baltic States

All three Baltic economies returned to positive growth in 2025, although momentum varied across countries. According to Luminor's Baltic Economic Outlook (2026), Lithuania expanded by 2.9%, Latvia by 2.1%, and Estonia by 0.6% in 2025 — the latter marking Estonia's exit from a three-year recession. Growth was primarily supported by recovering private consumption as inflation moderated and real incomes improved, while EU funding and defence-related spending supported investment.

Estonia experienced a modest rebound, with growth of 0.6% in 2025 after several years of contraction. The recovery was supported by stabilising external demand and a gradual improvement in domestic investment conditions, although the economy remained sensitive to fluctuations in Nordic construction cycles.

Latvia recorded 2.1% growth in 2025, reflecting improving household purchasing power and broad stabilisation in domestic demand. Inflation moderated, improving real wages, while public-sector reforms and temporary fiscal pressures shaped the budgetary position.

Lithuania continued to lead the region in 2025 with 2.9% growth, underpinned by a diversified export base, resilient labour markets, and sustained EU-funded investment. Its economy has expanded significantly over the past decade, outpacing regional peers.

The Baltic region is expected to see accelerated growth in 2026, driven by strong private consumption, supportive fiscal conditions, and improving export prospects, especially in Scandinavian markets.

Luminor forecasts the following 2026 GDP growth rates:

- Lithuania: 3.6%
- Latvia: 2.5%
- Estonia: 2.0%

Longer-term challenges relate to demographic trends, labour-market tightness, and maintaining cost competitiveness. Investment in high-tech sectors and policies supporting high-skilled labour mobility are expected to play an increasing role in sustaining growth. 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.

2.2. Legal environment

In 2025, the legal environment affecting the ERGO Insurance SE was shaped by several significant regulatory developments at both the national and European Union levels, particularly in the areas of digital resilience, taxation, accessibility, and compliance.

1. EU

At the EU level, the Digital Operational Resilience Act (DORA) became fully applicable on 17 January 2025. DORA establishes harmonised requirements across the EU for ICT risk management, incident reporting, operational resilience testing and third-party risk management for financial sector entities, including insurance undertakings. The regulation significantly strengthens supervisory expectations regarding digital resilience and outsourcing arrangements.

At the EU level, further regulatory developments with medium- to long-term impact continued to progress. The EU Artificial Intelligence Act, adopted in 2024, entered into a phased implementation period, introducing risk-based requirements for AI systems, including those used in financial services. Although most obligations will apply gradually, organisations began preparing for compliance already in 2025.

Sustainability-related regulation also remained a key area of focus. The Corporate Sustainability Reporting Directive (CSRD), which began to apply to large public-interest entities earlier, continued to expand its scope and practical implementation in 2025. Companies, including insurance groups, continued preparations for enhanced ESG reporting, data collection and internal controls.

2. Estonia

In Estonia, a new motor vehicle tax entered into force on 1 January 2025. The tax consists of an annual ownership tax and a one-time registration fee. The annual tax is calculated based on vehicle type, CO_2 emissions, mass and age, and is administered by the Estonian Tax and Customs Board.

In the field of taxation, amendments to the Estonian Value Added Tax Act resulted in an increase of the standard VAT rate from 20% to 24%, effective from 1 July 2025.

In addition, Estonia expanded the use of e-invoicing: as of 1 July 2025, businesses registered as e-invoice recipients may require suppliers to issue machine-readable electronic invoices. In the absence of agreement between the parties, the European standard EN 16931 applies by default. This reform extends e-invoicing requirements beyond the public sector to broader business-to-business transactions.

Several employment-related changes also entered into force in Estonia in 2025. The minimum wage increased to EUR 886 per month (EUR 5.31 per hour). In addition, tax-exempt limits for health-related benefits were broadened, and business travel allowances were updated.

Further strengthening compliance requirements, under the Estonian Act on Protection of Persons who Report Work-Related Breaches of European Union Law, medium-sized employers were required to implement internal whistleblowing channels by 2025.

In the area of social and market regulation, the Products and Services Accessibility Act, implementing the EU Accessibility Act, became applicable on 28 June 2025. The Act introduced mandatory accessibility requirements for a wide range of products and digital services to ensure usability for persons with disabilities. While the requirements apply immediately to new products and services, transitional periods apply for existing products and infrastructure, in some cases extending until 2030 or until the end of their useful life.

In Estonia, amendments concerning labour migration introduced stricter requirements for employers. As a general rule, employers must demonstrate at least six months of genuine economic activity before applying for residence permits for foreign workers. These changes aim to reduce misuse of migration channels and increase transparency.

3. Latvia

In Latvia and Lithuania, both jurisdictions continued aligning their national frameworks with EU-level regulatory developments, particularly in the areas of digitalisation, tax compliance, labour law and financial supervision.

In Latvia, the Financial Market Digital Operational Resilience and Artificial Intelligence Usage Law entered into force on October 1, 2025. This law regulates digital operational resilience in the financial sector, i.e., protecting against ICT disruptions and cyberattack, while ensuring responsible use of AI in providing financial services, implementing EU's DORA regulation and AI Act requirements for entities like banks, insurers, and payment institutions overseen by the Bank of Latvia.

Furthermore, amendments to Cabinet Regulation No. 7 "State Revenue Service Electronic Declaration System Regulations" entered into force on September 9, 2025. These changes mandate that from January 1, 2026, access to the State Revenue Service's (Valsts ieņēmumu dienests – VID) Electronic Declaration System (EDS) requires secure electronic identification means, such as qualified Smart-ID, eID card, eParaksts, or certain internet bank authentication to improve security in high-risk state systems.

Lastly, amendments to Cabinet Regulation No. 255 "Regulations on Distance Contracts" (entered into force on September 27, 2026) that implemented the EU Green Deal Directive, impose additional obligations on sellers and service providers. The key obligations are to inform consumers more clearly before distance contracts about product characteristics, environmental delivery options, legal rights for two-year conformity claims, manufacturer commercial warranties exceeding two years, software update periods for digital elements, repairability indices, and spare parts availability. These requirements aim to promote sustainable consumption and prevent unfair practices.

4. Lithuania

In Lithuania the Law of the Republic of Lithuania on the Security Contribution was adopted on 17 June 2025 and entered into force on 1 January, 2026 . The object of the security contribution established by the law is insurance premiums under non-life insurance contracts, if the Republic of Lithuania is a state in which the insurance risk exists. Insurance premiums for insurance contracts concluded from 2026-01-01 or contracts amended after 2026-01-01 when the conditions that led to an increase in the insurance premium are subject to tax. The security deposit is not subject to tax on insurance premiums received under compulsory third party liability insurance contracts concluded with natural persons (policies), when such contracts are concluded for vehicles that will not be used for economic activities, nor will they be transferred to legal entities for use on loan or other lawful grounds and non-life insurance contracts, when the object of insurance is property interests related to crops and (or) plants, the health of farm animals.

Bank of Lithuania renewed and amended the 2018 rules on the qualification and training requirements for insurance and reinsurance product distributors. Key changes include the addition of a requirement to adhere to the principle of fair conduct with consumers, expanded knowledge expectations for those distributing insurance-based investment products (e.g., understanding investment services, financial risk, sustainability regulations), and stricter evaluation and documentation procedures. Qualification assessments must now consider experience and training from independent sources, and ongoing professional development is required annually. The majority of these changes took effect on January 1, 2026, with one provision regarding certification validity taking effect in 2027.

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 non-financial statement in accordance with CSRD and ESRS requirements. Parent undertaking organisation and its consolidated group non-financial statement related information:

- Consolidated group non-financial statement is provided by Munich RE, headquarters address: Königinstr. 107, 80802 Munich, Germany
- Website address of the group annual consolidated non-financial statement: https://www.munichre.com/en/company/

investors/reports-and-presentations/annual-report.html

2.3. Insurance Market

Based on publicly available Estonian market research non-life Insurance market volume in Estonia in 2025 declined by 2.0%, reaching 589 million euros. ERGO's market share decreased by 1.4 pp to 13.7% (2024: 15.1%), while the company maintained fourth position in the market. Compared to previous year Motor Third Party Liability and Motor Own Damage (Kasko) insurance market decreased by 10.4% and 8.1% respectively, while Bonds insurance had highest growths by 14.3%.

In Latvia non-life Insurance market volume increased by 1.7% to 472 million euros in 2025. ERGO's market share decreased by 0.3 pp to 9.9%, 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 2025 Lithuania non-life Insurance market had highest growth in Baltics by 10.1%, reaching 1 202 million euros. ERGO's share decreased by 0.8 pp to 13.1% with same, third, market position as year before. Livestock insurance had the highest growth (46.0%) while Travel, Railway and Aircraft insurance markets grew by 32.5%, 20.9% and 20.2% respectively.

3. Sustainability overview

3.1. Our dedication

Insurance is a long-term business: we insure people and companies for the future. We want to create long-term value for our shareholders, customers, employees and society. 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 in Year 2019 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. In December of the reporting year, the new Climate Ambition 2030 was adopted as part of the Munich Re Group Ambition 2030. As part of this climate strategy, ERGO as part of Munich Re is defining new climate targets for own operations, insurance business and investments for the end of financial year 2030, starting from the base year of 2025. Our goal is to contribute to the achievement of international climate targets by providing active support to verified climate protection projects.

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).

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 Clauseand confirm Suppliers 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 2025 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.

ERGO Baltics is also following the „Supply Chain Due Diligence (Human Rights) Guideline“. This guideline defines the requirements regarding the application of human rights due diligence in the supply chain, meaning - our own operations and procurement of goods and services (via direct and indirect suppliers). This guideline declares the principles on respecting and protecting the human rights: the right to healthy, safe and dignified working conditions; the right to equality and non-discrimination; the right to adequate living conditions.

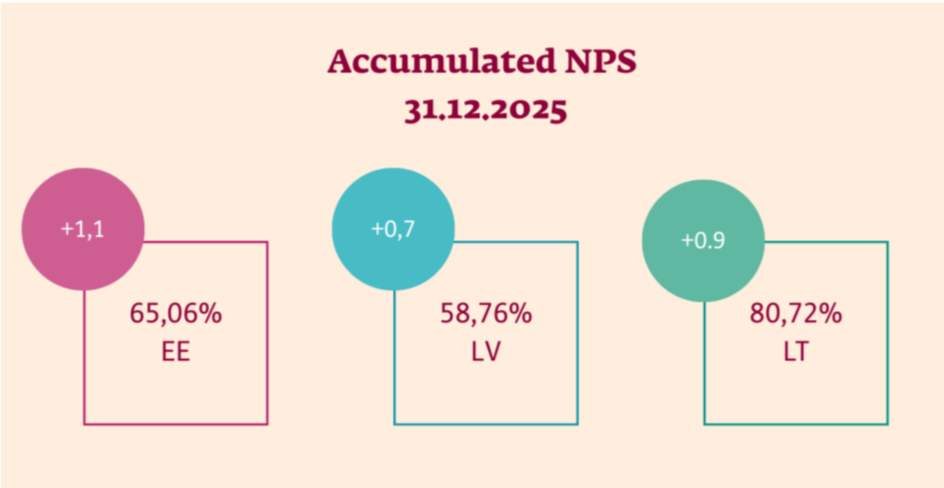
ERGO Baltics continues cooperation with the Diversity Charters. By joining we committed to create an inclusive work environment reflecting diversity, celebrating differences and encouraging every employee to feel dignified, valued and respected.

3.3. Social responsibility

3.3.1. Customer orientated services and products

At ERGO, people are at the heart of our business. We combine customer satisfaction with employee engagement, fostering a culture of diversity, collaboration, and growth. Our goal is to make insurance simple, fair, and approachable while providing a sense of security and thinking responsibly about the future. Customer satisfaction is central to our culture. ERGO Baltics employees at all levels understand its importance and prioritize it in their daily work. This applies not only to client-facing staff but also to back-office teams, who recognize how their work impacts customer expectations. We systematically gather and analyze feedback, taking action to address issues, improve service, and continuously enhance the customer experience.

Our pan-Baltic Net Promoter Score, a key KPI for all employees, continues to grow, reflecting the feedback we use to improve processes and recognize our teams. In 2025, ERGO was recognized for exceptional customer service in Estonia and Latvia, with Lithuania ranking second (Dive 2025).



3.3.2. Sponsorships / social responsibility actions 2025

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.

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

While projects are carried out locally, group-wide reporting on activities and expenditures ensures transparency and underpins our social commitment reporting. We prioritize initiatives that align with our business activities, support them, and provide added value to our employees and clients.

In Estonia, we continued **ERGO's preventive action competition**, 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.

In 2025, nine outstanding initiatives from the previous year were shared with the wider public via our media partner Postimees. The fourth ERGO Prevention Action of the Year, **"Koolipsühholoogide nõuandeliin 1226**" (Eng. School Psychologist Helpline), which helps students and schools access professional psychological support and guidance to promote mental health and well-being.

In cooperation with the Estonian Olympic Committee, we awarded the **ERGO Young Athletes Scholarship** for the ninth time. A total of 25,000 euros in scholarship funds, including the special scholarships "My First Sponsor" and "Fans' Favorite", were divided between seven individual athletes and two teams.

We continued partnerships with long-term collaborators, including the **Estonian Rescue Association** and the **Estonian Cancer Society**, and ERGO Estonia is a member of **Green Tiger**, a platform dedicated to promoting a balanced and sustainable economy.

For the 24th year, ERGO Latvia has been providing scholarships to support students without parental care or in financial difficulties in the 2025/2026 academic year. This academic year, ERGO, in cooperation with the **Vītolu Foundation**, awarded scholarships to nine students.

During 2025 ERGO Lithuania 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.

Second 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 Non-Governmental Organization of our choice. This year ERGO employees have voted and selected to donate this money to Niekieno vaikai foundation which takes care of lonely children in hospitals. We've collected almost 850 euros and donated for this good cause.

ERGO Lithuania has traditionally supported the Vilnius International Film Festival *Kino pavasaris* and continued to serve as one of its main sponsors.

In spring, ERGO Estonia, Latvia, and Lithuania organised local forest-planting initiatives.

For the fifth consecutive year, our Lithuanian colleagues volunteered during the environmental, educational, and cultural festival *Let's Do It by the Sea*, held on the last weekend of August. Volunteers cleaned the beach section from Melnragė Pier to Giruliai Beach, and over 5 000 liters of waste were collected in three hours.

Volunteering is strongly encouraged at ERGO. Employees are also granted one paid day per year to participate in volunteering or charitable activities.

3.3.3. People Management

ERGO is one of the most valued and recognized employers in the Baltics. Since 2023 we have been 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) + it was renewed in 2025). Additionally, in 2025 Lithuania has been awarded as a company ensuring safety and the most favorable emotional environment, while Estonia - Health Promoting Workplace. Moreover, all three countries are labelled as a family friendly company (LV: in 2023 + the award renewed in 2025; EE and LT: since 2022). ERGO Baltics in Estonia, Latvia and Lithuania were also awarded with Top Employer certificate in the end of 2025, becoming the first Top Employer recognized insurance company in the Baltics. Additionally, Top Employer Europe certification was granted the first time for ERGO Group, Baltics being influential part of the award.

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. Additionally, PEOPLE commitment framework was introduced in 2025 for all managers to guide and manage the people as the center of our strategy. This framework defines the key thinking principles and behavioral patterns that are expected of every leader in the Baltic States. Each letter of "PEOPLE" framework has a concrete meaning which, in turn, sets a clear and shared commitment to ERGO Group core values: P – people; E – empowerment; O – ownership; P – performance; L – learning; E – evolution.

Diversity, equity and inclusion (DEI)

Diversity
Diversity means having a variety of people differing in 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 with clearly defined quotas on each level.

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

Data reflecting ERGO Insurance SE specifically

43% of female in ERGO Insurance SE
Management level 1:
Division managers

61% of female in ERGO Insurance SE
Management level 2:
Department managers

60% of female in ERGO Insurance SE
Management Board

Data: 2025 Q4

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 " Korn Ferry " (in LT) and "Figure" methodologies (in LV and EE), where job positions are evaluated rather than specific individuals.

-
- Implementation of EU directive on equal pay. This directive requires employers to ensure equal pay for equal work and introduce pay transparency measures - such as gender neutral pay structures, disclosed salary ranges and employee rights to request pay information - to prevent discrimination. In the course of 2025 ERGO Baltics has been evaluating jobs using gender-neutral criteria. Once these evaluations are completed, job grades (combining jobs of similar values into groups) and salary ranges will be developed – that will ensure the transparency of the compensation system in the Baltics.

- 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 1st – 2nd, 2025). Around 70 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.

- Focus on emotional well-being (with an emphasis on burnout): at the end of 2025 we delivered a remote seminar for all Baltics employees on the topic "Burnout: how to prevent it and cope with it".

o ERGO Baltics Health Month. In 2025 employees in all three countries were involved in theoretical and practical sessions emphasizing how to improve physical, emotional and psychological health.

- ERGO Baltics Cancer Prevention Month. The main goal of the project was to raise the awareness about possible cancer types, encourage healthy habits and support early detection. In 2025 the following activities have been implemented: Lithuania - a lecture about cancer prevention medical programs + blood tests in the offices to test the signs of ovarian and prostate cancer marks; Estonia – 2 health buses in the office (a mammography and skin cancer screening buses) + a colleague shared her personal story on fighting the breast cancer; Latvia - online training session + skin diagnostics with dermatoscope + mobile mammography car at the office.

Renewed health insurance package: rehabilitation after hospitalization and telemedicine services added.

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. In 2025 147 applications were received in total in the Baltics (41 in Latvia, 37 in Estonia and 69 in Lithuania).

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 15 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. Since its' establishment, DEI Council has identified 4 main DEI target groups in the Baltics: generational diversity, gender, LGBTQ+ and disability. Until the end of 2025 two target groups have been covered during Council meetings: generational diversity and LGBTQ+:

- Generational diversity. Council members brainstormed 27 ideas how to include and represent different age groups in the Baltics. TOP10 ideas were selected (by voting) as the most favorite ones which are now on the implementation phase.
- LGBTQ+. Council members brainstormed ideas representing three main categories: building an inclusive work environment; external engagement and visibility; trainings. TOP 7 ideas have been selected (by voting) and are yet to be implemented. Several examples of TOP 7 ideas: visible

support from company leaders; trainings for managers on inclusiveness; trainings for employees about DEI and Baltics DEI target groups; community-building events reflecting DEI.

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 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 (in 2024). 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 . 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.

- "DuoDay" (LT) and "Different shoes day" (LV) initiatives. A bit different form of job shadowing focusing on integration of disabled people. In 2025 Lithuania welcomed two new colleagues: a person with a visual impairment shadowed Communications Department, while a colleague with a mobility impairment visited the Corporate Customers Department. Latvia did not participate in this initiative in 2025, however, in 2024 there were 11 visitors in 8 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 **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 94 colleagues in total (ERGO Insurance SE and ERGO Life combined). Distribution by countries is as follows:

- LT (55 colleagues in total): 10 years – 25 colleagues; 15 years – 12 colleagues; 20 years – 11 colleagues; 25 years – 4 colleagues; 30 years – 3 colleagues.
- LV (22 colleagues in total): 10 years – 10 colleagues; 15 years – 3 colleagues; 20 years – 4 colleagues; 25 years – 5 colleagues; 30 years – 0 colleagues.
- EE (17 colleagues in total): 10 years – 8 colleagues; 15 years – 4 colleagues; 20 years – 1 colleague; 25 years – 1 colleague; 30 years – 3 colleagues.

Starting from 2025, in addition to the main gift, long-term employees in Lithuania have been awarded with personalized certificates confirming that trees will be planted under their name.

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 2025 69 colleagues (from both ERGO Insurance SE and ERGO Life Insurance SE) used the workation solution. Distribution by countries is below:

- Latvia: 8 cases (1 employee fully working in Non-life; 7 - working on both sides (Non-life and Life))
- Estonia: 35 cases (2 employees fully working in Life; 33 - working on both sides (Non-life and Life)).
- Lithuania: 26 cases (16 employees working in Non-life; 10 employees – in Life).

These are just a few examples indicating how we are ensuring inclusion. It should be noted that in 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 2025		
Total number of staff		1121	
Gender balance (nr/%)	Male:	271	24%
	Female:	850	76%
Managers on Level 1-3 (nr/%)	Male:	53	33%
	Female:	108	67%
Average age (years)	Male:	43	
	Female:	44	
Average tenure (years)		9	
Training hours per employee		48	
Employees on maternity leave		35	

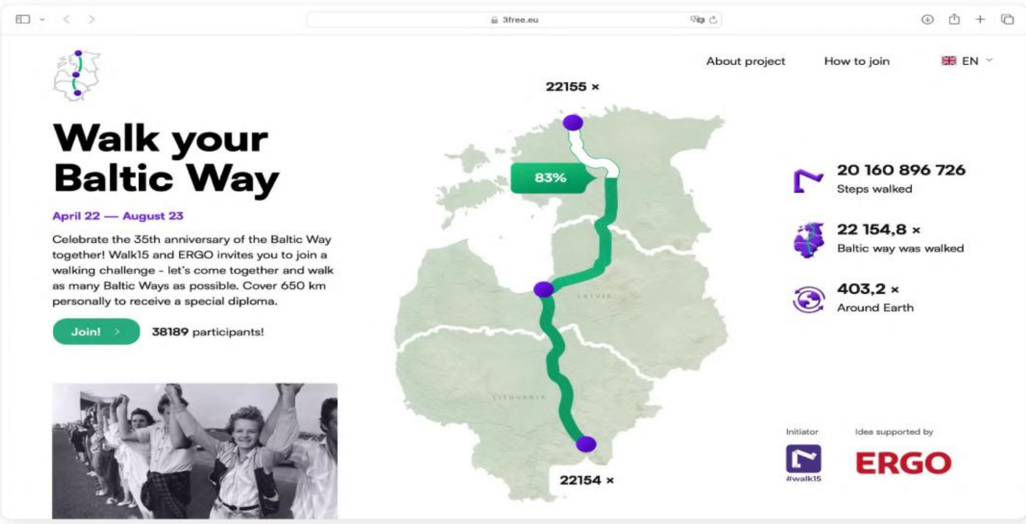
3.4. Environmental responsibility

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 2025 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 CO_2 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 CO_2 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 CO_2 emissions, developing action plans to reduce CO_2 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

Awarded to

ERGO INSURANCE SE LIETUVOS FILIALAS AU
ERGO LIFE INSURANCE SE

STANDARD

ISO 14001:2015

SCOPE OF CERTIFICATION

LIFE INSURANCE AND NON-LIFE INSURANCE SERVICES


Bureau Veritas Certification

Certification

Awarded to

ERGO INSURANCE SE
ERGO LIFE INSURANCE SE EESTI FILIAAL

STANDARD

ISO 14001:2015

SCOPE OF CERTIFICATION

LIFE INSURANCE AND NON-LIFE INSURANCE SERVICES

During 2025, ERGO Baltics successfully passed ISO14001:2015 surveillance or recertification audits in all three countries, ISO14064:2018 surveillance audit in Latvia, which confirm the companies' significant achievements and responsibilities in the environmental and sustainability fields.

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

The ISO 14064 standard is part of the ISO 14000 series of International Standards for environmental management. The ISO 14064 standard provides governments, businesses, regions, and other organizations with a complementary set of tools for programs to quantify, monitor, report, and verify greenhouse gas emissions. The ISO 14064 standard supports organizations to participate in both regulated and voluntary programs such as emissions trading schemes and public reporting using a globally recognized standard.

ISO 14064-1:2018 specifies principles and requirements at the organization level for quantification and reporting of greenhouse gas (GHG) emissions and removals. It includes requirements for the design, development, management, reporting, and verification of an organization's GHG inventory.

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 Estonia we launched a new and modern website. ERGO Latvia introduced a new customer communication channel, enabling clients to interact with the company via the WhatsApp application.

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.

In spring ERGO Estonia main sales campaign focused on motor hull insurance.

In October ERGO Estonia and Latvia organised local seminars for the insurance brokers.

In addition to ERGO's sales network, which offers direct contact, we remain close to our customers by participating in Rally Estonia.

5. Financial performance

5.1. Overview

In 2025, ERGO Insurance SE generated insurance revenue of 284.3 million euros, a slight decrease compared with 2024, mainly reflecting a modest decline in motor insurance premiums, particularly in motor own damage segment. Insurance service expenses amounted to 238.9 million euros, or 84.0% of insurance revenue, improving from the previous year primarily because claims development in property related lines was more favourable and overall service expenses decreased in line with lower revenue volumes.

The net expense ratio improved to 34.8% (2024: 39.8%) reflecting lower overall insurance service expenses relative to revenue, while the net loss ratio increased to 51.8% (2024: 47.9%) as motor liability claims rose significantly, driven by higher claim frequency and severity, which is evident from the year on year increase of 12.7 million euros in this class. As a result, the combined ratio slightly improved to 86.6% (2024: 87.7%), supported by expense ratio improvement, which more than offset the increase in claims costs.

Total comprehensive income amounted to 22.4 million euros (2024: 29.1 million euros). The decline was largely due to lower investment income and a less favorable fair value reserve movement compared to 2024. Investment income decreased to 6.1 million euros (2024: 7.4 million euros) due to lower interest income and a negative fair value revaluation of the fixed income portfolio. The insurance service result improved to 28.4 million euros (2024: 27.0 million euros), driven by a more favourable claims experience in several non-motor lines and lower service expenses.

The net insurance financial result remained negative at –3.9 million euros, though improving from 2024, reflecting lower insurance finance expenses in 2025. Other expenses increased to 6.2 million euros (2024: 1.6 million euros), mainly due the lower gain on disposal of property and equipment and higher Miscellaneous expenses and write downs, as detailed in the note 8. Income tax expense decreased to 1.9 million euros, consistent with lower profit.

Total assets increased to 420.0 million euros (2024: 396.6 million euros), mainly due to a larger financial investment portfolio, which reached 314.4 million euros (297.2 million in 2024). This growth reflects the expansion of the debt securities portfolio, in line with the company’s conservative approach to interest rate and credit risk.

5.2. Gross premiums

Gross premium income by line of business

In euros	2025		2024		Change in	
	Gross written premiums	Share of class, %	Gross written premiums	Share of class, %	Gross written premiums	YoY, %
Motor liability insurance	95 366 821	33.2%	96 965 858	33.7%	-1 599 038	-1.6%
Motor own damage insurance	72 098 175	25.1%	75 552 292	26.3%	-3 454 117	-4.6%
Individuals' property insurance	28 110 384	9.8%	26 340 556	9.2%	1 769 828	6.7%
Liability insurance	15 787 007	5.5%	14 984 417	5.2%	802 589	5.4%
Legal persons' property insurance	15 685 227	5.5%	15 574 442	5.4%	110 785	0.7%
Accident insurance	14 750 741	5.1%	13 578 176	4.7%	1 172 565	8.6%
Technical risks insurance	13 474 870	4.7%	13 734 456	4.8%	-259 586	-1.9%
Guarantee insurance	10 842 714	3.8%	10 477 549	3.6%	365 165	3.5%
Travel insurance	4 460 739	1.6%	4 462 510	1.6%	-1 770	0.0%
Assistance insurance	4 368 256	1.5%	4 146 866	1.4%	221 389	5.3%
Carrier's liability insurance	3 430 675	1.2%	2 935 024	1.0%	495 651	16.9%
Goods in transit insurance	2 695 658	0.9%	2 780 807	1.0%	-85 148	-3.1%
Legal expenses insurance	1 545 457	0.5%	1 509 259	0.5%	36 197	2.4%
Agricultural risks insurance	1 422 590	0.5%	1 457 528	0.5%	-34 938	-2.4%
Financial risks insurance	1 380 108	0.5%	1 271 718	0.4%	108 390	8.5%
Watercraft insurance and watercraft owner's liability insurance	725 393	0.3%	738 373	0.3%	-12 980	-1.8%
Railway rolling stock insurance	439 476	0.2%	271 437	0.1%	168 040	61.9%
Loss of employment insurance	337 471	0.1%	859 756	0.3%	-522 285	-60.7%
Miscellaneous financial loss	100	0.0%	0	0.0%	100	100.0%
Total from insurance activities	**286 921 863**	**100.0%**	**287 641 026**	**100.0%**	**-719 163**	**-0.3%**
Legal persons' property insurance	0	0.0%	11 683	0.0%	-11 683	-100.0%
Technical risks insurance	8 389	0.0%	36 722	0.0%	-28 333	-77.2%
Total from reinsurance activities	**8 389**	**0.0%**	**48 405**	**0.0%**	**-40 016**	**-82.7%**
Total	**286 930 252**	**100.0%**	**287 689 430**	**100.0%**	**-759 179**	**-0.3%**

In 2025, ERGO Insurance SE generated premium income of 286.9 million euros, representing a decrease of 0.3% compared to 2024. The largest classes were Motor liability insurance and Motor own damage insurance, which generated premium income of 95.4 million euros and 72.1 million euros, accounting for 33.2% and 25.1% of the total portfolio, respectively. Individuals' property insurance contributed 28.1 million euros i.e., 9.8%, liability insurance 15.8 million euros i.e., 5.5% and legal persons' property insurance 15.7 million euros i.e., 5.5%. Premiums written in accident insurance, technical risk insurance and guarantee insurance totalled 14.8 million euros, 13.5 million euros and 10.8 million euros, respectively, and their respective contributions were 5.1%, 4.7% and 3.8%. The total contribution of other insurance classes, which each accounted for less than 2.0%, was 20.8 million euros i.e., 7.3%.

Compared to 2024, the share of motor own damage insurance decreased by 1.2 percentage points and its premium income declined by 3.5 million euros. In addition to that, good growth was achieved in individuals' property insurance where premium income grew by 1.8 million euros and in accident insurance with premium income growth 1.2 million euros.

5.3. Claims

Claims and benefits paid by line of business

In euros	2025		2024		Change in	
	Claims and benefits paid	Share of class, %	Claims and benefits paid	Share of class, %	Claims and benefits paid	YoY, %
Motor liability insurance	73 596 872	44.6%	60 878 802	38.2%	12 718 071	20.9%
Motor own damage insurance	47 281 871	28.7%	48 886 795	30.7%	-1 604 925	-3.3%
Individuals' property insurance	13 127 554	8.0%	14 759 304	9.3%	-1 631 749	-11.1%
Legal persons' property insurance	5 935 335	3.6%	5 891 493	3.7%	43 843	0.7%
Accident insurance	5 821 108	3.5%	5 340 447	3.3%	480 661	9.0%
Technical risks insurance	4 358 334	2.6%	5 275 551	3.3%	-917 217	-17.4%
Liability insurance	4 283 091	2.6%	4 960 758	3.1%	-677 666	-13.7%
Assistance insurance	2 517 941	1.5%	2 371 396	1.5%	146 546	6.2%
Carrier's liability insurance	2 100 825	1.3%	2 155 471	1.4%	-54 645	-2.5%
Travel insurance	2 096 713	1.3%	2 150 300	1.3%	-53 586	-2.5%
Watercraft insurance and watercraft owner's liability insurance	922 400	0.6%	3 163 656	2.0%	-2 241 255	-70.8%
Goods in transit insurance	803 270	0.5%	984 747	0.6%	-181 477	-18.4%
Agricultural risks insurance	773 416	0.5%	1 019 687	0.6%	-246 271	-24.2%
Legal expenses insurance	707 686	0.4%	674 566	0.4%	33 120	4.9%
Guarantee insurance	294 024	0.2%	112 211	0.1%	181 814	162.0%
Loss of employment insurance	135 207	0.1%	198 527	0.1%	-63 320	-31.9%
Financial risks insurance	116 403	0.1%	575 440	0.4%	-459 037	-79.8%
Railway rolling stock insurance	89 187	0.1%	55 612	0.0%	33 575	60.4%
Total	**164 961 240**	**100.0%**	**159 454 760**	**100.0%**	**5 506 480**	**3.5%**

Claims and benefits paid in 2025 totalled 165.0 million euros (2024: 159.5 million euros). Compared to 2024 motor liability insurance claims grew by 12.7 million euros i.e., 20.9%, accident insurance grew by 0.5 million euros i.e., 9.0%. However, watercraft and watercraft owner's liability insurance claims decreased by 2.2 million euros i.e., -40.7% compared to 2024.

The largest share of claims was settled in motor liability insurance: 73.6 million euros i.e., 44.6% of all the claims paid. The next-largest class was motor own damage insurance where claims and benefits paid totalled 47.3 million euros i.e., 28.7%. The total contribution of other insurance classes, which each accounted for less than 10.0% of all the claims paid, was 44.1 million euros i.e., 26.7%.

5.4. Investments

Strategic investment management is the responsibility of the company's asset and liability management team, which includes specialists from Baltics 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 2025, 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: 49.7% (2024: 54.1%) had an AAA (by Standard & Poor's) or Aaa (by Moody's) credit rating, 12.6% (2024: 20.1%) were rated AA or Aa, 25.1% (2024: 16.7%) had an A rating, 12.6%

(2024: 9.1%) had a BBB or Baa rating, and 0% (2024: 0%) were rated BB or Ba.

At the year-end, investments consisted of investments in associates and subsidiaries of 0.05 million euros (2024: 0.05 million euros), debt securities of 309.4 million euros (2024: 291.9 million euros), loans of 0 million euros (2024: 0 million euros), and equities and fund units of 4.9 million euros (2024: 5.2 million euros). There were no investments in term deposits.

Income on assets with interest rate risk amounted to 7.2 million euros (2024: 7.4 million euros). Realisation of debt securities produced a profit of 0.04 million euros (2024: loss of 0.05 million euros). The revaluation effect though profit and loss statement were negative 0.36 million euros (2024: profit of 0.24 million euros). The fair value reserve increased by 0.36 million euros (2024: increased by 2.3 million euros). Thus, the overall yield of the investment portfolio was 2.1% (2024: 3.5%). Investment management expenses accounted for 0.14% of the carrying value of managed investments (2024: 0.15%).

Key financial indicators

As at 31 December or for the year	**2025**	**2024**
For the year		
Loss ratio[1]	**51.8%**	**47.9%**
Cost ratio[2]	**34.8%**	**39.8%**
Combined ratio[3]	**86.6%**	**87.7%**
Total investment income[4]	**2.1%**	**3.5%**

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 2025 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	2025	2024
Insurance revenue	4	284 258 566	289 038 978
Insurance service expense	5	-238 850 017	-246 715 774
Insurance service result before reinsurance contracts held		**45 408 549**	**42 323 204**
Allocation of reinsurance premiums	6	-71 837 057	-69 638 031
Amounts recoverable from reinsurers for incurred claims	6	54 877 595	54 333 281
Net expense from reinsurance contracts held		**-16 959 462**	**-15 304 750**
Insurance service result		**28 449 087**	**27 018 454**
Interest revenue calculated using the effective interest method	7	6 846 438	7 037 409
Other interest and similar income	7	337 706	405 121
Net fair value gains/(losses) on financial assets at fair value through profit or loss	7	-357 063	236 202
Net fair value gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	7	36 113	-53 140
Impairment loss on financial assets	7	-20 797	7 103
Investment management expenses	7	-428 474	-406 444
Net foreign exchange (expense) / income	7	-297 091	154 494
Total investment income		**6 116 832**	**7 380 745**
Insurance finance expenses for insurance contracts issued	7	-5 189 815	-6 560 043
Reinsurance finance income for reinsurance contracts held	7	1 311 763	1 634 254
Net insurance financial result		**-3 878 052**	**-4 925 789**
Other income and expense	8	-6 202 356	-1 627 024
Profit before tax		**24 485 511**	**27 846 386**
Income tax expense	22	-1 862 463	-2 176 568
Profit for the year		**22 623 048**	**25 669 818**

Statement of comprehensive income

In euros	Notes	2025	2024
Profit/loss for the year		**22 623 048**	**25 669 818**
OCI to be reclassified to profit or loss in subsequent periods			
Change in fair value of financial assets	21	359 331	2 334 010
Debt instruments at fair value through other comprehensive income		**359 331**	**2 334 010**
Change in insurance/reinsurance finance reserve	25	-595 548	1 073 960
Net insurance financial result		**-595 548**	**1 073 960**
Total other comprehensive income		**-236 217**	**3 407 970**
Total comprehensive income for the year		**22 386 831**	**29 077 788**

The notes on pages 41 to 115 are an integral part of these financial statements.

Statement of financial position

In euros	Notes	As at 31 December 2025	2024
Assets			
Cash and cash equivalents	9	14 052 007	15 662 845
Equity and debt instruments at fair value through profit or loss	10.1	4 944 614	5 197 659
Debt instruments at fair value through other comprehensive income	10.2	309 414 759	291 918 821
Debt instruments at amortised cost	10.4	43 443	43 443
Investments in subsidiaries	11	50 000	50 000
Insurance contract assets	12	18 022 289	12 033 879
Reinsurance contract assets	12	42 009 073	41 795 976
Deferred tax assets	22	304 293	281 149
Other receivables	13	4 164 813	4 692 556
Intangible assets	14	17 237 558	18 064 322
Property and equipment	15	9 752 787	6 823 165
Total Assets		**419 995 636**	**396 563 815**
Liabilities			
Insurance contract liabilities	12	217 192 264	213 849 764
Reinsurance contract liabilities	12	27 147 363	25 430 353
Lease-related liabilities	16	7 001 131	5 807 010
Other payables and accrued expenses	17	17 572 089	16 521 826
Subordinated loans	24	15 698 233	15 698 233
Total liabilities		**284 611 080**	**277 307 186**
Equity			
Issued capital	18	6 391 391	6 391 391
Capital reserve	19	3 072 304	3 072 304
Retained earnings		103 944 242	85 724 424
Profit/loss for the reporting year		22 623 048	25 669 818
Fair value reserve	20	-2 876 274	-3 235 605
Insurance/reinsurance finance reserve	25	2 229 845	1 634 297
Total equity		**135 384 556**	**119 256 629**
Total liabilities and equity		**419 995 636**	**396 563 815**

The notes on pages 41 to 115 are an integral part of these financial statements.

Statement of cash flows

(Inflow + , outflow –)	Note	**2025**	**2024**
Cash flows from operating activities[1]		**9 971 244**	**824 715**
Insurance premiums received		281 853 091	278 846 879
Claims, benefits, and handling costs paid		-155 953 163	-151 792 654
Settlements with reinsurers		-13 704 916	-15 710 965
Settlements with holders of reinsurance policies		-28 459	-34 399
Paid in operating expenses		-96 405 656	-87 235 695
Other income and expenses		7 325 254	12 182 597
Acquisition of debt and other fixed income securities	10.2	-236 027 239	-232 288 221
Disposal of debt and other fixed income securities	10.2	221 684 591	199 081 859
Interest received	6	3 710 723	3 276 360
Dividends received	6	91 551	120 899
Corporate income tax paid		-2 330 625	-5 369 454
Paid in investment expenses	6	-243 908	-252 490
Cash flows used in investing activities		**-9 640 196**	**5 646 677**
Dividends paid		-7 450 000	0
Acquisition of property and equipment and intangible assets	14, 15	-2 224 286	-2 382 623
Proceeds from sale of property and equipment and intangible assets	14, 15	34 090	8 029 300
Cash flows used in financing activities		**-1 941 886**	**-7 915 982**
Subordinated loan paid		0	-6 000 000
Payments for the principal portion of lease liabilities	16	-1 941 886	-1 915 582
Net cash outflow/ inflow		**-1 610 838**	**-1 444 590**
Cash and cash equivalents at beginning of year	9	**15 662 845**	**17 107 435**
Decrease/ increase in cash and cash equivalents		-1 610 838	-1 444 590
Cash and cash equivalents at end of year	9	**14 052 007**	**15 662 845**

[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*.

Statement of changes in equity

In euros	Share capital	Capital reserve	Fair value reserve	Insurance/ reinsurance finance reserve	Retained earnings	Total equity
Balance at 31 December 2023	**6 391 391**	**3 072 304**	**-5 569 615**	**2 708 257**	**85 724 424**	**92 326 761**
Profit for the year	0	0	0	0	25 669 818	25 669 818
Other comprehensive income	0	0	2 334 010	-1 073 960	0	1 260 050
Total comprehensive income for the year	**0**	**0**	**2 334 010**	**-1 073 960**	**25 669 818**	**26 929 868**
Balance at 31 December 2024	**6 391 391**	**3 072 304**	**-3 235 605**	**1 634 297**	**111 394 242**	**119 256 629**
Dividends	0	0	0	0	-7 450 000	-7 450 000
Total transactions with owners	**0**	**0**	**0**	**0**	**-7 450 000**	**-7 450 000**
Profit for the year	0	0	0	0	22 623 048	22 623 048
Other comprehensive income	0	0	359 331	595 548	0	954 879
Total comprehensive income for the year	**0**	**0**	**359 331**	**595 548**	**22 623 048**	**23 577 927**
Balance at 31 December 2025	**6 391 391**	**3 072 304**	**-2 876 274**	**2 229 845**	**126 567 290**	**135 384 556**

The notes on pages 41 to 115 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 2025 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 15 April 2026. 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 2025.

(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.

As of 1 January 2025, Estonia applies a unified corporate income tax rate of 22/78 on distributed profits. The previously available reduced tax rate of 14% on regularly distributed dividends has been abolished. Consequently, all profit distributions are subject to the standard 22% corporate income tax, calculated on the net amount of dividends paid. Corporate income tax in Estonia continues to be payable only upon profit distribution rather than on retained earnings.

The maximum income tax liability that could arise on a dividend distribution is disclosed in note 22.

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 16% (2024 – 15%).

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. For the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. 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	4 years
Cars, office, and communication equipment	6 years
Furniture	6 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 8 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 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.

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.

(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 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:

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

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 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.

(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 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 2025 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 2025 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	2025				
Country	**Insurance contract assets**	**Insurance contract liabilities**	**Reinsurance contract assets**	**Reinsurance contract liabilities**	**Net provisions**
Estonia	-11 746 731	58 775 830	-9 101 430	8 361 255	46 288 925
Latvia	-4 131 989	31 151 238	-8 942 551	10 876 136	28 952 834
Lithuania	-2 143 569	127 265 196	-23 965 093	7 909 973	109 066 507
Total	**-18 022 288**	**217 192 264**	**-42 009 073**	**27 147 363**	**184 308 266**

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**

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 areinsurance capacity 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. million euros per insurance contract in property insurance and 1.5 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 1.5 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	**2025**	**2024**
Motor liability insurance,	1 500 000	1 000 000
Property, and technical risks insurance	1 000 000	1 000 000
Liability ,marine and motor own damage insurance	750 000	750 000
Travel insurance, accident, livestock, surety insurance	300 000	300 000

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 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

The company believes that the estimates of claims outstanding as at the end of 2025 are adequate.

result of changes and all other variables remain constant.

Results of the sensitivity analysis for incurred claims as at 31.12.2025:

	Change in profit and equity Nominal claims increase by +5%		**Change in profit and equity Nominal claims decrease by -5%**	
	Gross	**Net**	**Gross**	**Net**
Motor liability insurance	-4 457 504	-3 264 259	4 457 504	3 264 259
Motor own damage insurance	-334 413	-211 655	334 413	211 655
Individuals' property insurance	-134 769	-134 769	134 769	134 769
Legal persons' property insurance	-410 816	-269 189	410 816	269 189
Other classes of insurance	-1 303 594	-1 166 468	1 303 594	1 166 468

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 decrease 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

A 5% decrease in total revenue for 2024 result in a negative impact of 2.5 million on company's insurance result. A 5% decrease in total revenue for 2025 result in a negative impact of 2.4 million on company's insurance result (2024: 2.5 million euros).

	Changes in profit and equity 2025		Changes in profit and equity 2024	
	Gross	Net	Gross	Net
Inflation Increase by +2PP	11 079 684	8 064 737	10 806 429	7 377 720

An increase of 2 percentage points in the annual inflation assumption for nominal claims gives an effect of 8.06 million euros on the company's profit and equity (2024: 7.38 million euros).

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 Baltics 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 A+ (2024: 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

2025	**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		153 707	38 940 800	77 792 849	38 973 614	0	0	309 414 759
Proportion of debit instruments at fair value through other comprehensive income		49.68%	12.58%	25.14%	12.60%	0.00%	0.00%	100.00%
Reinsurance contract assets		0	31 933 788	6 653 039	0	0	3 422 246	42 009 073
Proportion of reinsurance contract assets		0.00%	76.02%	15.84%	0.00%	0.00%	8.15%	100.00%
Cash and cash equivalents		0	6 261 492	7 706 538	38 449	0	45 528	14 052 007
Proportion of cash and cash equivalents		0.00%	44.56%	54.85%	0.27%	0.00%	0.03%	100.00%

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	**292 928 821**
Proportion of debit instruments at fair value through other comprehensive income		54.13%	20.07%	16.73%	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%	84.84%	11.76%	0.00%	0.00%	3.40%	**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%**

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 2025 *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	30 539 590	2 062 505	410 753	139 041	**33 151 889**
Receivables from brokers and other intermediaries	950 324	684 345	773	7 324	**1 642 766**
Receivables from reinsurers	175 620	1 176 840	0	678 889	**2 031 349**
Other receivables	2 150 696	-106 546	104 857	868 418	**3 017 425**
Total[3]	**33 816 230**	**3 817 144**	**516 383**	**1 693 672**	**39 843 429**

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[3]	**31 988 561**	**4 358 203**	**555 484**	**2 298 608**	**39 200 856**

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.

[3] The receivables disclosed above form part of the LRC calculation and, as such, do not reconcile to other figures presented within the financial statements.

The company's investments comprise mostly fixed-income securities whose market value is influenced by changes in interest rates. At 31 December 2025, the weighted market average yield to maturity of fixed-income available-for-sale debt securities was 2.4% (31 December 2024: 2.66%).

Assets exposed to interest rate risk, by interest rate

In euros	As at 31 December 2025		As at 31 December 2024	
	Amortized cost	Carrying amount	Amortized cost	Carrying amount
Fixed rate debt securities				
interest rate 0.00% -2.50%	235 233 154	232 318 675	247 978 908	244 606 094
interest rate 2.51% -3.50%	51 726 493	51 697 506	34 765 838	34 839 985
interest rate 3.51% -4.50%	24 125 961	24 176 350	10 218 924	10 281 983
interest rate 4.51% -5.50%	0	0	2 078 253	2 077 664
interest rate 5.51% -6.50%	1 205 425	1 222 228	112 503	113 095
Total fixed rate debt securities	**312 291 033**	**309 414 759**	**295 154 426**	**291 918 821**

If at 31 December 2025 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 5.3 million euros (2024: 5.2 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 2025 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 (2024: 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**	**2025**	**2024**
Debt and other fixed-income securities		
Austria	16 843 065	8 863 054
Australia	5 244 441	5 031 491
British Virgin Islands	0	7 941 748
Belgium	8 917 971	1 102 725
Bulgaria	2 055 587	2 040 219
Canada	8 267 093	9 170 606
Chile	1 949 020	1 962 477
China	445 218	431 334
Croatia	470 676	466 965
Czech Republic	966 565	933 860
Denmark	1 401 485	1 003 456
Estonia	2 968 139	3 000 628
Finland	2 261 694	2 087 091
France	44 435 159	22 266 519
Germany	98 940 469	138 510 640
Great Britain	6 128 508	4 871 704
Hungary	3 093 378	1 924 459
Ireland	1 441 277	2 221 074
Israel	968 186	940 383
Italy	6 323 548	5 000 389
Japan	7 408 899	3 099 590
Kazakhstan	3 458 866	0
Latvia	5 270 600	2 957 564
Lithuania	4 980 181	3 598 072
Luxembourg	9 407 494	2 701 194
Mexico	2 761 240	2 764 996
Netherlands	14 237 475	13 624 843
New Zealand	1 450 012	2 607 097
Norway	0	993 556
Peru	1 025 588	1 019 981
Philippines	490 975	1 466 091
Poland	1 962 610	3 878 924
Portugal	4 894 935	4 870 830
Saudi Arabia	973 874	0
Slovakia	5 027 185	0
South Korea	980 780	2 962 963
Spain	7 337 924	7 597 086
Sweden	3 177 418	2 821 945
Switzerland	1 702 591	695 426
United States of America	16 788 632	12 991 037
Venezuela	1 973 068	0
Total debt and other fixed-income securities	***309 414 759***	***291 918 821***
Equities and fund units		
Lithuania	43 443	43 443
Luxembourg	4 944 614	5 197 659
Total equities and fund units	***4 988 057***	***5 241 102***
Total investments in financial instruments	**312 402 818**	**297 159 923**

(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 2025	As at 31 December 2024
	USD	USD
Investments in financial instruments – Debt instruments at fair value through other comprehensive income	1 763 625	1 597 970
Total	**1 763 625**	**1 579 970**

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 328.4 million euros (2024: 312.8 million euros) including available-for-sale debt securities of 309.4 million euros (2024: 291.9 million euros), equities and fund units of 4.9 million euros (2024: 5.2 million euros), and cash and cash equivalents of 14.1 million euros (2024: 15.7 million euros).

At the year-end, the weighted average duration to maturity of the available-for-sale debt securities portfolio was 1.72 years (2024: 1.8 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 2025	Note	Without term	Less than 1 year	1-2 years	2-5 years	5-10 years	Over 10 years	Total
Insurance contracts issued		0	103 829 706	15 446 374	21 063 528	14 000 901	12 613 432	**166 953 941**
Reinsurance contracts held		0	20 031 474	-240 897	-928 572	-1 126 357	-1 736 313	**15 999 335**
Financial assets (investments in financial instruments and cash and cash equivalents)	10.2, 9	14 052 007	152 957 246	61 394 505	70 807 493	24 255 515	0	**323 466 766**
Other financial assets	13	0	1 219 687	0	0	0	0	**1 219 687**
Other financial liabilities	17	0	6 256 090	0	0	15 500 000	0	**21 756 090**
Net exposure (assets less liabilities)		**14 052 007**	**44 091 137**	**45 948 131**	**49 743 965**	**-5 245 386**	**-12 613 432**	**135 976 422**

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)	10.2, 9	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	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**

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 2025 was 17.8% (2024: 24.4%).

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		**2025**	**2024**
Expected insurance service expenses incurred in the period	a	96 978 976	94 122 698
Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	b	33 439 825	33 351 937
Change in the risk adjustment for non–financial risk	c	-245 180	-307 873
Amount of CSM recognised in profit or loss	d	19 325 785	22 298 653
Realisation of premiums attributable to current period (PAA)	e	133 796 657	136 700 699
Experience adjustments	f	962 503	2 872 864
Insurance revenue		**284 258 566**	**289 038 978**

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	**2025**	**2024**
Estonia	84 173 642	90 184 091
Latvia	45 844 414	46 878 349
Lithuania	154 240 510	151 976 538
Insurance revenue	**284 258 566**	**289 038 978**

Note 5. Insurance service expense

The table below shows the insurance service expenses:

In euros		2025	2024
Insurance service expenses from insurance contracts issued		**238 850 017**	**246 715 774**
Claims expenses	a	167 323 734	168 985 892
Changes that relate to past service - adjustments to the LIC	b	-6 716 322	3 172 407
Administration and acquisition costs	c	46 105 449	42 419 913
Other insurance service expenses	d	32 147 156	32 137 562

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		**2025**	**2024**
Allocation of reinsurance premiums		**71 837 057**	**69 638 031**
Expected recovery for insurance service expenses incurred in the period	a	1 407 209	1 540 305
Net cost/gain recognised in profit or loss	b	3 349 511	3 031 559
Release of premiums attributable to current period (PAA)	c	66 730 199	65 162 413
Experience adjustments	d	350 138	-96 246
Amounts recoverable from reinsurers for incurred claims		**54 877 595**	**54 333 281**
Amounts recoverable for claims and other expenses incurred in the period		58 320 119	58 334 786
Changes in amounts recoverable arising from changes in liability for incurred claims		-3 442 524	-4 001 505
Net expense from reinsurance contracts held		**16 959 462**	**15 304 750**

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	**2025**	**2024**
Investment income		
Amounts recognised in the profit loss		
Interest revenue calculated using the effective interest method	6 846 438	7 037 409
Other interest and similar income	337 706	405 121

Net fair value gains/(losses) on financial assets at fair value through profit or loss	-357 063	236 202
Net fair value gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	36 113	-53 140
Impairment loss on financial assets	-20 797	7 130
Investment management expenses	-428 474	-406 444
Net foreign exchange (expense) / income	-297 091	154 494
Total amounts recognised in the profit or loss	**6 116 832**	**7 380 745**
Amounts recognised in OCI	**359 331**	**2 334 010**
Total investment income	**6 476 163**	**9 714 755**
Insurance finance income / (expenses) from insurance contracts issued		
Interest accreted to insurance contracts	-5 189 815	-6 560 043
Amounts recognised in profit or loss	**-5 189 815**	**-6 560 043**
Amounts recognised in OCI	**-927 389**	**1 576 630**
Total Insurance finance income / (expenses) from insurance contracts issued	**-6 117 204**	**-4 983 413**
Reinsurance finance income / (expenses) from insurance contracts issued		
Interest accreted to reinsurance contracts	1 311 763	1 634 254
Amounts recognised in profit or loss	**1 311 763**	**1 634 254**
Amounts recognised in OCI	**331 841**	**-502 670**
Total Reinsurance finance income / (expenses) from insurance contracts issued	**1 643 604**	**1 131 584**
Total net investment income, insurance finance expenses and reinsurance finance income	**2 002 563**	**5 862 926**
Represented by:		
Amounts recognised in profit or loss	2 238 780	2 454 956
Amounts recognised in OCI	-236 217	3 407 970

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 remained broadly unchanged despite an increase in portfolio size. This was primarily driven by significantly lower interest rates at the very short end of the yield curve.

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	2025	2024
Other income			
Gain on disposal of property and equipment		125 838	4 281 023
Fees, commissions, and charges received		902 216	919 985
Insurance brokerage income		297 323	295 180
Rental income		169 551	157 094
Income from real estate in own use		0	0
Income from receivables written down		0	0
Miscellaneous income		283 671	274 322
Total result from other income		**1 778 599**	**5 927 604**
Expenses			
Membership fees to Financial Supervision Authority and professional associations		725 076	685 169
Insurance brokerage expenses		247 924	278 160
Audit and legal fees		233 812	227 320
Business licenses and permits		565 205	552 355
Interest paid		449 090	855 939
Real estate related expenses		13 380	147 546
Losses on sale of property and equipment		15 799	504 525
Write down of intangible assets	14	211 305	0
Finance lease interest payments		190 356	146 301
State fees, stamp duties and late payment interest		7 792	274 994
Personal expenses		1 668 559	1 069 567
Training and headhunting expenses		765 623	488 524
Marketing expenses		220 702	156 221
Consulting (legal, tax, etc.)		551 416	6 108
Miscellaneous expenses[1]		2 114 916	2 161 899
Total result from expenses		**7 980 955**	**7 554 628**
Total result from other income and expenses		**-6 202 356**	**-1 627 024**

[1] Miscellaneous expenses primarily include costs that are not directly attributable to the insurance portfolio, such as vehicle and car-related expenses, office operating costs, IT and software maintenance and other general operational or regulatory costs.

Note 9. Cash and cash equivalents

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

As of 31.12.2025 the bank accounts of ERGO Insurance SE amounted to 14 052 007 euros (31.12.2024: 15 662 845 euros), of which 13 629 689 euros were in euros (31.12.2024: 15 257 336 euros) and 422 318 euros in dollars (2024: 405 509 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 2025 the company's Debt instruments measured at fair value through other comprehensive income of 314.4 million euros (2024: 297.1 million euros) fell into Level 2. The fair value of Debt instruments measured at amortised cost carrying amount at 31 December 2025: 43 443 euros (2024: 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 21 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 2025		As at 31 December 2024	
	Amortized cost	Carrying amount	Amortized cost	Carrying amount
Units in infrastructure debt funds	5 293 899	4 944 614	5 293 899	5 197 659
Total	**5 293 899**	**4 944 614**	**5 293 899**	**5 197 659**

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 2025		As at 31 December 2024	
	Amortized cost	Carrying amount	Amortized cost	Carrying amount
Debt instruments measured at FVOCI				
Government bonds	190 338 792	188 242 592	187 336 964	185 417 394
Financial institutions' bonds	87 376 248	87 221 493	78 499 338	78 361 393
Corporate bonds	34 575 993	33 950 674	39 318 124	28 140 034
Debt instruments measured at FVOCI	**312 291 033**	**309 414 759**	**295 154 426**	**291 918 821**

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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 2025, 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	2025	2024
On 1 January	**291 918 821**	**252 580 931**
Purchased debt securities	234 743 209	231 036 693
Sold debt securities	-2 083 690	-6 634 528
Received on maturity date debt securities	-218 906 880	-192 472 653
Amortisation of debt securities	3 146 475	4 508 827
Changes in the fair value reserve	322 226	2 344 158
Changes in the expected credit loss OCI	20 795	-10 147
Loss on the disposal	0	3 044
Gain on the disposal	16 310	0
Expected credit loss	- 20 797	7 103
Currency revaluation	-209 482	69 854
Changes in accrued interest	467 772	485 549
On 31 December	**309 414 759**	**291 918 821**

10.3. Expected Credit Losses

Expected credit losses (ECL) are measured based on the probability of default (PD) and the timing of resulting cash shortfalls, in accordance with IFRS 9. The ECL model is applied to financial assets at fair value through other comprehensive income (FVOCI). It is not applied to financial instruments measured at fair value through profit or loss (FVTPL) or to equity instruments measured at FVOCI. No ECL has been recognised on debt instruments at amortized cost.

For Stage 1 assets, 12-month ECL represents the portion of lifetime expected credit losses resulting from default events that are possible within the next 12 months. All investments are classified in Stage 1, as they are not credit-impaired and there has been no significant increase in credit risk since initial recognition. Accordingly, a 12-month ECL approach is applied across the portfolio.

The portfolio consists exclusively of high-grade financial assets (rated between AAA and BBB), reflecting low credit risk and supporting the Stage 1 classification.

Internal rating grade	**2025**			**2024**		
In euros	**Fair value**	**12mECL**	**Changes in ECL**	**Fair value**	**12mECL**	**Changes in ECL**
High grade	309 414 759	-104 431	-20 795	291 918 821	-83 637	10 147
Standard grade	0	0	0	0	0	0
Past due but not impaired	0	0	0	0	0	0
Total net amount	**309 414 759**	**-104 431**	**-20 795**	**291 918 821**	**-83 637**	**10 147**

ECL measurements, in euros	**2025**	**2024**
ECL as at 1 January	**-83 637**	**-93 784**
Assets derecognised in connection with sale and impairment	2 451	3 155
Assets derecognised in connection with arrival of maturity date	1 943	1 668
ECL measurements	-25 188	5 324
At 31 December	**-104 431**	**-83 637**

10.4. Debt instruments at amortised cost

Debt instruments measured at amortised cost contain unlisted equities with a carrying amount at 31 December 2025: 43 443 euros (2024: 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 2025 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	2025			
	Liability for remaining coverage			
	Excluding loss component	Loss component	Liability for incurred claims	Total
Opening balance - insurance portfolios in asset position	-23 843 675	1 304 312	10 505 484	-12 033 879
Opening balance - insurance portfolios in liability position	105 297 921	2 355 655	106 196 189	213 849 765
Opening balance	**81 454 246**	**3 659 967**	**116 701 673**	**201 815 886**
Insurance service result	-250 818 741	-1 285 430	179 673 037	-72 431 133
Insurance revenue	-284 258 566	0	0	-284 258 566
Expected incurred claims and other expenses for the period	-96 978 976	0	0	-96 978 976
Expected release of risk adjustment for the period	245 181	0	0	245 181
Contractual Service Margin for the service provided in the period	-19 325 785	0	0	-19 325 785
Recovery of insurance acquisition cash flows	-33 439 825	0	0	33 351 937
Experience adjustments from premiums and related cash flows	-962 503	0	0	2 872 864
Insurance revenue for short term contracts	-133 796 657	0	0	-133 796 657
Insurance service expenses	33 439 825	-1 285 430	179 673 037	211 827 433
Incurred claims and other incurred service expenses	0	0	186 422 110	186 422 110
Changes that relate to past service	0	0	-6 749 073	-6 749 073
Changes that relate to future service	0	-1 285 430	0	-1 285 430
Losses at initial recognition	0	2 677 585	0	2.677 585
Changes in estimates that do not adjust the CSM	0	-1 130 334	0	-1.130 334
Reversal of losses	0	-2 832 681	0	-2.832 681
Amortisation of insurance acquisition cash flows	33 439 825	0	0	33 439 825
Insurance finance income or expenses	3 052 926	46 823	2 090 067	5 189 815
Accretion of interest	3 052 926	46 823	2 090 067	5 189 815
Changes recognised in OCI	-214 293	0	-713 096	-927 388
Effects from changes in market variables	-214 293	0	-713 096	-927 388
Cash flows	251 697 544	0	-186 174 748	65 522 796
Premiums received	297 774 647	**0**	**0**	297 774 647
Insurance acquisition cash flows paid	-46 077 103	**0**	**0**	-46 077 103
Claims and other insurance service expenses paid	**0**	0	-186 174 748	-186 174 748
Closing balance	85 171 682	2 421 360	111 576 934	199 169 976
Closing balance - insurance portfolios in asset position	-23 375 363	13 518	5 339 556	-18 022 288
Closing balance - insurance portfolios in liability position	108 547 045	2 407 842	106 237 377	217 192 264

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 result	**-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

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	2025			
	Expected recovery (remaining coverage)		Expected recovery for incurred claims	Total
	Excluding loss-recovery component	Loss-recovery component		
Opening balance - insurance portfolios in asset position	-22 204 517	0	64 000 494	41 795 976
Opening balance - insurance portfolios in liability position	-17 656 708	0	-7 773 645	-25 430 353
Opening balance	**-39 861 225**	**0**	**56 226 848**	**16 365 623**
Reinsurance service result	**-71 837 057**	**0**	**54 877 595**	**-16 959 462**
Reinsurance expense	-71 837 057	0	0	-71 837 057
Expected incurred claims and other expenses for the period	-1 400 553	0	0	-1 400 553
Expected release of risk adjustment for the period	-6 656	0	0	-6 656
Net cost/gain for the service received in the period	-3 349 511	0	0	-3 349 511
Experience adjustments from premiums and related cash flows	-350 138	0	0	-350 138
Reinsurance expense from short term contracts	-66 730 199	0	0	-66 730 199
Reinsurance service income	0	0	54 877 595	54 877 595
Recoveries of incurred claims and other insurance service expenses	0	0	58 305 145	58 305 145
Changes that relate to past service	0	0	-3 427 550	-3 427 550
Reinsurance finance income or expenses	**652 266**	**0**	**659 497**	**1 311 763**
Accretion of interest	652 266	0	659 497	1 311 763
Changes recognised in OCI	**-2 466**	**0**	**-329 374**	**-331 841**
Effects from changes in market variables	-2 466	0	-329 374	-331 841
Cash flows	**83 595 219**	**0**	**-69 119 592**	**14 475 627**
Premiums paid	83 595 219	0	0	83 595 219

Claims and other insurance service expenses reimbursed	0	0	-69 119 592	-69 119 592
Closing balance	**-27 453 264**	**0**	**42 314 974**	**14 861 710**
Closing balance - insurance portfolios in asset position	-7 447 873	0	49 456 946	42 009 073
Closing balance - insurance portfolios in liability position	-20 005 392	0	-7 141 972	-27 147 363

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

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	2025			
	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	-13 652 400	97 132	4 240 597	-9 314 670
Opening balance - insurance portfolios in liability position	159 600 802	1 352 788	16 742 827	177 696 416
Opening balance	**145 948 402**	**1 449 920**	**20 983 424**	**168 381 746**
				0
Insurance service result	**62 819 358**	**-53 807**	**-1 137 918**	**61 627 633**
Changes that relate to current service		244 001	-19 325 785	66 567 345
Contractual Service Margin for the service provided in the period	0	0	-19 325 785	-19 325 785
Changes in the risk adjustment	0	250 844	0	250 844
Experience adjustments	-14 711 092	0	0	-14 711 092
Incurred claims from short term contracts	100 360 221	-6 843	0	100 353 378
Changes that relate to future service	-16 103 449	-275 058	18 187 867	1 809 360
Contracts initially recognised in the period	-14 239 759	552 940	16 352 212	2 665 392
Changes in the estimates reflected in the Contractual Service Margin	-1 030 446	-805 210	1 835 656	0
Changes in estimates that do not adjust the Contractual Service Margin	-833 244	-22 788	0	-856 032
Changes that relate to past service	-6 726 322	-22 751	0	-6 749 073
Changes in fulfilment cash flows relating to incurred claims	-6 726 322	-22 751	0	-6 749 073
Insurance finance income or expenses	**2 483 666**	**13 074**	**587 858**	**3 084 598**
Accretion of interest	2 483 666	13 074	587 858	3 084 598
Changes recognised in OCI	**-889 751**	**-37 638**	**0**	**-927 388**
Effects from changes in market variables	-889 751	-37 638	0	-927 388
Cash flows	**-67 158 527**	**0**	**0**	**-67 158 527**
Premiums received	161 364 777	0	0	161 364 777
Insurance acquisition cash flows paid	-42 348 556	0	0	-42 348 556
Claims and other insurance service expenses paid	-186 174 748	0	0	-186 978 458
Closing balance	**143 203 147**	**1 371 548**	**20 433 364**	**165 008 060**
Closing balance - insurance portfolios in asset position	-20 764 346	139 461	3 290 135	-17 334 750
Closing balance - insurance portfolios in liability position	163 967 493	1 232 087	17 143 229	182 342 809

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

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	**2025**			
	Estimates of the present value of the future cash flows	**Risk adjustment**	**Net cost/gain**	**Total**
Opening balance - insurance portfolios in asset position	63 867 965	249 666	503 348	64 620 979
Opening balance - insurance portfolios in liability position	-16 095 916	132 662	2 826 447	-13 136 807
Opening balance	**47 772 050**	**382 328**	**3 329 795**	**51 484 173**
Reinsurance service result	**49 617 944**	**-57 732**	**210 524**	**49 770 737**
Changes that relate to current service	56 626 877	-79 079	-3 349 511	53 198 287
Net cost/gain for the service received in the period	0	0	-3 349 511	-3 349 511
Changes in the risk adjustment	0	-17 589	0	-17 589
Experience adjustments	-1 214 327	0	0	-1 214 327
Incurred claims and other incurred service ceded to reinsurer from short term contracts	57 841 204	-61 491	0	57 779 714
Changes that relate to future service	-3 566 409	6 373	3 560 035	0
Contracts initially recognised in the period	-4 174 384	5 591	4 168 793	0
Changes in the estimates reflected in the net cost/gain	607 975	783	-608 758	0
Changes that relate to past service	-3 442 524	14 974		-3 427 550
Changes in fulfilment cash flows relating to incurred claims ceded to reinsurer	-3 442 524	14 974		-3 427 550
Insurance finance income or expenses	**572 229**	**7 550**	**154 070**	**733 848**
Accretion of interest	572 229	7 550	154 070	733 848
Other effects	**0**	**0**	**0**	**0**
Effects from currency exchange rate differences	0	0	0	0
Changes recognised in OCI	**-336 494**	**4 653**	**0**	**-331 841**
Effects from changes in market variables	-336 494	4 653	0	-331 841
Cash flows	**-65 138 013**	**0**	**0**	**-65 138 013**
Premiums paid	3 981 578	0	0	3 981 578
Claims and other insurance service expenses reimbursed	-69 119 592	0	0	-69 119 592

Closing balance	**32 487 716**	**336 799**	**3 694 389**	**36.518.904**
Closing balance - insurance portfolios in asset position	49 834 449	216 869	811 671	50 862 989
Closing balance - insurance portfolios in liability position	-17 346 733	119 930	2 882 718	-14 344 085

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

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

2025 *In euros*	**Contracts issued** **Non-Onerous**	 **Onerous**	**Total**
Estimates of the present value of future cash inflows	130 476 784	20 028 568	**150 505 352**
Estimates of the present value of future cash outflows	**-113 625 363**	**-22 652 423**	**-136 277 786**
Expected future claims, expenses, and investment components	-84 655 847	-16 152 211	**-100 808 057**
Expected insurance acquisition cash flows	-28 969 516	-6 500 213	**-35 469 729**
Risk adjustment	-499 210	-53 730	**-552 940**
Contractual Service Margin	-16 352 212	0	**-16 352 212**
Total	**0**	**-2 677 585**	**-2 677 585**

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**

Reinsurance contracts held

2025 *In euros*	**Contracts issued**		**Total**
	Non-Onerous	**Onerous**	
Estimates of the present value of future cash inflows	911 828	0	**911 828**
Estimates of the present value of future cash outflows	**-5 086 212**	**0**	**-5 086 212**
Expected future claims, expenses, and investment components	-5 086 212	0	**-5 086 212**
Risk adjustment	5 591	0	**5 591**
Net cost/gain	4 168 793	0	**4 168 793**
Total	**0**	**0**	**0**

2024 *In euros*	**Contracts issued**		**Total**
	Non-Onerous	**Onerous**	
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**

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	**2025**		**2024**	
	Insurance contracts issued	**Reinsurance contracts held**	**Insurance contracts issued**	**Reinsurance contracts held**
Carrying amount at 31 December - Contractual service margin	**20 433 364**	**3 694 389**	**20 983 434**	**3 329 795**
Expected amounts recognised in profit or loss				
Year 1 change	10 640 743	1 722 320	12 288 871	1 651 135

Year 2 change	3 265 129	891 379	2 956 793	858 277
Year 3 change	1 961 718	469 252	1 539 650	356 422
Year 4 change	1 158 757	258 151	960 866	149 620
Year 5 change	644 190	83 029	620 426	65 754
Year 6 change	460 031	43 153	441 690	26 641
Year 7 change	365 626	34 898	372 569	21 820
Year 8 change	303 696	25 675	307 960	20 604
Year 9 change	261 051	19 625	256 695	15 845
Year 10 change	225 974	14 411	215 506	11 555
Year 11 and subsequent change	1 146 449	132 497	1 022 398	152 121

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	2025				2024			
	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	295 556	-94 906	0	200 650	769 797	-189 000	0	580 797
Carrying amount at 1 January – Contractual service margin from insurance contracts issued	141 545	5 925 738	0	6 067 284	260 187	7 122 560	0	7 382747
Contractual service margin for services provided in the reporting period	-64 936	-1 118 653	0	-1 183 589	-183 358	-1 405 113	0	-1 588 471
Changes in estimates adjusting the contractual service margin	-15 122	436 546	0	421 424	65 626	206 501	0	272 129
Effects of contracts initially recognised in the period	0	0	0	0	0	0	0	0
Insurance finance income or expenses	-288	9 268	0	8 980	-911	1 790	0	879
Other effects	0	0	0	0	0	0	0	0
Carrying amount at 31 December – Contractual service margin from insurance contracts issued	**61 200**	**5 252 900**	**0**	**5 314 100**	**141 545**	**5 925 738**	**0**	**6 067 284**

[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 <=2015	2016	2017	2018	2019	2020	2021	2022	2013	2024	2025	Total
2015	75 123 774											
2016	26 112 254	64 180 904										
2017	3 631 655	19 728 523	60 388 705									
2018	2 669 580	2 307 952	21 420 835	67 596 619								
2019	1 442 792	1 153 442	2 252 123	24 899 185	75 220 348							
2020	443 991	689 833	1 509 440	3 343 705	24 170 080	76 997 526						
2021	611 275	306 149	645 107	945 040	2 937 205	23 303 691	90 102 601					
2022	185 211	49 352	299 797	1 116 025	-1 528 397	3 205 030	37 733 778	83 165 103				
2023	264 108	100 540	40 744	1 369 877	2 540 181	2 270 802	7 642 058	25 683 381	67 306 820			
2024	357 281	567 672	145 730	149 724	423 932	641 456	3 452 276	3 204 077	25 542 089	72 175 041		
2025	1 070 651	139 908	146 372	833 271	1 103 521	622 673	2 085 890	1 401 903	4 517 881	23 318 966	73 285 144	**108 526 180**

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

In euros Calendar year	Accident year <=2015	2016	2017	2018	2019	2020	2021	2022	2013	2024	2025	Total
2015	66 094 803											
2016	23 044 562	39 098 152										
2017	14 957 539	11 866 555	43 731 365									
2018	12 283 867	7 059 202	13 651 250	49 647 000								
2019	10 394 153	5 177 272	7 443 619	17 493 676	51 033 380							
2020	9 918 086	4 104 156	5 664 369	10 207 349	17 922 063	48 892 187						
2021	7 718 461	2 878 192	3 856 077	6 866 711	9 177 054	13 933 168	62 909 513					
2022	6 866 713	2 686 289	3 001 843	4 398 049	7 996 799	6 976 597	18 651 396	43 632 182				
2023	9 552 060	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	9 494 780	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		
2025	7 763 867	2 248 087	1 831 981	1 976 333	3 405 330	1 629 099	6 135 181	5 799 072	10 880 719	17 200 812	43 108 613	**101 979 093**

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

In euros Calendar year	Accident year <=2015	2016	2017	2018	2019	2020	2021	2022	2013	2024	2025	Total
2015	141 218 577											
2016	124 280 589	103 279 055										
2017	119 825 221	95 775 982	104 120 070									
2018	119 821 129	93 276 581	95 460 790	117 243 619								
2019	119 374 207	92 548 093	91 505 282	109 989 480	126 253 728							
2020	119 342 131	92 164 809	91 235 472	106 046 858	117 312 490	125 889 713						
2021	117 753 782	91 244 995	90 072 287	103 651 260	111 504 687	114 234 385	153 012 114					
2022	117 087 244	91 102 444	89 517 850	102 298 623	108 796 034	110 482 845	146 487 775	126 797 284				
2023	120 036 699	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	120 336 701	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		
2025	119 676 438	91 472 361	88 680 834	102 229 779	108 272 199	108 670 277	147 151 784	119 253 535	108 247 510	112 694 819	116 393 757	**1 222 743 293**

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	**2025**
Nominal liability for incurred claims	101 979 093
Effect of discounting	-7 686 930
Risk adjustment for non-financial risk for incurred claims	611 442
Liability for incurred claims recognised in the balance sheet (net)	**94 903 606**

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	**2025**	**2024**
Other receivables	1 219 687	940 629
Total other financial assets	***1 219 687***	***940 629***
Prepaid taxes	559 514	962 837
Prepaid expenses	2 385 612	2 789 090
Total non-financial assets	***2 945 126***	***3 751 927***
Total	**4 164 813**	**4 692 556**

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 211,078 euros write-downs of intangible assets and mostly related to the strategy platform in Latvia (2024: there were no write-downs of intangible assets during the financial year).

On 31 December 2025, the cost of fully amortised assets still in use was 14,710,275 euros (31 December 2024: 14,498,614 euros).

In euros	Software and licences
Cost	
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
Write-off internally generated IT projects	0
As at 31 December 2024	**37 900 027**
Addition through purchase of software and licences	2 649 064
Addition through internally generated IT projects	0
Write-off of software and licences	-130 144
As at 31 December 2025	**40 418 947**
Accumulated amortisation	
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**
Amortisation for the year	3 475 601
Write-off	-129 917
As at 31 December 2025	**23 181 389**
Carrying amount	
As at 31 December 2024	**18 064 322**
As at 31 December 2025	**17 237 558**

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 2025, the cost of fully depreciated items still in use amounted to 2,002,371 euros (31 December 2024: 2,170,094 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 16 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 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**
Additions	0	2 893 580	143 961	2 431 314	5 468 855
Sales	0	-87 341	0	-100 756	-188 097
Write-off	0	-249 710	-27 420	-383 116	-660 246
At 31 December 2025	**0**	**17 104 003**	**720 118**	**6 496 380**	**24 320 501**
Accumulated depreciation					
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**
Depreciation for the year	0	1 585 038	73 528	544 239	2 202 805
Sales	0	-38 327	0	-100 556	-138 883
Write-off	0	0	-23 035	-349 997	-373 032
At 31 December 2025	**0**	**10 937 716**	**217 866**	**3 412 122**	**14 567 714**
Carrying amount					
At 31 December 2024	**0**	**5 156 459**	**436 204**	**1 230 502**	**6 823 165**
At 31 December 2025	**0**	**6 166 277**	**502 252**	**3 084 258**	**9 752 787**

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
2024		
Balance on 1st January	4 840 159	553 788
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**
2025		
Depreciation charge for the year	1 571 657	328 437
Additions under IFRS 16	2 872 984	311 840
Terminations and correction under IFRS16	-229 114	-10 059
Balance on 31st December 2025	**5 868 452**	**832 548**

Some office rent agreements were terminated during the year, and some new contracts were concluded. In 2025 in Latvia, the company rented a new head office.

Movements in the lease liabilities

Lease liabilities	**2025**	**2024**
On 1 January	5 807 010	5 494 142
Payments for the principal portion of lease liabilities	-1 941 886	-1 915 982
Non-monetary movements	3 136 007	2 228 850
On 31st December	**7 001 131**	**5 807 010**

Maturity analysis of lease liabilities

Lease liabilities	2025	2024
Less than one year	1 878 223	917 775
One to two years	1 528 727	1 689 768
Two to five years	2 718 141	1 314 577
Five to ten years	876 040	1 884 890
Total	**7 001 131**	**5 807 010**

Note 17. Other payables and accrued expenses

In euros

As of 31 December	2025	2024
Other payables	1 365 454	984 109
Payables to suppliers	1 683 364	2 445 136
Accrued vacation payables	2 089 012	1 963 473
Payables to employees	1 118 260	951 039
Total other financial liabilities	***6 256 090***	***6 343 757***
Acquisition cost directly expensed PAA 59(a)	7 539 253	6 631 796
Total other insurance payables	***7 539 253***	***6 631 796***
Other accrued items	1 708 166	1 720 822
Personal income tax payable	839 175	689 049
Corporate income tax payable	-714 768	-304 209
Value added tax payable	683 523	418 856
Social security tax payable	1 203 768	982 477
Income tax payable on fringe benefits	6 600	4 405
Social security tax payable on fringe benefits	9 875	5 589
Payables to 2nd pillar pension funds (mandatory funded pension)	40 407	29 284
Total non-financial liabilities	***3 776 746***	***3 546 273***
Total	**17 572 089**	**16 521 826**

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 2025	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 2025 dividend in amount 7,450,000 EUR 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 2025 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 2025, the capital reserve amounted to 3 072 304 euros (31 December 2024: 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	2025	2024
At 1 January	**-3 235 605**	**-5 569 615**
Derecognised from equity and recognised in profit or loss in connection with sale and impairment	-16 310	58 885
Derecognised from equity and recognised in profit or loss in connection with arrival of maturity date	-77 738	110 489
Net change in fair value recognised in other comprehensive income or expense during the year	432 582	2 174 783
Change in Expected credit loss (ECL)	20 797	-10 147
Total change in the value of debt instruments measured at FVOCI	**359 331**	**2 334 010**
At 31 December	**-2 876 274**	**-3 235 605**

Note 21. Fair value of financial instruments

In euros		**As at 31 December 2025**					
	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	4 944 614	4 944 614	0	0	4 944 614	4 944 614
Unlisted equities[1]	14.1	43 443	N/A[2]	N/A[2]	N/A[2]	N/A[2]	0
Government bonds	14.2	188 242 592	188 242 592	0	188 242 592	0	188 242 592
Financial institutions' bonds	14.2	87 221 493	87 221 493	0	87 221 493	0	87 221 493
Other bonds	14.2	33 950 674	33 950 674	0	33 950 674	0	33 950 674

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	185 417 394	185 417 394	0	185 417 394	0	185 417 394
Financial institutions' bonds	14.2	78 361 393	78 361 393	0	78 361 393	0	78 361 393
Other bonds	14.2	28 140 034	28 140 034	0	28 140 034	0	28 140 034

[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. There have been no reclassifications between the level.

Note 22. Income tax

At 31 December 2025, the company's retained earnings totalled 126 567 290 euros (31 December 2024: 111 394 242 euros) and the carrying amount of intangible assets was 17 237 558 euros (31 December 2024: 18 064 322 euros). Thus, distributable profit amounted to 109 329 732 euros (31 December 2024: 93 329 920 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 24 052 541 euros (31 December 2024: 18 665 984 euros) and the maximum amount that could be distributed as the net dividend is 85 277 191 euros (31 December 2024: 74 663 936 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 2025 cannot exceed the company's distributable profit as at 31 December 2025.

In euros

Income tax expense	**2025**	**2024**
Income tax expense	1 885 607	2 190 169
Change in deferred income tax	-23 144	-13 601
Total income tax expense	**1 862 463**	**2 176 568**

In euros

Recognised deferred income tax assets	**2025**	**2024**
Deductible temporary differences on other liabilities	304 293	281 149
Total	**304 293**	**281 149**

In euros

Reconciliation of accounting profit and income tax expense	2025	2024
Consolidated profit before tax	24 485 511	27 846 386
Parent company's domestic tax rate 0%		
Effect of tax rates in foreign jurisdictions	1 063 538	1 006 421
Effect of expenses non-deductible for tax purposes	822 069	1 183 748
Change in recognised deferred tax assets	-23 144	-13 601
Income tax expense for the year	**1 862 463**	**2 176 568**

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 Related party	Receivables 2025	Payables 2025	Receivables 2024	Payables 2024
Parent of the group – Münchener Rück	192 140	420 984	44 262	720 212
Other group companies	821 166	37 204 882[1]	1 065 465	39 935 301[1]

In euros

Related party	Services purchased 2025	Services sold 2025	Services purchased 2024	Services sold 2024
Parent of the group – Münchener Rück	173 224	0	860 560	0
Other group companies	50 899 430[2]	47 456 502	4 018 061[2]	877 626

[1] Including a subordinated loan of 15 500 000 euros (2024: 15 500 000 euros) and related interest 198 233 euros (2024: 198 233 euros), total liability 15 698 233 euros (2024: 15 698 233). Loans received from ERGO Life Insurance SE.

[2] Including interest of 449 090 euros (2024: 866 520 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 considers the expected cash flows over the term of the loan.

in EUR **As at 31 December**	**2025**	**2024**
4 years and more	15 698 233	15 698 233
In total	**15 698 233**	**15 698 233**

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 insurers 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 31.12.2025 Insurance Finance Reserve was 3 031 095 euros (2024: 2 103 706 euros). Reinsurance Finance Reserve was -801 250 euros (2024: -469 409 euros).

Note 26. Events after the reporting period

On 25 July 2024, ERGO International AG, the sole shareholder of ERGO Insurance SE, entered into a Share Purchase Agreement with Gjensidige Forsikring ASA to acquire 100% of the shares in ADB Gjensidige, a non-life insurance company operating in Lithuania, Latvia and Estonia. The transaction was successfully completed on 2 January 2026, upon which ADB Gjensidige became a wholly owned subsidiary of ERGO International AG.

Following the acquisition, plans were initiated for a cross-border side-stream merger whereby ADB Gjensidige would be merged into ERGO Insurance SE. As a result of this merger, all assets and liabilities of ADB Gjensidige are expected to be transferred to ERGO Insurance SE, and ADB Gjensidige would be dissolved without liquidation. The merger is expected to be completed in the end of 2026.

The merger is subject to regulatory and other approvals, including approvals from the Estonian Financial Supervision Authority and the Bank of Lithuania in connection with the transfer of the insurance portfolio. As at 31 December 2025, ERGO Insurance SE did not have control over ADB Gjensidige, and accordingly no assets, liabilities, income or expenses of ADB Gjensidige have been recognised in these financial statements. The financial impact of the merger on ERGO Insurance SE will be recognised in future reporting periods and cannot be reliably estimated at this time.

In Lithuania comprehensive tax legislation change will be in forced from 1st of January 2026. Due to national defence budget increase additional 10% tax to non-life insurance premiums will be imposed. The exemption applies to compulsory motor third party liability insurance concluded by individuals for personal, non-economic use of vehicles, as well as to agricultural insurance where the insurance object relates to crops, plants or the health of farm animals. The financial effects of this legislative change will be reflected in the Company's results for periods beginning on or after 1 January 2026.

Escalating geopolitical tensions in the Middle East, particularly the risk of broader conflict involving Iran and Israel, have increased uncertainty in global financial and energy markets. These developments may heighten volatility, disrupt supply chains, and pose potential risks to economic stability and capital market performance.

Signatures to annual report 2025

The management board of ERGO Insurance SE has prepared the company's review of operations and financial statements for 2025.

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

Tadas Dovbyšas
Member of the Management Board
/signed digitally/

Laimė Naruševičienė
Member of the Management Board
/signed digitally/

Aija Medne
Member of the Management Board
/signed digitally/

Ernst & Young Baltic AS
Rävala 4
10143 Tallinn
Eesti
Tel.: +372 611 4610
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
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 2025, 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 material accounting policy information and other explanatory 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 2025, 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 Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the financial statements of public interest entities 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.

Shape the future
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 2025 were 217 million euro representing 52% 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), 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.

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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.

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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 29 April 2025 we were appointed to carry out the audit of the Company's financial statements for the year ended 31 December 2025. Our total uninterrupted period of engagement is 6 years, covering the periods ended 31 December 2020 to 31 December 2025.

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. To the best of our knowledge and belief, we have not provided any prohibited non-audit services.

Tallinn, 15 April 2026

/signed digitally/

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 2025 of 22 623 048 (twenty-two million six hundred and twenty-three thousand and forty-eight) 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 2026, retained earnings amount to 126 567 290 (one hundred twenty-six million five hundred sixty-seven thousand two hundred ninety) euros.

On behalf of the management board of ERGO Insurance SE

Ursula Clara Deschka

Chairwoman of the Management Board

/signed digitally/

Information on the sole shareholder

This information is presented as of 15 April 2026.

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 2025 – 31 December 2025	Amount in euros
Non-life insurance (65121)	286 930 252
Reinsurance (65201)	0

Activities planned for the period 1 January 2026 – 31 December 2026

Non-life insurance (65121)

Reinsurance (65201)