ERGO Insurance SE
Financial Year 2024

ERGO
Simple because it matters.

Solvency and Financial Conditions Report

Contents

Summary

This report is part of the qualitative (narrative) reporting system that insurance companies must prepare in the course of Solvency II. The report on Solvency and Financial Position is open to the public and is published annually. Its content structure and the information to be reported are laid down in supervisory law, for example in Commission Delegate's Regulation (EU) 2015/35 of 10 October 2014.

This report relates to the 2024 financial year. As one of the Baltic's leading insurance companies ERGO Insurance SE offers a comprehensive selection of property and casualty insurance products to both private and corporate clients. In 2024, ERGO Insurance SE generated insurance revenue of 289 million euros, showing significant increase comparing to the year before. The largest classes were motor third-party liability and motor own damage insurance.

ERGO strives for and aims to expand its position as an efficient and innovative company that provides the best client service and also performs as socially responsible employer in all three Baltic countries (Chapter A Business and Performance).

Solvency II provides insurance companies with numerous guidelines for their governance system. The company has continued to develop its extensive and appropriate governance system. In this respect, it has paid particular attention to the reliability and suitability of the persons managing the company ("fit and proper") as well as to the appropriate control of the outsourced functions. The four key functions, which we report in detail (Chapter B Governance System), have a particularly important role.

The company is always in a position to manage the risks involved. This is demonstrated by the implementation of sound risk management system (chapter C Risk Profile). Underwriting risk dominates the risk profile of the Company, staying at 89% of the total Solvency Capital Requirement (SCR) by the end of 2024.

Solvency II creates the rules for the accounting of assets, actuarial provisions and other liabilities. We explain the main differences in the accounting according to Solvency II and IFRS, including their bases, methods and underlying assumptions. Our valuation method has not changed in the past financial year (chapter D Valuation for solvency purposes).

The company is adequately capitalized and has met the requirements for the provision of solvency capital and minimum capital at all times during the reporting year. As of end of the 2024 Solvency II ratio achieved 167% (Chapter E Capital Management).

The qualitative reporting system supplements the quantitative (number-based) reporting. Quantitative Reporting Templates (QRT), which insurance companies must regularly transfer the supervisory authority, are part of the quantitative reporting system. The report contains selected QRTs with information on the 2024 financial year.

As of the compilation of this report, the results have not undergone final auditing procedures.

This Solvency and Financial Condition Report for the financial year 2024 was approved by the Management Board of ERGO Insurance on 07.04.2025.

Major recent developments

There are a number of risk drivers and causes which are also be significant, but which cannot be clearly classified in the risk categories of standard formula. These include for instance concentration risks, compliance violations or additional regulatory requirements. In general, these are assigned to the category that is most severely affected or are presented in this subchapter.

Uncertainties in dealing with artificial intelligence (AI)

The importance of artificial intelligence (AI) in the business world is constantly increasing as technological development progresses and is one of the most important trends in digital transformation in almost all areas. AI can make a significant contribution to influencing and changing the insurance industry. For ERGO and other market players in the insurance industry, the use of AI offers immense potential for efficiency gains, cost savings and the development of new business models along the entire value chain. The capabilities of AI can facilitate the development of innovative products, improve the customer interface and service, simplify and automate processes and promote efficiency and accuracy. At the same time, however, the rapid advances in AI technology also harbor specific risks, these are not seen as a separate type of risk, but rather as factors that impact on known types of risk.

Potential threats to the security and integrity of our information and data are seen as a central danger of AI. Particularly in the areas of information security and data protection, inadequate precautions with regard to contractual, technical and organizational design can lead to data vulnerabilities or even data loss, wrong decisions, breaches of confidentiality (transfer of confidential data to third countries) or disruptions to business operations and reputational risks.

The security objectives of confidentiality, availability, authenticity and integrity are key pillars for the protection of information and systems. In the context of a complex risk landscape, ERGO pays particular attention to the challenges posed by the use of AI, especially the spread of disinformation.

Geopolitical conflicts and wars

In terms of global capital markets, the current geopolitical conflicts and wars continue to have the potential to drastically increase uncertainty and volatility. Globally noticeable consequences cannot be ruled out. There could be further secondary effects that could have a negative influence on the risk situation of the company. These could include market risk, credit risk and operational risk (e.g. cyber risk).

Potential effects from developments in the military conflict and the associated secondary effects on the risk situation are analyzed on an ongoing basis. Overall, this does not currently have any significant impact on the assets and liabilities side of ERGO's balance sheet or on solvency. Nevertheless, there could be limited, indirect effects on the assets side due to negative market developments.

ERGO IRM continuously monitors current events in its risk management cycle.

Sustainability risks

We define sustainability risks as all events or conditions relating to the environment, social issues or corporate governance, the occurrence of which may have actual or potential significant negative impacts on the net assets, financial position and results of operations, as well as on the reputation of our company. In our company, we counter sustainability risks by systematically considering ESG criteria in our insurance business, investments, procurement activities and our own operations.

In doing so, we distinguish between the perspectives of so-called "dual materiality": on the one hand, we consider the impact on the environment ("inside out"), and on the other hand, the impact of the environment ("outside in").

We understand sustainability risks as a partial aspect of the known risk categories. We do not see a separate risk category for sustainability risks, as sustainability risks have an impact on the other risk categories, and it would hardly be possible to distinguish them in a meaningful way. Sustainability risks are comprehensively managed in our risk management cycle as part of the original risk, i.e. the other risk categories. Sustainability risks are integrated into risk management and the overall risk management process in the same way as other risk categories.

Our parent company Munich Re provides the basic strategic framework for sustainability issues. At ERGO the ESG organization and governance principles are following:

ESG Team – Governance, Responsibility and Delegated Functions			
ESG Governance Area		**Responsibility**	**ERGO Function**
ESG Strategy, Management	Baltics	ESG Strategic decisions, top-level governance	Members of the Board – Estonia, Latvia, Lithuania
Sustainability / ESG Governance	Baltics	Sustainability / Governance of all ESG activities and process coordination	Sustainability Officer
Environmental Management	Local / Baltics	Environmental Management System	Country Administration Department
Social Management	Local / Baltics	Diversity, Equity, Inclusion and other Social Areas	Human Resource Department
ESG Communication	Local / Baltics	ESG Awareness, Trainings, Customer Campaigns	Sustainability Officer / Communication Department
Corporate Governance	Local / Baltics	ESG risk management, legislation, reporting, project management etc.	Corresponding ERGO Departments

Figure 1. ERGO Insurance SE ESG organization and governance principles

The Code of Conduct, which was last updated in 2023 and applies to all employees of the ERGO, creates a common understanding of values across the company and thus contributes to appropriate corporate governance. This is also achieved through corresponding Compliance regulations. At the beginning of 2024, the company also adopted the "Guideline for mitigating the risk of ESG-related statements", which serves to reduce potential greenwashing risks.

In the area of investments, the Responsible Investment Guideline (RIG) was updated. This includes sustainability-related aspects for the investment management of the individual asset classes (e.g. shares, fixed-interest securities, real estate and alternative investments).

ERGO takes into account of the social dimension ("S") of sustainability in its own operations, in particular by promoting diversity, equality and inclusion as part of the DIE (Diversity, Equity & Inclusion) initiative. ERGO relies on measures such as training and workshops as well as networks in the divisions to promote a diverse and inclusive workforce. The protection of human rights (also in connection with the Supply Chain Due Diligence Act) is also firmly established, through the introduction of the Supply Chain Due Diligence (Human Rights) Guideline.

With regard to the ecological dimension (environment) of sustainability, climate change remains the key sustainability risk. Climate-related risks can also have a connection with emerging risks, which we also consider. Sustainability risks occur in the form of physical and transition risks, whereby there are interdependencies between the two types of risk.

ERGO Group has set the ambition program, where ERGO Insurance SE contributes to:

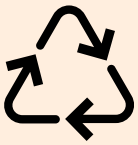
GHG emission reduction			Ambition 2025
Assets **Financed GHG emissions**		**Total** **Thermal coal** **Oil and gas**	**-25 to -29%** **-35%** **-25%**
Liabilities **Financed GHG emissions**		**Thermal coal** **Oil and gas**	**-35%** **-5%**
Own Emissions **GHG emissions from operational, processes**		**Total per employee**	**-12%**

Figure 2. ERGO Group Ambition 2025

In summary, we consider our structures, processes and methods for dealing with sustainability risks to be appropriate. In order to effectively address sustainability risks in the long term, two factors are of particular relevance: the ability to adapt our business activities and assessment models to a changing environment (strategic risk) and the credibility with which we consistently implement our sustainability strategies (reputational risk).

A. Business and Performance

In January 2023 the new accounting standard IFRS17 was implemented that introduces significant changes to the financial reporting methodologies. Given the complexity and nuanced framework of this standard, it is imperative to note that transitional measures were employed during the reporting period to facilitate the seamless assimilation of the new standard into management reporting practices. Consequently, for the current reporting period, financial indicators from both IFRS 4 (including but not limited to gross written premium) and IFRS 17 are presented, to ensure comprehensive reporting and compliance.

A.1 Business objectives

ERGO Insurance SE hereinafter referred also as ERGO or the Company, is operated in the legal form of societas Europaea, a public company registered in accordance with the corporate law of the European Union. ERGO is operating in the Baltic countries, with the headquarters in Estonia and branches in Latvia and Lithuania.

The Company is 100% owned by ERGO International AG, Germany, which is part of the ERGO Group AG, Germany, which in turn is part of the Munich Re Group (Münchener Rückversicherungs-Gesellschaft AG, Munich), see Figure 3 below. ERGO Group is one of the major insurance groups in Germany and Europe, offering a comprehensive spectrum of insurance services.

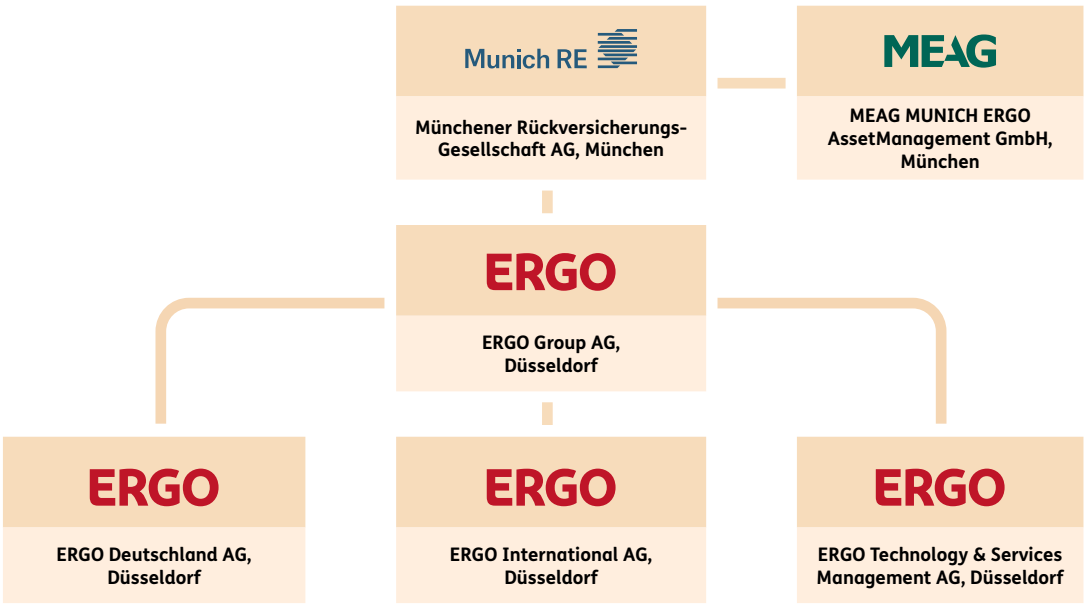


Figure 3. Structure of Munich Re and ERGO Group AG

As one of the Baltic's leading insurance companies ERGO offers a comprehensive selection of property and casualty insurance products to both private and corporate clients. ERGO's insurance revenue for 2024 was 289.0 million euros. ERGO operates with a multi distribution channel approach and can rely on an own extensive and country wide sales network. ERGO underwrites business in Estonia, Latvia and Lithuania.

ERGO's material lines of business:

- Medical expense insurance.
- Income protection insurance;
- Motor vehicle liability insurance;
- Other motor insurance;
- Marine, aviation and transport insurance;
- Fire and other damage to property insurance;
- General liability insurance;
- Credit and suretyship insurance;

- Assistance;
- Miscellaneous financial loss;
- Legal Protection Insurance.

ERGO Insurance SE's business is determined by the strategic framework of ERGO Group: customer satisfaction is and will be the high priority in the future. Also ERGO is strongly focused on innovation and digitalization and well-being of its employees.

ERGO strives to be innovative and efficient insurance undertaking in the Baltics that provides the best possible customer service and is a responsible employer in all three countries.

The processes in all three countries are standardized and simplified to enable business effectiveness and offer customers the seamless experience in sales and claims.

The responsible supervisory authority for the company is Estonian Financial Supervision Authority, (Finantsinspektsioon), Sakala 4, 15030 Tallinn, Estonia. The company is audited by Ernst & Young Baltic AS, Ravala 4, Tallinn, Estonia.

The responsible supervisory authority for the Munich Re and ERGO Groups is the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin), Graurheindorfer Str. 108, 53117 Bonn.

ERGO Insurance SE has participations in DEAX Õigusbüroo OÜ, private limited company, Estonia, share of participation 100%.

A.2 Underwriting Performance

In 2024, ERGO Insurance SE generated insurance revenue of 289.0 million euros, 12.5% increase on 2023. The largest classes were motor liability insurance and motor own damage insurance, which generated premium income of 104.3 million euros and 78.2 million euros, accounting for 36.1% and 27.0% of the total portfolio, respectively. Property insurance contributed 55.3 million euros i.e., 19.1%.

Compared to 2023, the share of other motor liability insurance increased by 2.2 percentage points and its insurance revenue grew by 14.5 million euros i.e., 22.7%. In addition to that, good growths were achieved in motor liability, property and credit and suretyship insurance where insurance revenue grew by 8.9, 5.1 and 2.0 million euros i.e., 9.3%, 10.0% and 26.3% respectively.

euros	2024		2023		Change	
Line of business	**Insurance revenue**	**Share of class, %**	**Insurance revenue**	**Share of class, %**	**Insurance revenue**	**Share of class, pp**
Medical expense insurance	4 615 848	1,6	5 646 148	2,2	-1 030 300	-0,6
Income protection insurance	13 478 220	4,7	12 110 141	4,7	1 368 079	-0,1
Motor vehicle liability insurance	104 213 404	36,1	95 359 509	37,1	8 853 895	-1,1
Other motor insurance	78 155 901	27,0	63 685 364	24,8	14 470 537	2,2
Marine, aviation and transport insurance	3 780 282	1,3	3 407 355	1,3	372 927	0,0
Fire and other damage to property insurance	55 344 530	19,1	50 292 577	19,6	5 051 953	-0,4
General liability insurance	14 034 586	4,9	13 062 961	5,1	971 625	-0,2
Credit and suretyship insurance	9 789 276	3,4	7 753 097	3,0	2 036 179	0,4
Legal expenses insurance	1 531 693	0,5	1 524 017	0,6	7 676	-0,1
Assistance	4 095 237	1,4	4 011 884	1,6	83 353	-0,1
Total	**289 038 977**	**100.0**	**256 853 052**	**100.0**	**32 185 924**	

euros	2024	2023
Estonia	90 184 090	79 631 622
Latvia	46 878 349	43 261 982
Lithuania	151 976 538	133 959 447
Total	**289 038 977**	**256 853 052**

A.3 Investment Performance

A.3.1 Overview of investment performance

Strategic investment management is the responsibility of the company's asset and liability management team which includes qualified specialists from Estonia and Germany. In line with the investment management system, tactical investment management is outsourced to an external service provider. Direct contact for the 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.

In 2024, ERGO maintained a conservative approach to debt securities' interest rate and credit risk. The average credit rating of the debt securities portfolio was AA- whereas: 54.1% (2023: 53.3%) had an AAA (by Standard & Poor's) or Aaa (by Moody's) credit rating, 20.1% (2023: 22.7%) were rated AA or Aa, 16.7% (2023: 11.7%) had an A rating, 9.1% (2023: 12.4%) had a BBB or Baa rating, and 0% (2023: 0%) were rated BB or Ba.

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

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

ERGO does not have any investments in securitization.

A.3.2 Gains and losses recognised directly in equity

The aggressive rate hike cycle by the ECB had a significant impact on the company's revaluation reserve in 2022. However, with the ECB reversing course in 2024 and implementing four policy rate cuts throughout the year, this shift in monetary policy has positively influenced the company's revaluation reserve. The trend is expected to continue in 2025, further supporting the company's financial position.

euros	2024	2023
At 1 January	**- 5 569 615**	**-11 943 065**
Derecognised from equity and recognised in profit or loss in connection with sale and impairment	58 885	54 892
Derecognised from equity and recognised in profit or loss in connection with arrival of maturity date	110 489	206 729
Net change in fair value recognised in other comprehensive income or expense during the year	2 174 783	6 116 095
Change in Expected credit loss (ECL)	-10 147	-4 266
IFRS9 transition effect (first introduction of ECL)	0	0
Total change in the value of debt instruments measured at FVOCI	**2 334 010**	**6 373 450**
At 31 December	**-3 235 605**	**-5 569 615**

A.4 Performance of other activities

Other income includes fees and charges received, rental income, and other income not related to insurance activities. Overall, compared to the previous period, the structure of other income remained unchanged in 2024. The difference in other income is attributed to the sale of a building in Lithuania.

Other expenses contain membership fees to Financial Supervision Authority and professional associations; audit and legal fees; write-off and other expenses not related to insurance activities. The increase observed in year 2023 is caused mainly by expenses related to an IT write-off and changes in cost allocation under IFRS17.

euros	2024				2023			
Other activities	**Estonia**	**Latvia**	**Lithuania**	**Total**	**Estonia**	**Latvia**	**Lithuania**	**Total**
Other income	687 913	223 944	5 017 736	**5 929 593**	853 197	312 070	1 071 002	**2 236 269**
Other expenses	3 039 424	976 034	3 541 158	**7 556 616**	11 055 781	5 968 433	2 836 773	**19 860 987**
Total result	**-2 351 511**	**-752 090**	**1 476 578**	**-1 627 023**	**-10 202 584**	**-5 656 363**	**-1 765 771**	**-17 624 718**

A.5 Any other information

There is no other information.

B. System of Governance

B.1 General information on the system of governance

As the main registered office of ERGO is in Estonia, the company must comply with European Union laws (e. g. Solvency II directive), Estonian Insurance Activity Act as well as Estonian Commercial Code and relevant regulations, approved by Estonian Financial Supervisory Authority (*Finantsinspektsioon*).

ERGO has functional and administrative structures aiming at supporting the strategic objectives and operations. Structures will be adapted to changes in the strategic objectives, operations or in the business environment. The organisational and operational structure of ERGO is considered appropriate for the complexity and size of operations and the business strategy.

The Company continuously develops and improves the efficiency of its management and operational processes while keeping in mind the Company's strategic goals and the reasonableness criteria. The Company's shareholder, Supervisory and Management bodies strive to ensure transparent, reliable and prudent management of the Company by creating an efficient and transparent organizational structure, risk management and internal control, information, monitoring and response systems.

The Supervisory Board is a control body of the Management Board, the duties and functions of these bodies are clearly defined and separated. The Supervisory Board oversees the company and its management organ activity, whereas the Management Board's primary responsibility is company management. The Supervisory Board and the Management Board in order to ensure a level of control that corresponds scale and complexity of the company's business and operations, establish committees whose function is to assist the Supervisory Board and Management Board to implement their tasks.

ERGO has following management bodies:

- General meeting of shareholders;
- Supervisory Board (consists of 4 members, each elected for a term of 3 years);
- Management Board (consists of 5 members, each elected for a term of 5 years);
- Committees. (AL-Team, Fit & Proper committee, Operational Sanction Committee, Reserve Committee, Compensation Committee, Procurement Committee, Audit Committee).

B.1.1 Management Board Duties and responsibilities

The company is managed by the Management Board. The Management Board is responsible for managing the company, setting objectives and determining strategy. In doing so, it is obliged to safeguard company interests and endeavour to achieve a long-term increase in the company's value. The Management Board must ensure compliance with statutory requirements and internal company directives and is responsible for effecting adequate risk management and risk control in the company.

The Management Board is acting in accordance with the Rules of Procedure of the Management Board of ERGO.

The Management Board constitutes a council from the Management Board members, to whom the business management has been assigned. Duties are properly allocated between Management Board members, taking also into account the aim to avoid conflict of interest. The performance of its activities requires a sufficient presence in the company.

The Management Board members are elected by the Supervisory Board. The Chairman of the Management Board is appointed by the Management Board. According to Rules of Procedure of the Management Board each Management Board member has his/hers own area of responsibility (internal allocation of tasks).

The branches of the company are managed by the branch managers. The branch managers are member of the Management Board and are appointed by the Management Board. All terms applicable for Management Board Members according to the current procedure are applicable for Branch Managers as well.

As of January 1, 2024, based on the decision of the Supervisory Board, Ljubov Jaufmann was appointed as a member of the Management Board.

As of January 15, 2024, based on the decision of the Supervisory Board, Aija Medne was appointed as a member of the Management Board.

On June 15, 2024, based on the decision of the Supervisory Board, Ljubov Jaufmann was revoked from the management Board and her responsibilities were taken over by the Chairwoman of the Management Board, Ursula Clara Deschka, on an interim basis.

The members of the Management Board as of the end of the year were as follows:

- Ursula Clara Deschka – Chairwoman of the Management Board;
- Tadas Dovbyšas – Management Board member;
- Marek Ratnik – Management Board member.
- Aija Medne – Management Board member

The roles and responsibilities of the members of the Management Board by 31.12.2024 were as follows:

- Chairwoman of the Management Board (CEO) Ursula Clara Deschka is responsible for the following departments: Communication, HR and office administration, Legal and Compliance (Financial sanctions, Anti-Fraud); Management Board office; Governance; Health underwriting, product development, pricing and reinsurance.
- On an interim basis until a new CFO is appointed, the CEO is also responsible for Accounting; Actuary; Risk Management incl. Information Security; Planning & Controlling, Sustainability and Procurement.
- Member of the Management Board (CDO) Tadas Dovbyšas is responsible for sales (distribution) and Digital, Marketing & CX. He is also a branch manager of the ERGO Insurance SE branch in Lithuania.
- Member of the Management Board (CUO P&C/LPI) Marek Ratnik is responsible for P&C insurance operations (underwriting, product development, pricing and analytics, and reinsurance); Claims Management.
- Member of the Management Board (CUO Life & CIO) Aija Medne is responsible for the following areas: Life product development, Pricing and analytics, Reinsurance, Underwriting & portfolio management; AML; IT; Investments. She is also a branch manager of the ERGO Insurance SE branch in Latvia.

Internal regulation, working procedure and delegation of tasks

Members of the Management Board work together in a spirit of collegiality and inform each other of all business procedures of particular significance within the responsibility of a member of the Management Board, and of such business procedures which affect, or may affect, the responsibility of another member of the Management Board.

In view of the requirement of a consistent business management the Management Board members (including Branch Managers of Company's Branches) conduct their business area independently and on their own responsibility. Any matters of fundamental importance shall be presented to the Management Board for information and/or deciding. Any matters having impact on another business area shall be decided between the responsible members of the Management Board. In case if the Management Board members are of contrary opinions, final decision shall be taken by the CEO.

In order to ensure the necessary coordination, the matters to be discussed and/or decided by the Management Board are discussed regularly during the Management Board meetings. These are called by the Chairman of the Management Board.

The Management Board has also established internal signature rights for signing insurance contracts and for disbursement of claims.

There is also an established authorisation framework on determining signature rights for external transactions including agreements for goods and services and approving invoices.

B.1.2 Supervisory Board Duties and responsibilities

The Supervisory Board of the company is a collegial body supervising the company and its management activities. The Supervisory Board of the company consists of 4 members. It is elected by the company's general meeting of shareholders for a 3-year term. The Supervisory Board oversees and advises the Board of Management on managing the business. It is also responsible, in particular, for appointing the members of the Board of Management, appoints and dismisses a Head of the internal audit, determining the overall remuneration for the Board of Management members, succession planning for the Board of Management, and reviewing the annual financial statements of the company.

The members of the Supervisory Board shall be elected and removed by the General Meeting of the Shareholders. In order to elect a member of the Supervisory Board, his or her written consent is required.

Members of the Supervisory Board are obliged to act in the Company's interest and when making decisions may neither pursue personal interests nor make use of the Company's business opportunities for their own purposes.

All Company business activities beyond the usual framework of daily business require the previous approval of the Supervisory Board. Exact requirements are established by the rules of procedure of the Management Board.

Meetings of the Supervisory Board shall be held when necessary but not less frequently than once every three months. The Chairman summons the meeting of the Supervisory Board.

On the 31st of January 2024 ERGO Insurance SE Supervisory Board member Christine Kaaz resigned from Supervisory member position.

The members of the Supervisory Board are:

- Dr. Oliver Martin Willmes – Chairman of the Supervisory Board;
- Dr. Dirk Christoph Schautes – member of the Supervisory Board;
- Ilona Mihele – member of the Supervisory Board.

The Supervisory Board has established its own rules of procedure, specifying responsibilities, work processes and required majorities. It has also adopted separate charter for the Audit Committee.

B.1.3 Committees

The Asset Liability Team (AL-Team)

The AL-Team is responsible for the annual development (conception and resolution) of the strategic asset allocation (SAA) proposal and the resulting mandate (once a year and as needed) based on the liability structure, required rate of return, desired risk appetite. The AL-Team is also responsible for developing risk management proposals in risk situations.

Operational Sanction Committee

The Committee's scope includes Company operations subject to sanctions requirements under applicable sanctions laws and regulations, as well as sanctions-related actions of an operational nature.

Fit and Proper Committee

Fit and Proper Committee responsible for the initial and continuing assessment of Persons who effectively run the business and other Key Persons prior to an appointment and on an ongoing basis, as well as a description of the situations that give rise to a re-assessment of the fit and proper requirements.

Audit Committee

The Audit Committee is an advisory body to the Supervisory Board on matters relating to accounting, auditing, risk management, internal control and internal audit, supervision, budgeting and compliance.

Compensation Committee

The Compensation Committee ensures that the decisions made by Compensation Committee are in line with the business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and performance of the Company as a whole (sustainable remuneration), and shall incorporate measures aimed at avoiding conflicts of interest; ensuring that remuneration principles consider equal treatment on employees (incl. gender diversity, etc); review of all material and relevant changes of the remuneration system in the Company and for the further development of the remuneration system; monitoring the market situation and draw conclusions on possible changes.

Procurement Committee

The Procurement Committee ensure consistent and correct application of procurement practices.

Reserve Committee

The goal of the Reserve Committee is to challenge and discuss the major assumptions, selections and choices made during the reserving process. The Committee also discusses and challenges the major developments in ultimate losses and reserves, as well as the profitability of the portfolio.

B.1.4 Key functions

In accordance with the Solvency II Directive, ERGO has the following **four key functions**:

- Actuarial function;
- Compliance function;
- Internal audit function;
- Risk Management function.

Key functions are incorporated into the organisational structure in a way which ensures that each function is free from influences that may compromise the function's ability to undertake its duties in an objective, fair and independent manner. All key functions also satisfy a range of requirements, such as fulfilling the "fit and proper" requirements, complying with certain reporting and remuneration requirements.

B.1.4.1 Actuarial function

Within the scope of the tasks as per Solvency II, the Actuarial Function performs monitoring tasks in the actuarial field as the 2nd line of defence. Focus points are the coordination of the calculation of technical provisions, monitoring tasks are related to the underwriting policy as well as the use of reinsurance. The Actuarial Function also supports the Risk Management Function by expressing judgement on key risks of the business and its operation; contributing to methodologies, models and assumptions used for the assessment of risk and contributing to the overall risk management processes.

The role of the Actuarial Function in ERGO is to measure, manage, and mitigate risks by using statistical models and analysis to enhance the understanding of risks assumed. The actuaries also provide advice on the adequacy of risk assessment, reinsurance arrangements, investment policies, capital levels and stress testing of the future financial condition of these companies. The Appointed actuary is the holder of the actuarial function in ERGO. Please see chapter B6 for details.

B.1.4.2 Compliance function

The Compliance function is responsible for oversight, detection, prevention and advice with respect to the compliance risk areas of the Company and contributes to the effective implementation of the internal control system. The Compliance function is designed to supplement the responsibility of the Board and of senior management to ensure compliance with legislation and applicable guidelines. Please see chapter B.4.2 for details.

B.1.4.3 Internal Audit

Internal Audit is the internal audit function of ERGO. Internal Audit performs its tasks independently, objectively and under its own responsibility.

Internal Audit supports the Supervisory Board in overseeing, steering and controlling all operations and activities at ERGO. Internal Audit is only directed by the Supervisory Board with regards to the execution of the audit plan and requesting of ad-hoc audits. Please see chapter B5 for details.

B.1.4.4 Risk Management function

The Risk Management Function is an integral part of ERGO's corporate management with regard to achieving the goal of turning risk into value. The Risk Management Function is the main operating unit responsible for implementing the risk management system. Its main purpose is to assist the Management Board to effectively implement an effective risk management system and to integrate it into business operations. In this respect, the risk management system is understood as meaning the entirety of all measures, on an individual or aggregate basis, serving the regular identification, assessment, monitoring and management of risks taken or potential risks as well as reporting on these. Please see chapter B.3. for details.

B.1.5 Compensation policy

ERGO Compensation policy set the transparent and common compensation system, that facilitates the implementation of company strategy and effective risk management as well as equal treatment for pay opportunities. The company has a compensation system that applies to all employees. Such a system ensures that the company can attract and retain employees who strive for the best results, develop, learn and share knowledge.

The company's compensation system is transparent and performance-based in a way that is considered fair and predictable as much as possible. The salary paid corresponds to the agreed results. The bases and principles of determining the remuneration and other office related benefits of employees are:

- clear, transparent and in compliance with prudent and efficient risk management principles;
- based on the business strategy and values of the insurance undertaking, taking into consideration the economic performance of the Company and the legitimate interests of the policyholders, insured persons and beneficiaries;
- take into consideration the long-term objectives of the Company in view of its ability to cope with the changes in the external environment.

General compensation principles

The remuneration system is based on two main principles – internal fairness and external competitiveness.

Based upon the legal framework and regulations as well as best human resources practices, the most important principles described by the norms are:

- To attract, motivate and retain employees and to ensure a competitive level of remuneration;
- To provide transparency and consistency in the application of remuneration principles in the company, and to ensure a solid foundation for open internal communication;
- To ensure compliance with relevant international and national regulatory requirements, including Solvency II, and alignment with prudent and efficient risk management principles;
- To ensure remuneration principles that are consistent with the long-term strategy of the Company, the corresponding risk strategy and appetite;
- To ensure equal treatment of employees in terms of their remuneration.

Principles of remuneration of Management Board members

Exact conditions of the remuneration of Management Board members are set by the Shareholder's authorized person and are reflected in the individual Management Agreement of each Member of the Management Board.

The remuneration shall not be considered as a wage or any other similar payment, which could be connected with the Management Board Member's subordination to the Company or depending solely on the profit (loss) earned by the Company.

Job grading

The main principle for determining compensation is the classification of positions and market value. All positions are divided into levels according to the required level of knowledge, problem solving decision and responsibility, clear payment principles, conditions, rules and salary review procedures are established. The remuneration system is based on two main principles – internal fairness and external competitiveness. All job positions in the Company are classified according to remuneration survey provider principles and updated annually. The service providers for the countries are Korn Ferry (for Lithuania – Hay methodology) and Figures (for Estonia and Latvia) . The Hay methodology or Figures uses analytic methods to evaluate job requirements by means of defined evaluation criteria. The approach of job evaluation is related to job position not person.

Total Compensation approach

ERGO applies a total compensation approach. The total remuneration generally contains only fixed remuneration (including control/key functions). The exceptions for Sales unit executives (2nd and 3d managerial level) and employees having direct sales responsibility.

The variable remuneration depends on results but does not encourage taking unreasonable and/or risks beyond the level acceptable to the Company. The variable part of the salary is not guaranteed if the employee, the department and/or the Company did not achieve the goals or did not fulfil their tasks.

The fixed remuneration is determined based on position and respective salary range, considering also personal professional experience, responsibility, job complexity, local market conditions. It is paid monthly according to local legislation.

Each Management Board Member receives as a remuneration for his/her activities as a Management Board Member a fixed annual gross fee set forth in the individual Management Agreement (incl. vacation period).

Social package

The Company provides an attractive social package for its employees, which includes additional vacations, trainings, insurances, compensations related to employees' health and personal (family) life, recognition for length of service, etc.

Employees are given the opportunity to work flexibly and partly from the home office.

Pension scheme for the Management Board

In case the Management Board member agreement specifies it, the Company provides each Management Board member with a retirement benefit at the rate of 5% from 69% of the fixed remuneration. The payments to the pension scheme shall be made throughout the duration of the Management Agreement upon submission of the corresponding agreement.

The payments to the pension scheme shall be made throughout the duration of the Management Agreement upon submission of the corresponding agreement.

Shares are not part of the remuneration system. Currently, there are no members of the Management Board who has allocated shares or are subject to pension or early retirement schemes.

B.1.6 Material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management and supervisory bodies

There were no significant transactions during the reporting period.

B.2 Fit and proper requirements

Fit & Proper guideline of the company describes overall process and principals to meet the regulatory "fit and proper" requirements. The Fit and Proper norm of ERGO documents the criteria and procedures to be applied in order to ensure that all persons who effectively run ERGO or are responsible for other key functions within ERGO, at all times meet the "fit and proper" requirements under regulatory laws based on or resulting from the implementation of the Solvency II framework.

Persons to whom the fit and proper requirements apply:

- Members of the Management Board of ERGO;
- Members of the Supervisory Board of ERGO;
- Managers of branches of ERGO (Branch managers are the Management Board Members);
- Head of the internal audit function;
- Head of the compliance function;
- Head of the risk management function;
- Head of the actuarial function;
- Persons who are key function executors (all employees who are performing key functions in actuarial, compliance, internal audit, risk management, including information security).

B.2.1 Fitness requirements

A Key Person is considered "fit" if his/her relevant professional and formal qualifications, knowledge and experience within the insurance sector, other financial sectors or other businesses are adequate to enable sound and prudent management, as well as to perform the tasks assigned to them in an orderly manner. The respective duties allocated to that Key Person and, where relevant, his/her knowledge and experience in insurance, financial, accounting, actuarial, regulatory framework and management skills should be taken into account.

The specific fitness requirements further depend on the particular tasks and the responsibilities assigned to a person performing them.

The persons to whom the duties of competence and fitness evaluation apply, must have appropriate comprehensive professional qualifications, knowledge and relevant experience to be able to professionally manage and supervise the Company – both individually and collectively. It is also required that their reputation be perfect.

The ERGO members of the Management Board collectively shall possess at least qualifications, experience and knowledge about the following:

- Insurance and financial markets;
- the business strategy and business model;
- the system of governance;
- financial and actuarial analysis;
- the regulatory framework, requirements, internal model used to calculate solvency requirement (risk model) and management.

The respective duties allocated to the individual member shall ensure appropriate diversity of qualifications, knowledge and relevant experience to ensure that the Company is managed and overseen in a professional manner. When changes occur within the Management Board of ERGO the collective qualifications, experience and knowledge of the ERGO Management Board Members are maintained at an adequate level at all times.

Requirement for the Management Board member who is appointed to be responsible for AML topics: "In order to understand the money laundering risks associated with the activities and business model of the obliged entity, the member of senior management should have appropriate knowledge, skills and experience. This includes, in particular, knowledge of the national legal and regulatory framework relating to the prevention of money laundering."

Members of the Supervisory Board must always have the experience and knowledge required to exercise appropriate control over and supervise the Board of Management, and to actively oversee the development of the company. In order

to fulfil that function, they must understand the business conducted by the undertaking and be able to assess the risks for the company. Members of the Supervisory Board must be familiar with laws and regulations of relevance to the company. Collectively, the Members of the Supervisory Board must as a minimum possess knowledge in the areas of investment, underwriting/ actuarial practice and accounting.

Persons who have other key functions must have theoretical and practical knowledge required for the respective key function and must be able to demonstrate relevant experience with applicable professional and other standards.

B.2.2 Propriety requirements

A Key Person is considered "proper" if he/she is of good repute and integrity. Inadequate propriety is presumed if generally based on person's character, personal behaviour and business conduct (in any jurisdiction), including any criminal, financial, supervisory aspects, the assumption is justified that hat such circumstances could affect the sound and prudent exercise of their mandate or function. Account is taken of the personal and professional conduct of the person concerned with regard to criminal, financial, proprietary and regulatory law. Of particular relevance are criminal or administrative offences, other imposed sanctions to the person and circumstances related with it, especially if in connection with corporate activities and breach of legal requirements related to the mandate or the function in question.

The proper requirement also includes Key Persons being expected to avoid, to the extent possible, activities that could create conflicts of interest or the appearance of such conflicts of interest. Key Persons are generally bound by ERGO's best interests and, accordingly, may not pursue personal interests in their decision-making or utilise business opportunities for personal gain.

Each person concerned must be considered as "proper". No proportionality can be applied for the propriety requirements because, irrespective of the nature, scale and complexity of the risks associated with the business of the entity, the reputation and integrity of a person concerned must always be at the same appropriate level.

B.2.3 Assessment of fitness and propriety

The assessment of the individual's competence and suitability must be carried out prior to appointment, election, or assignment of responsibility to perform duties, also periodically by the corresponding Fit and Proper Committee.

Persons whose fitness and propriety are assessed must inform the company of any changes that may affect them compliance with fitness and propriety requirements.

Fitness and propriety assessment is carried out based on at least the following information:

- Candidate ID;
- Employment history and references (CV);
- Education (proved by certificate);
- The presented questionnaires;
- Certificate of (non)criminal record from a competent authority;
- Information on potential conflicts of interest with details.

When changes occur within the Management or Supervisory Board the collective qualifications, experience and knowledge need to be maintained at an appropriate level at all times. Therefore, the collective fitness assessment is always performed in cases of changes on Management or Supervisory Board set up.

The assessment of fitness and propriety of each Supervisory Board member is performed by the Supervisory Board, however it is supported by the report presented by Legal & Compliance on the Assessment of the Supervisory Board members in compliance with the Fit and Proper requirements under the external and internal requirements.

When assessing the propriety of key persons, their honesty and financial soundness is assessed based on evidence regarding their character, personal behavior and business conduct, including any criminal, financial or supervisory concerns regardless of location. While criminal convictions, disciplinary or administrative measures or past misconduct are significant, the assessment must be carried out on a case-by-case basis. Hence, consideration must be given to the type of misconduct or conviction, the level of appeal (definitive/final vs. non-definitive/non-final convictions), the lapse of time since the misconduct or conviction, its severity and the Key Person's subsequent conduct.

B.2.4 Reassessment

The fitness and propriety of the Key Persons shall be reassessed on an ongoing basis by the responsible Fit and Proper Committee.

Each Key Person is obliged to contribute to the maintenance of his/her fitness by actively searching for and taking on opportunities to improve their professional qualifications, knowledge and experience.

Reassessment is organized in such cases as:

- indications, that the Key Person might not fulfil the criteria;
- the initial assessment was inaccurate;
- additional or new information which after assessment gives reason to believe that fitness or propriety requirements might not be met anymore by that key person;
- the renewal of a contract if the key person is a Management Board member;
- significant changes in the duties allocated to the key function;
- five years have passed since the last assessment.

The need for reassessment is monitored regularly.

B.3 Risk management system including the own risk and solvency assessment

B.3.1 Description of risk management system

As part of the Munich Re Group, ERGO is committed to turning risk into value. Risk management is an integral part of our corporate management with regard to achieving this goal. Risk management includes all strategies, methods and processes to identify, analyse, assess, control, monitor and report the short- and long-term risks ERGO faces or may face in the future.

Risk management is performed at all levels of ERGO Group and is organized according to the three “lines of defence”: risk takers (1st line), Risk Management Function, Actuarial Function, Compliance Function (2nd line), and Internal Audit Function (3rd line).

B.3.2 Risk management processes

We view risk management as an enterprise-wide discipline by which we identify, assess, measure, steer, monitor and report risks from all potential sources for the purpose of achieving our risk management objectives. The diagram below shows the risk management cycle and associated key tasks.

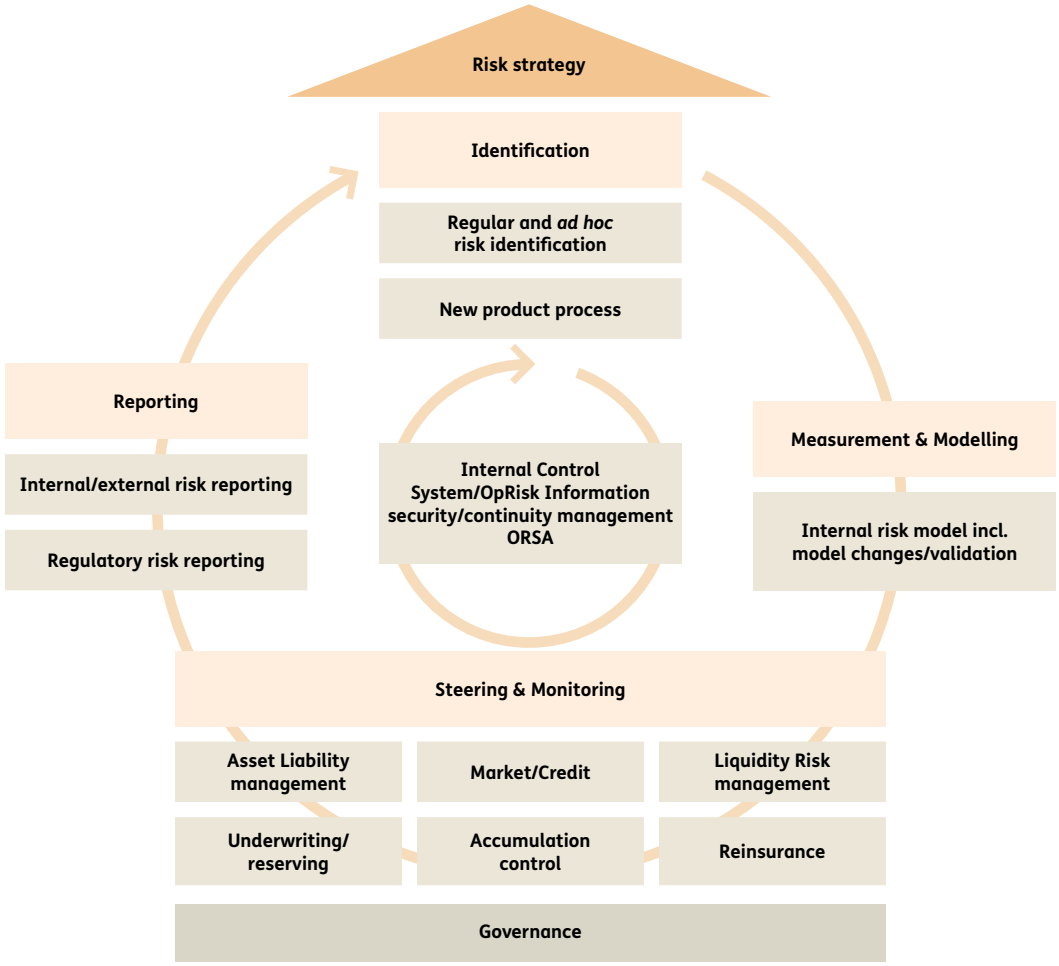


Figure 4. Risk Management Cycle

B.3.3 Risk strategy

The risk strategy is the connection between the business strategy and risk management and is based on the company's risk profile. It defines the overall framework for the risk appetite and impacts on the general proceedings in the risk management cycle.

The risk strategy complements our business strategy. It describes the extent to which a risk is desirable and, consequently, whether it is acceptable or must be mitigated through risk limits or budgets, risk controls or risk transfer.

The development of the risk strategy is closely aligned with the annual business planning cycle. It starts with a check of actual year-end exposures against tolerances and an initial proposal of tolerances for the next planning year, including an indication of likely exposure bottlenecks and free risk-bearing capacity for strategic asset liability mismatch risk. It concludes with a recommendation of operational limit and trigger amounts, by group/segment or company level, in order to ensure that strategic risk tolerances are respected. Subsequently, the Management Board approves the risk strategy.

To implement and operationalise the risk strategy, a system of relevant risk criteria, limits and triggers are defined. This is described for the ERGO Group and its entities in the "Risk Limit and Trigger Manual for ERGO Group (incl. ERGO International)" (ERGO RLTM). ERGO Integrated Risk Management department (IRM) has the overall responsibility for the content of both documents and ensures that they are reviewed and updated annually in line with the framework set by Munich Re's RLTM. ERGO also annually reviews and updates the respective norms.

B.3.4 Risk identification

Risk identification is performed by means of appropriate systems and indicators (quantitative component) and a number of risk surveys, which are supplemented by expert opinions and assessments by selected, highly experienced managers (qualitative component). Our ad-hoc reporting process provides for staff to report risks to the risk management function at any time.

The regular risk identification process is initiated and coordinated by risk management function. The risk takers (1st line of defense) are responsible for using the methodology established by risk management function to identify risks and to verify previously identified risks within their respective area of responsibility.

B.3.5 Risk assessment and measurement

Based on the results from the risk identification, risks can be quantified or assessed qualitatively. The frequency of the assessment may differ depending on the nature of the risk and the significance of a single risk or group of risks.

ERGO uses the standard formula for risk quantification. For all risks covered by the standard formula, the (sub) module results are used in general as basis for the risk quantification. Risks that are not modelled (e. g. strategic risks, reputational risks and liquidity risks) are evaluated qualitatively with specific assessment methods.

Stress tests and scenario analyses are implemented where appropriate. There are several methods how to implement the analysis, depending on risk type (quantifiable vs. non-quantifiable), time horizon (trend vs. instant) and valuation methods.

B.3.6 Risk steering

Risk steering measures aim to reduce the probability of the risk occurring or the financial impact and resulting losses and should ensure the achievement of business objectives. The measures have to be within the scope of the risk bearing capacity and relevant regulatory and group requirements (risk strategy, risk management policy and other applicable standards). In general, risks can be taken/accepted, mitigated, transferred or terminated.

We manage risks through underwriting guidelines, tools and processes, investment controlling, and a new product introduction process. The risk appetite and specific risk tolerances are detailed by the RLTM and Entity Specific Appendix to the Risk Management Policy, which describes risk criteria per risk type and specifies limit and trigger amounts.

Within the meaning of an early warning system, the limits and triggers are regularly observed by the respective risk takers and are contained in the regular risk reporting. Appropriate measures are defined and approved by the responsible management.

B.3.7 Risk monitoring

Risk monitoring focuses on the risk profile and takes into account the respective risk limits, risk triggers, risk accumulation and interdependencies. Not only is the risk profile itself monitored but also the implementation of risk strategy, the risk relevant methods and processes as well as the overall management of risks. Additionally, the overall solvency position is continuously monitored taking into account the results of the SCR calculation and the risk bearing capacity.

The methods for risk monitoring include comparison of actual with target, analysis of the efficiency of risk measures, analysis of the results of the risk profile analysis and performance measures as well as the monitoring of existing controlling figures linked to risk management. Escalation processes have been defined for limit breaches and are also documented in the RLTM.

ERGO uses Key Risk Indicators that ensures early recognition of risks and prepares proposals for suitable countermeasures. Key Risk Indicators focus on risks that could have a sizeable adverse impact on the business or the company and are reported to the Management Board quarterly.

B.3.8 Risk reporting

To ensure continuous monitoring, a regular reporting process is established. The Risk Management Function reports to the Management Board at least on a quarterly basis. Input is gained from a variety of sources such as bottom-up risk assessments, ad-hoc reports, internal audit reports, operational risk event reporting, early warning reporting, quarterly solvency calculations, company results, as well as discussions with the management. The internal risk report contains information about the key risks the company is exposed to and should enable management to evaluate the current risk profile and decide on necessary steering measures.

In case of a significant change in the risk situation, an immediate reporting to the company's management is carried out. The ad-hoc risk reporting process complements the regular risk reporting processes thus ensuring that new risks or significant changes to existing risks are reported comprehensively and swiftly. This report includes an appropriate risk analysis and assessment. Ad-hoc reporting on arising risks is to ensure that the parties involved are informed and – where necessary – appropriate measures to steer and control the risk have been initiated.

B.3.9 Description of Risk Management Function

Methods, standards, processes, and policies are defined by ERGO IRM in line with the overall Munich Re Group framework. The local risk management function is responsible for implementing the IRM methodology on a legal entity level. The Management Board of the Company is ultimately responsible for risk management.

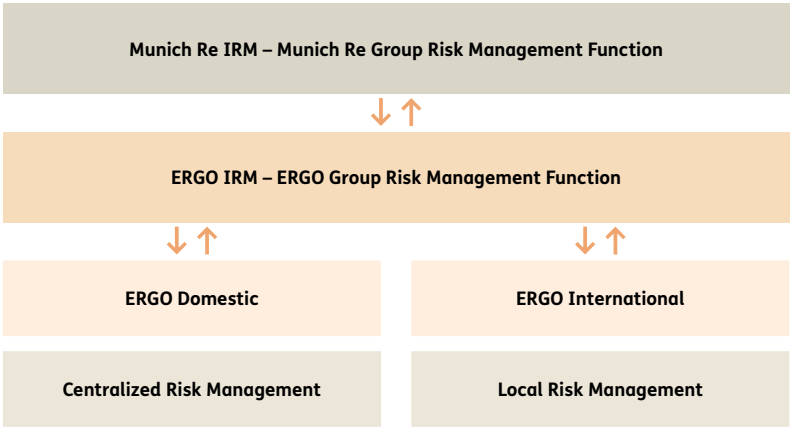


Figure 5. Risk Management organization within Munich Re and ERGO Group

In ERGO the risk management function is carried out by the Management division. The Head of Risk Management reports directly to the CFO. Reporting lines have been set up between the head of risk management function and ERGO Group CRO.

The risk management function is the main operating unit responsible for implementing the risk management system in ERGO. Its main purpose is to assist the Management Board to effectively implement a risk management system and integrate it into business operations. Members of the risk management function are not engaged in regular business operations to ensure their operational independence. The risk management function has full and unlimited access to information throughout the company.

Main functions and objectives:

- **Coordination tasks:** The Risk Management function coordinates the Risk Management activities at all levels and in all business areas. In this role, it is responsible for the development of strategies, methods, processes and procedures for the identification, assessment, monitoring and management of risks, and ensures correct implementation of Risk Management guidelines.
- **Risk control tasks:** The risk management function is responsible for mapping the overall risk situation of the company. Its tasks also include adequate consideration of reciprocal interactions between individual risk categories, the preparation of an aggregated risk profile as well as, in particular, the identification of risks threatening the continued existence of the company/Group.
- **Early warning tasks:** The responsibility of the risk management function also includes implementation of a system that ensures the early recognition of risks and preparation of proposals for suitable countermeasures.
- **Advisory tasks:** The risk management function advises the Board of Management on Risk Management matters and supports strategic decisions in an advisory capacity.
- **Monitoring tasks:** The risk management function monitors the effectiveness of the Risk Management System, identifies possible weaknesses, reports to the Management on these and develops suggestions for improvement.

The risk management function also ensures comprehensive reporting to the Management; in addition to illustrating the current risk situation, this also includes Own Risk and Solvency Assessment (hereinafter ORSA) results and an assessment of the quality of the Risk Management System.

The risk management duties and responsibilities in ERGO are divided between Risk Management and Actuarial functions.

In addition to the actuarial activities, Actuarial function is responsible for the risk management system with focus on the projection of the future financial position, development of methods and processes in line with group standards for risk evaluation and monitoring (especially related to quantitative risk evaluation), identifying, assessing and managing risks related to technical provisions, identifying and assessing risks related to underwriting and reinsurance and the assessment of the solvency position.

Risk management is embedded in relevant steering and business processes. This is ensured by clearly defining processes, roles and responsibilities. It can be stated, that risk management is involved whenever decisions are taken that may lead to a significant change in the risk profile. When decisions are required that lie outside the predefined level of authority of the risk taker, involvement of and approval from risk management is mandatory.

The examples of the processes, where risk management function is involved, are:

- New products incl. adjustments (insurance products, investments) and new business segments;
- Outsourcing;
- Investment Management;
- Underwriting/Reinsurance;
- Strategic Planning Process.

B.3.10 Own risk and solvency assessment

The Own Risk and Solvency Assessment (ORSA) is an integral part of our risk management system.

The performance of the ORSA is embedded in the relevant processes, e. g. risk management, planning process, capital management. The results and conclusions of the ORSA – documented annually in the ORSA Report – are an important management tool and have to be taken into account in the strategic decisions on an ongoing basis.

The Board of Management has the ultimate responsibility for ORSA. It plays an active role in the set-up of ORSA and has to challenge the ORSA outcome. The objectives of the ORSA and the corresponding roles, responsibilities and processes are described in the ERGO ORSA Policy which has been approved by the ERGO Board together with an Entity Specific Appendix.

The development of the risk strategy is closely aligned with the annual business planning cycle and the corresponding ORSA considerations. The ORSA aims to promote a better understanding of the specific risk profile of the company and to enhance the decision making on Board level by using the ORSA results e. g. within the business planning process. The ORSA process also allows disclosure of sufficient and clear information to relevant stakeholders.

The regular ORSA activities associated with the business planning process are conducted annually or more often if necessary (after significant changes in the risk profile). Timeline for annual ORSA is defined in line with the Company's annual planning process. More frequent monitoring is in place for the most relevant risk criteria via quarterly risk reporting as well as ad hoc reporting.

As part of the ORSA, the connection between the risk profile, the risk tolerances and the own solvency needs are outlined. Own solvency needs is determined based on the following processes:

- Definition and annual review of the "Financial Strength" criteria in Risk Strategy;
- The assessment of the quantity and quality of Own Funds;
- Assessment of actual capital adequacy over the business planning horizon;
- Demonstration of main assumptions underlying the projections;
- Performance of stress test and scenario analysis;
- Assessment of the model appropriateness;
- Assessment of the risks not covered in the model.

Within ORSA probable and potential capital needs to manage the capitalisation of the company are identified. The risk management function makes proposals if additional measures are necessary together with a statement if additional risk capital is required for the coverage of non-modelled risks. More specifically, the outcome of the ORSA shall feed into the

development of a capital management plan over the time horizon of the business plan. The risk management function should propose actions based on the information gathered during the performance of the ORSA if necessary.

B.4 Internal control system

B.4.1 Description of the internal control system (ICS)

Our internal control system (ICS) is a system for managing operational risks integrated across all risk dimensions and areas of the company. The ICS meets the requirements of corporate governance as well as the legal and regulatory requirements.

ERGO's ICS functions as an integral component of our group-wide risk management and hence constitutes a key element of ERGO's corporate governance. Within the ICS, the significant operational risks and corresponding controls are identified, analysed and assessed across all important risk dimensions (financial reporting, compliance and operations) with the aim of achieving a harmonised, holistic approach to risk controls with no overlaps and no gaps.

The ICS is based on the concept of the three lines of defence represented by three roles: risk-takers (those who accept risk), risk controllers (those who monitor risk) and independent assurance (those who are independent of the operating business and examine the design and performance of the risk controls). The overall responsibility for risks and their control, and for setting the overall risk tolerance, lies with the Board.

Organizational responsibility for the system is under Risk Management. The business units are responsible for the risks and controls within their area. The integration of all departments creates a uniform understanding of risk. This enables us to improve company's awareness of risks and controls. Clear responsibilities for risks, controls and control measures also create transparency.

By making our risk situation transparent in this way, we can focus on and react rapidly to possible weaknesses or changes in internal and external requirements. This means that we are able to identify risks at an early stage, address control shortcomings immediately and take effective remedial action.

Internal Audit assesses regularly the effectiveness of the ICS in the key processes and applications.

B.4.2 Compliance function

Description the compliance function

The Compliance Function includes advising the administrative, management or supervisory body on compliance with the laws, regulations and administrative provisions adopted pursuant to Solvency II directive and others. It also includes the assessment of the possible impact of any changes in the legal environment on the operations of the undertaking concerned and the identification and assessment of compliance risk.

The Compliance function is part of internal control system as it implements the 2d level of control within the company. The activity of the Compliance function is regulated by EU and local legal acts, ERGO Group Compliance Policy and the Compliance Policy of ERGO Insurance SE, which is reviewed and updated at least annually. All main tasks and responsibilities of persons who perform the Compliance Function are also described in their job descriptions. Fit and proper requirements to persons who perform the Compliance Function are applied as required.

The compliance department is managed by the Head of Compliance department in the Baltic States, who is in direct subordination to the Head of Legal and Compliance in the Baltic States (the Chief Compliance Officer). Three local Compliance specialist (i.e. in Estonia, Latvia and Lithuania) are appointed to perform their tasks on the country level.

The Head of Legal and Compliance division in the Baltic States reports (functionally) directly to the member of the Management Board, responsible for this area (CEO) and to the Group Compliance (horizontal reporting line). Local Compliance specialists report (functionally) directly to the Head of Compliance.

The activity of the Compliance Function is based on the annual compliance plan, approved by the Management Board. The annual compliance plan specifies various activities related to elements of the Compliance Management System, i. e.

compliance culture, norms and advisory, risk assessment, monitoring, communication and training, investigation, reporting.

The Compliance Function has these basic responsibilities:

- compliance risk control – identification and assessment of compliance risks, recommendations for the mitigation and elimination of compliance risks, participation in design of compliance risk control measures;
- early warning – monitoring of significant changes in the legal environment and provision or relevant information to respective recipients; recommendations regarding compliance risks and escalation;
- consulting and reporting – consultation on compliance with applicable legal requirements and possible impact of legal changes, compliance trainings, escalation of relevant compliance issues, participation in relations with other subjects, reporting on Compliance topics to the Management Board and Group Compliance;
- monitoring – monitoring of adherence to legal requirements on a regular basis and creation of necessary controls.

B.5 Internal audit function

The internal audit function of ERGO, supports the Supervisory Board and the Management Board in carrying out its monitoring tasks. In particular, it is responsible for examining the system of internal governance. These include the risk management system, the internal control system (ICS) and the three key functions compliance, risk management and actuarial.

B.5.1 Organization

Internal Audit is an independent function. However, it operates within the framework of the standards applicable throughout the Munich Re Group. It is legally assigned to ERGO Insurance SE. The Head of Internal Audit is directly subordinated administratively to the Chief Executive Officer (CEO) of ERGO and functionally – to the Supervisory Board. It also has a so-called “dotted reporting line” to the Head of ERGO Group Audit.

The audit mandate of Internal Audit covers all units of ERGO, its branches and subsidiaries.

B.5.2 Core tasks of Internal Audit

The core tasks of Internal Audit include:

Audit Performance: Internal Audit audits the Governance System, consequently the entire business organization, and in particular the Internal Control System in terms of appropriateness and effectiveness. The auditing work of Internal Audit must be carried out objectively, impartially and independently at all times. The audit area of Internal Audit covers all activities and processes of the Governance System, and explicitly includes the other Governance Functions. The audit assignment includes the following areas in particular:

- Effectiveness and efficiency of processes and controls,
- Adherence to external and internal standards, guidelines, rules of procedure and regulations,
- Reliability, completeness, consistency and appropriate timing of the external and internal reporting system,
- Reliability of the IT systems,
- Nature and manner of performance of tasks by the employees.

Reporting tasks: A written report must be submitted promptly following each audit by Internal Audit. At least once per year, Internal Audit will prepare a report comprising the main audit findings for the past financial year. Within the follow-up process, Internal Audit is also responsible for monitoring the rectification of deficiencies.

Consulting tasks: Internal Audit can provide consulting work, for example within projects or project-accompanying audits, and advise other units concerning the implementation or alteration of controls and monitoring processes. The prerequisite is that this does not lead to conflicts of interest and the independence of Internal Audit is ensured.

B.5.3 Independence and Objectivity

The managers and employees of Internal Audit are aware of and adhere to the national and international standards for the professional standards of Internal Audit.

This also applies to the principles and rules for safeguarding the independence and objectivity of Internal Audit. Numerous measures (adequate positioning in the organizational structure, consistent segregation of duties, and comprehensive quality assurance during the audit) ensure that the independence and objectivity of the internal audit is adequately ensured.

The Head of Internal Audit is directly subordinated administratively to the CEO and functionally to the Supervisory Board. She has direct and unrestricted access to the Management Board and the Supervisory Board of ERGO and all branches and subsidiaries. As a service provider for the company, she is independent from all other functions of the company.

In order to ensure independence, the employees of Internal Audit do not assume any non audit-related tasks. Employees who are employed in other departments of the company may not be entrusted with Internal Audit tasks. This does not exclude the possibility for other employees to work for Internal Audit temporarily on the basis of their special knowledge or personnel development measures.

When assigning the auditors, attention is paid to the fact that there are no conflicts of interest and that the auditors can perform their duties impartially. In particular, it is ensured that an auditor does not audit any activities for which he himself was responsible in the course of the previous twelve months.

Internal Audit is not subject to any instructions during the audit planning, the performance of audits, the evaluation of the audit results and the reporting of the audit results. The right of the Supervisory Board and the Management Board to order additional audits does not impair the independence of Internal Audit.

According to the statement of the Head of Internal Audit, the function has sufficient resources and conducts the audits on its own responsibility, independent and impartially (objectively). The Head of Internal Audit contributes to the independence and objectivity of Internal Audit by his/her behavior.

During the reported period the independence and objectivity of the Internal Audit was not impaired at any time.

B.6 Actuarial function

B.6.1 Set up of Actuarial Function

Art. 48 of the Solvency II Directive obliges insurance and reinsurance undertakings to set up an effective Actuarial Function. Within the scope of the tasks as per Solvency II, the Actuarial Function performs monitoring tasks in the actuarial field as the 2nd line of defence. Focal points are the coordination of the calculation of technical provisions, monitoring tasks related to the underwriting policy as well as the use of reinsurance. The Actuarial Function also supports the Risk Management Function.

ERGO actuaries have a detailed understanding of economic, financial, demographic and insurance risks in the Baltic States and expertise in developing and using statistical and financial models to facilitate financial decisions, pricing, establishing the amount of liabilities, and setting capital requirements for uncertain future events within ERGO. The role of the Actuary Function in ERGO is to measure, manage, and mitigate risks by using statistical models and analysis to enhance the understanding of risks assumed. Actuaries also provide advice on the adequacy of risk assessment, reinsurance arrangements, investment policies, capital levels and stress testing of the future financial condition of these companies.

The Actuarial Function performs its tasks independently from the front office and from the risk taking activities of the Management Board and has no responsibility for the company's profits and financial results. The Head of Actuarial Department (Appointed Actuary) carries out the Actuarial Function in ERGO. Appointed Actuary reports to the Management Board member CFO.

B.6.2 Tasks of Actuarial Function

The Actuarial Function assumes the lead management role in the coordination of all work to the calculation and valuation of technical provisions for purposes of Solvency II and is responsible for the development and appropriateness of corresponding methods and the underlying models, procedures and processes. This includes both the statistical quality of the actuarial valuation as well as the quality of the data used and the validation of the results.

The Actuarial Function informs and advises the Management Board concerning the underwriting policy as well as concerning the appropriateness of the reinsurance agreements. In particular, it indicates the interactions between the reserving, the underwriting and the reinsurance cover, and develops recommendations for optimizing the underwriting, acceptance and reinsurance strategy. At least once a year the Actuarial Function provides a written report to the Management Board.

In addition, the Actuarial Function supports the Risk Management Function in its tasks, in particular terms of concerning risk and solvency assessment, and also provides actuarial expertise.

B.7 Outsourcing

B.7.1 Description of outsourcing

Some of company's functions are outsourced. Despite outsourcing, the Company still bears responsibility for ensuring that the purchased service meets the criteria set for insurance companies. Guidelines on the Minimum Requirements for Outsourcing for the Companies of the ERGO Group (Outsourcing Policy) and its Entity Specific Appendix regulate the outsourcing of any critical or important operational functions or activities.

An outsourcing arises when a service provider is directly selected by ERGO to carry out certain activities and processes in connection with the performance of insurance, financial or other services that are:

- Otherwise provided by the insurance company itself (insurance-specific), and;
- Important for the company.

ERGO has not outsourced any key functions. Most significant outsourced services are the outsourcing of IT maintenance services, the outsourcing of investment operations, the outsourcing of assistance services in claims management.

B.8 Assessment of adequacy for the system of governance

The Company continuously aims to improve its compliance and governance systems by ensuring that they are regularly reviewed and evaluated.

The organizational structure of ERGO is considered appropriate to the complexity and size of the operations as well as to the business strategy. The Organizational Structure Management Policy sets the consistent and transparent principles of organizational structure management, to support management and employees in the development and implementation of effective organizational structure management practices.

The system of governance of ERGO includes an adequate transparent organizational structure with a clear allocation of functions and responsibilities:

- the business organization and all disciplinary and functional reporting lines are documented;
- responsibilities are appropriately segregated in order to ensure the effective operating of the system of governance.

The governance model is described in "Guidelines on Review of System of Governance" and set by the Management Board decision on management view of the governance model.

The review of the System of Governance conducted every second year or on an ad hoc basis in case of identification of governance risks or significant changes in business or its structure is foreseen.

The purpose of this review is to evaluate the adequacy and effectiveness of the System of Governance and to address the Management Board to take appropriate measures in case any deficiencies were identified.

A concept of independent governance functions ("1st, 2nd and 3rd lines of defense") has been implemented within ERGO, ensuring that there is no undue influence, control or constraint exercised on the risk control functions with respect to the performance of their duties by other operational functions. Independent governance functions and business functions which are building up risk positions are clearly segregated at all levels, including the Management Board.

An effective system for ensuring the transmission of information is in place. Clear disciplinary and functional reporting lines ensure prompt transfer of information to all persons who need it.

Requirements for the creation and communication of policies, guidelines and work instructions are laid out in a Guideline ("Guideline for creation and administration of internal norms"), ensuring that all persons are aware of all information necessary for the proper discharge of their responsibilities.

ERGO has established their key functions in an adequate way: the key functions risk management, compliance, internal audit and actuarial function are established in separate organizational units. The Head of each unit has been appointed as key function holder. The organizational set up of the key functions provides independence in performing their control function.

B.9 Any other information

There is no other information.

C. Risk Profile

Preliminary information

The risk profile describes the risks ERGO is exposed to. The Management Board considers the risk profile when deciding on steering measures. The overall risk profile is integral part of the annual ORSA report and includes a qualitative and quantitative assessment for modelled and non-modelled risks. When determining the risk profile, ERGO looks at the risks arising from the business portfolio across all risk categories.

The Risk Management Function is responsible for ensuring that adequate processes surrounding the overall risk profile have been established. The risk profile also provides important input for the determination of the risk appetite in the annual risk strategy as well as for internal risk reporting and ORSA. Significant changes to the company risk profile are reported promptly by the Risk Management Function to the management board.

Description of how assets have been invested in accordance with the "prudent person principle"

The company runs a liability-based investment approach i. e. first step in investment process is to establish different characteristics of liabilities (e. g. maturity structure, currency structure etc.). After that, risk neutral portfolio of assets can be established. Risk neutral portfolio is hypothetical asset portfolio which replicates liability structure. In case, the company has sufficient solvency capital available it can deviate from risk neutral asset portfolio. Otherwise, the company will build up asset portfolio which corresponds to liability structure as much as practically possible.

The composition of asset portfolio will take into account appropriate diversification between asset classes and issuers. Proper quality and security of the asset portfolio is ensured by monitoring average rating of the fixed income portfolio (as this forms biggest part of the asset portfolio). The company ensures also an adequate liquidity of the portfolio – sufficient amount of funds must be available even in most severe circumstances.

Use of special purpose entities

The Company does not use any purpose companies within the meaning of Directive 2009/138 / EC of the European Parliament and of the Council.

C.1 Underwriting risk

C.1.1 Risk exposure

ERGO operates in three Baltic countries with a broad range of products. The Company's underwriting strategy seeks diversity to ensure a balanced portfolio. ERGO analyses its insurance portfolio on permanent basis and has developed sophisticated tariff models to price the products.

ERGO is acknowledging the following underwriting related risks: premium and reserve risk, catastrophe risk and lapse risk. The premium and reserve risk takes into account losses that occur at a regular frequency. Extreme events, which occur very rarely, are taken into account in the catastrophe risk.

Premium risk is related to future claims arising during and after the period for the solvency assessment. The risk is that the expenses plus the volume of (covered but not incurred) losses for these claims (comprising both amounts paid during the period and (incurred but not settled) claim provisions made at its end) are higher than the premiums received.

Premium risk is present at the time the policy is issued before any events occur. Premium risk also arises because of uncertainties prior to issues of policies during the time horizon.

Reserve risk stems from two sources: on the one hand, the absolute level of the claims provisions could be mis-estimated. On the other hand, the actual claims will fluctuate around their statistical mean value because of the stochastic nature of future claims pay-outs. The company is also subject to longevity as well as revision (inflation) risk stemming from Motor Third Party Liability pensions.

In case of ERGO, the catastrophe risk includes only man-made catastrophes and no natural catastrophes. As specified in the Delegated Acts, none of the Baltic countries is exposed to specified natural catastrophes (windstorm, earthquake, flood, hail and subsidence). Nevertheless, to withstand catastrophes ERGO is purchasing specific catastrophe reinsurance cover.

Future premiums are exposed to significant deviation of actual lapse ratio from the expected lapse ratio. The risk can develop in correlation of general economic environment and unfavorable media coverage resulting in loss of trust by customers.

C.1.2 Material changes in underwriting risk over the reporting period

By lines of business the biggest share of underwriting risk is rising from the Motor portfolio followed by Fire and other damage to property insurance portfolio. In 2024 the underwriting risk increased most in Motor and Fire and other damage to property insurance portfolios where both premium and reserve risks increased.

C.1.3 Measures for risk assessment

The significant Underwriting risks are evaluated within the Standard Formula. Risk capital for underwriting risk is most affected by the quick portfolio growth, the composition of the portfolio, in terms of both quality and line of business balance, and environmental changes.

The company has accumulated enough knowledge and expertise over the years to manage the growth in underwriting risk well. Qualified actuarial skills are used in portfolio pricing to establish adequate premium levels as well as appropriate reserve and capital levels, underwriters and claims handlers of the Company are highly experienced and reinsurance contracts are in place. All assumptions and models are regularly reviewed, actuarial modelling results are compared against experience in both pricing and reserving.

C.1.4 Material risk concentrations

ERGO belongs to Munich Re Group that has defined a methodology applicable to all ERGO Group subsidiaries for performing the accumulation risk management process. The process for accumulation risk management is intended to ensure that all risks that could pose a substantial threat to the business are identified, assessed and steered.

Underwriting risk concentration risk stems from high concentration of risks in one building or small geographical area. In ERGO the risk is the most significant in property lines of business. Additionally, the risk may arise in the motor business, i. e. concentration of risks in the ownership of one customer or higher concentration of special client segments due to anti-selection.

C.1.5 Risk reduction techniques

In order to protect its solvency position ERGO has concluded several reinsurance agreements. The main forms of reinsurance are risk based obligatory non-proportional and risk based obligatory proportional reinsurance, accompanied by catastrophe reinsurance protection for aggregation of net risks deriving from several of lines of business. Risks exceeding the limits of obligatory reinsurance contracts or falling outside their scope are reinsured on a facultative basis.

While preparing the obligatory reinsurance program the portfolio structure, available solvency free capital and prudent future development trends are considered. The insurance portfolio is modelled in order to find optimal level of retention as well as the required treaty limits.

ERGO Group internal regulations and reinsurance company ratings are used in the process of choosing the reinsurance partners. The reinsurance program is approved by the ERGO Management board on annual basis. The Company has adopted the reinsurance strategy and process for purchasing facultative reinsurance. In case of deviances from reinsurance programs Risk Management approval is necessary.

C.1.6 Description of Stress tests and scenario analyses

Primary objectives of stress tests and scenario analyses are to enhance the transparency of the risk profile particularly by evaluating the sensitivity of the solvency ratio and the Company's viability. The focus of the stress tests and scenario analyses is set on assessing the Solvency Capital Requirement (SCR) according to the Standard Formula and Own Funds (OF) impact of scenarios or stresses.

The stress tests and scenario analyses should cover all material risks. The materiality concept covers the assessment of the materiality for all quantifiable risks.

The following main objectives are covered by the stress tests and scenario analyses:

- Transparency of the risk profile:
  - Sensitivity of solvency ratio according to the Standard Formula.
  - Identification of scenarios being a threat to the company's viability.
- Risks in the business plan:
  - Analysing the risks in missing targets set in the business plan.

Both instantaneous sensitivity tests as well as long-term tests showed that from the Solvency point of view it is important to manage the profitability, especially in combination with the growth and in the light of potential climate changes and high inflation rates in Baltic countries. Another important impact comes from the reinsurance partners and their potential defaults in case of catastrophes. From operational risks IT related negative scenarios are potentially very impactful.

For the reverse stress test, the qualitative analyses which scenarios may lead to a critical solvency situation, a situation in which the survival of the company is not ensured anymore, were performed. The objective of stresses was bringing Own Funds to the level of SCR, i. e. Own Funds = SCR. Since the Company's Solvency ratio is sufficient, no single scenario used in testing would on its own directly lead to Own Funds falling below SCR, several scenarios would need to actualize simultaneously.

C.2 Market risk

C.2.1 Risk exposure

Due to the fact that a large portion of our Company's portfolio consists of (fixed-) interest securities, changes of the general interest rates and credit spreads have a considerable effect on the value of our investments.

The following significant risk drivers and risk causes have been identified:

- Interest rate risk (incl. spread risk and interest volatility).
- Property risk.

The aggressive rate hike cycle by the ECB had a significant impact on the company's revaluation reserve in 2022. However, with the ECB reversing course in 2024 and implementing four policy rate cuts throughout the year, this shift in monetary policy has positively influenced the company's revaluation reserve. The trend is expected to continue in 2025, further supporting the company's financial position.

Company has conservative liability driven investment approach where duration matching between assets and liabilities is aimed as much as practically reasonable.

C.2.2 Measures for risk assessment

The significant risks of the asset portfolio are evaluated within the Standard Formula. Additionally, exposure to fluctuations in market value is assessed on an ongoing basis using four internal models. The detailed description of the models can be found in Chapter C.1.6 "Description of stress tests and scenario analyses".

C.2.3 Material risk concentrations

Below is the list of 10 counterparties with highest market exposure.

Counterparty	Rating	Total exposure
Federal Republic of Germany	AAA	44 074 855
Republic of France	AA-	9 978 251
Free State of Bavaria	AAA	6 875 778
State of Berlin	AA+	5 945 142
State of Baden-Wuerttemberg	AA+	5 270 290
State of North Rhine-Westphalia	AA+	4 998 948
Land of Lower Saxony	AAA	4 952 676
State of Hesse	AA+	4 907 111
Free Hanseatic City of Hamburg	AAA	4 890 958
Landesbank Baden-Wuerttemberg	AAA/A	4 177 550

C.2.4 Risk reduction techniques

The company does not have any risk mitigation techniques currently in place. At the end of 2024 the company did not have any outstanding risk mitigation contracts.

C.2.5 Description of stress tests and scenario analyses

The exposure to fluctuations in market value is assessed on an ongoing basis using four internal models. The first, Net Loss Limit (NLL), monitors the probability of achieving a result that surpasses the minimum investment result fixed by the 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 model, Market Value at Risk (MVaR), measures the possible decrease in value of the existing investment portfolio during one year. The fourth model, Investment Asset/ Liability Mismatch (InvALM), combines the two aforementioned models (CvaR, MVaR) with the company's liability side and monitors, how the market events might influence the company due to the risks taken on asset side exceeding the risk neutral position from liabilities.

C.3 Credit risk

C.3.1 Risk exposure

Credit risk is defined as the economic loss that can arise if the financial situation of a counterparty changes. The credit risk includes both the risk of migration (deterioration of the "credit rating" of the counterparty) and the credit spread risk (price changes within a fixed rating class).

In order to monitor and control our group wide credit risks, the Group has implemented a cross-balance-sheet counterparty limit system valid throughout the group. The liability-driven Investment Process is designed to manage and to limit this risk to an acceptable level.

C.3.2 Measures used for risk assessment

Credit risk is not evaluated explicitly in the Standard Formula approach. It is only captured implicitly under a combination of market and counterparty default modules. From the perspective of ERGO Group the latter is proved to be reasonable since there are no material differences between corresponding shocks applied in Group Internal Model and Standard Formula.

In our fixed-income investments, we control the associated credit risk by selecting issuers with appropriate quality and observing counterparty limits. The rating of external rating agencies is just one of the several criteria that we take into account. In addition, we carry out our own analyses. Our demands on issuers are also reflected in Group-wide investment principles. The majority of our investments consist of securities issued by issuers with high credit ratings.

The counterparty credit risk we face is closely monitored and actively managed. In an annual process we analyse our Company's exposure to reinsurance counterparties, especially for ceded business outside of the Munich Re group. Here, we also benefit from the central credit risk assessment processes of MR Group.

C.3.3 Material risk concentrations

Please see chapter C.2.3 under Market risk.

C.3.4 Risk reduction techniques

We control and monitor our counterparty default risks through a Group-wide counterparty limit system. The limits are based on the financial position of the counterparty and on the risk tolerance defined by the Management Board.

Counterparty limits are constantly monitored and adjusted if necessary.

C.3.5 Stress test and scenario analyses

Please see chapter C.2.5 under the Market risk.

C.3.6 Material changes in credit risk over the reporting period

Under Standard Formula the counterparty default risk module considers two different kinds of exposures – Type 1 and Type 2 exposures. While the Type 1 relates mostly to reinsurance and financial institution counterparties, Type 2 has to do with policyholders' and intermediaries' debts. In 2024 the company did not change its approach to Counterparty Default risk; Solvency Capital Requirement value changes were related to changes in the underlying exposure.

C.4 Liquidity risk

C.4.1 Risk exposure

Liquidity risk refers to the risk that a company is unable to meet its financial obligations at maturity due to the lack of fungibility of existing assets.

Considering the short-term nature and liquidity characteristics of fixed income portfolio it's reasonable to expect availability of liquid funds even under most severe insurance and market events. Liquidity needs might be significantly increased because of insurance event (extraordinarily big claim) but even in that case the pay-out is not immediate but usually according to previously agreed schedule. Therefore, liquidity risk is of minor importance for the Company.

Additionally, there is possibility of liquidity squeeze in the financial markets but considering maturing bonds and high share of liquid government bonds, the company should be in position to meet liquidity demands even under most severe circumstances.

C.4.2 Total amount of the expected profit included in future premiums

According to Article 260(2) of the Commission Delegated Regulation (EU) 2015/35, the expected profit included in future premiums shall be calculated as the difference between the technical provisions without a risk margin and a calculation of the technical provisions without a risk margin under the assumption that the premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future are not received for any reason other than the insured event having occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

The total amount of expected profits included in future premiums is 7.9 million EUR, the value increased in 2024. Significant increase was observed due to calculation methodology change to gross basis (last year net) consistently for all entities of Munich Re Group.

C.4.3 Measures used for risk assessment

The Finance and Investment department prepares a cash flow report on quarterly basis where both liability and asset side cash flows are forecasted for the next 12 months. In case significant shortage or excess is foreseen, appropriate steps on asset side are taken in order to meet upcoming demand or surplus.

C.4.4 Material risk concentrations

There are no material risk concentrations regarding liquidity risks.

C.4.5 Risk reduction techniques

Liability based investment approach, where duration of liabilities is matched with asset with similar duration, forms also good foundation for reducing liquidity risks. Additionally, fixed income portfolio consists of a significant part of government and covered bonds with excellent liquidity characteristics.

C.4.6 Stress test and scenario analyses

No scenarios were explicitly calculated for the liquidity risk this year, as the company's good liquidity position is unlikely to lead to any developments that jeopardize the capitalization of the company.

C.5 Operational risk

C.5.1 Risk exposure

Operational risks are inevitably connected to the company's business activities. They should be mitigated or if possible, avoided as long as this is economically feasible.

The causes of operational risks are errors in processes, inadequate information and telecommunications technology, external influences, such as natural disasters, and legal risks.

The highest operational risks have been identified in the areas of execution, delivery and process management (errors in data entry, accounting, underwriting, etc.), internal fraud (unauthorized activities of employees) and suitability, disclosure & fiduciary (failed mandatory reporting, actions that could cause violation of Data protection, insurance supervision and contract law). In addition, single high operational loss events might endanger the company's ability to continue with business operations. These events include errors in reserving and underwriting, internal fraud, business interruption due to system failure or fire and disclosure of confidential data.

C.5.2 Measures for risk assessment

The company manages the risks which are connected to the business processes with adequate controls in the respective processes and used IT applications. Also the controls and measures on legal entity level guarantees compliance with the regulatory requirements. The functionality of the single controls is guaranteed via the cooperation of the different functions of the 1st to 3rd line of defence and as well via the interlocking of controls on the different levels within the Internal Control System.

The operational risks are assessed both qualitatively and quantitatively. The qualitative assessment is performed during the annual risk and control assessment, where net risks (net after control/mitigation) are compared with a predefined limit system (heat maps) and significant risks are managed as necessary through (further) reduction, transfer and/or intensive monitoring.

The quantitative assessment of the significant operational risks is carried out using a scenario-based approach.

C.5.3 Material risk concentrations

Weaknesses in the control environment, as well as in the central IT systems, can have an impact on the insurance-related operating process and thus have a cumulative impact.

C.5.4 Risk reduction techniques

The operational risk management focuses on the following operative elements:

- Resources, especially information and infrastructure (IT and buildings);
- Human Resources and processes;
- Projects.

We mitigate risks coming from our business processes with controls on process, IT and entity level. Controls on process level can be authorization systems, 4-eyes principle, segregation of duties, guidelines, etc. Examples of IT controls are backup solutions, access controls and corresponding emergency planning. Entity level controls aim to assess whether the regulatory requirements pertaining to an adequate control environment are fulfilled. All employees are regularly trained.

In addition, the Business Continuity Management system ensures the continuity of important business processes and systems in emergency or crisis situations. The goal is to be able to continue with normal business operations within ERGO under such circumstances. This is assured by a well-defined emergency management, a proper set-up of crisis management, and adequate recovery management concepts. The continuity systems are tested regularly.

C.6 Other material risks

C.6.1 Strategic Risks

Strategic risks can result from wrong business decisions or inadequate implementation of decisions already made. Additionally we also reflect the reluctance to adjust to a changing environment (e. g. changes of the legal environment) in the strategic risks.

The key risks that might affect strategy execution are following:

- 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.
- Changing regulatory expectations – we operate in a landscape of increased regulatory requirements that requires additional resources and specific competences to be addressed.
- Environmental, Social, Governance (ESG) issues – the way companies addressing the ESG factors is coming under increasing scrutiny from stakeholders (investors, regulators and consumers). Companies are anticipated to execute both: manage the risks they are directly exposed to, as well as contribute to broader sustainable economic. A failure to adequately respond to these expectations of the stakeholders can adversely impact brand and reputation.

In addition to the above mentioned, the strategic risks stem from quality of IT landscape that could jeopardize achievement of strategic results. The strategy of ERGO continues to address the risk environment adequately.

Strategic risks are addressed by interlocking strategic decision making and risk management processes, especially with regards to preparations and decisions as part of the planning process.

As part of the Management of Strategic Risks' process, top risks are identified, evaluated by the Board of Management and discussed on the Management Board level. If needed, appropriate measures are initiated. For these risks, a responsible person is defined who is responsible for implementing the measures.

C.6.2 Reputational risks

Reputational risk is the risk that adverse publicity regarding ERGO's business practices and associations, whether accurate or not, will cause loss of confidence in the integrity of the institution. Reputational risks may result from the realization of other risks (e. g. operational, strategic or concentration risk) and / or in conjunction with other risks, hence, reputational risks are controlled indirectly through the control of the respective risks and risk types.

Reputational risk can occur through a number of ways: directly as the result of the actions of the Company itself; indirectly due to the actions of an employee; or tangentially through other third parties.

ERGO has defined two sub-categories of Reputational risk:

- Data and Information;
- Image risks.

The reputational risk associated with unauthorized publishing of confidential information is increasing, as implementation of data protection regulations in EU countries sets strict rules for processing the confidential information as well as the society is getting more and more educated regarding (potential) disclosure of personal data.

The top reputational risks are incorporated into the risk profile of the Company and reported during the quarterly risk reporting. Ad-hoc reporting processes have been implemented to ensure that (potential) reputational risks are communicated promptly.

The control functions – the Compliance function and Internal Audit – perform the reputational risk assessment process in accordance with their own methodology and report identified real of presumable reputational risks to the Risk Management function as well as other responsible stakeholders.

C.7 Any other information

There is no other information.

D. Valuation for Solvency Purposes

D.1 Assets

D.1.1 Comparison of assets with their Solvency II values and Statutory accounts values

The following table covers information about assets that is to be given in the Quantitative Reporting Template (QRT) S.02.01, i. e. the comparison of assets with their Solvency II values and with their Statutory accounts' values, that is for ERGO the IFRS values. Assets in direct conjunction with technical provisions (reinsurance recoverables) are not considered here, but in Chapter D.2.

Assets	Solvency II value 2024	IFRS value 2024	Explanations
Intangible assets	0	18 064 322	Other intangible assets are included in the solvency balance sheet only if they are recognized under IFRS and actively traded in a market. The requirement for an active market is considered satisfied if a market exists for similar assets. Since intangible assets currently do not meet this criterion, this item in the solvency balance sheet is reported as empty
Deferred tax assets	281 149	281 149	The valuation of deferred tax assets is consistent between Solvency II (SII) and IFRS reporting
Property, plant & equipment held for own use	7 271 440	6 789 352	The difference of 482,088 euros corresponds to the variance between the property appraisal value and the book value
Investments (other than assets held for index-linked and unit-linked contracts)	**297 209 923**	**297 209 923**	
Holdings in related undertakings, including participations	50 000	50 000	
Equities	43 443	43 443	The values under Solvency II (SII) and IFRS are identical
Equities – unlisted	43 443	43 443	The values under Solvency II (SII) and IFRS are identical
Bonds	291 918 821	291 918 821	The values under Solvency II (SII) and IFRS are identical
Government Bonds	177 509 444	177 509 444	The values under Solvency II (SII) and IFRS are identical
Corporate Bonds	114 409 377	114 409 377	The values under Solvency II (SII) and IFRS are identical
Structured notes	0	0	The values under Solvency II (SII) and IFRS are identical
Collective Investments Undertakings	5 197 659	5 197 659	The values under Solvency II (SII) and IFRS are identical
Loans and mortgages	**0**	**0**	
Other loans and mortgages	0	0	The values under Solvency II (SII) and IFRS are identical
Insurance and intermediaries receivables	4 832 770	0	Under IFRS, *Insurance and intermediary receivables* are classified within the Liability for Remaining Coverage, whereas under Solvency II, these receivables continue to be reported separately. At the end of the reporting period, discounting of this item for Solvency II purposes has not been required
Reinsurance receivables	2 452 478	0	Under IFRS, *Reinsurance receivables* are classified within the Liability for Remaining Coverage, whereas under Solvency II, these receivables continue to be reported separately. As of the end of the reporting period, there is no requirement to discount this item for Solvency II purposes At the end of the reporting period, discounting of this item for Solvency II purposes has not been required
Receivables (trade, not insurance)	1 905 342	1 905 342	The values under Solvency II (SII) and IFRS are identical. As of the end of the reporting period, there is no requirement to apply discounting to this item for Solvency II purposes.
Cash and cash equivalents	15 662 845	15 662 845	The values under Solvency II (SII) and IFRS are identical
Any other assets, not elsewhere shown	2 821 027	2 821 027	The values under Solvency II (SII) and IFRS are identical. As of the end of the reporting period, there is no requirement to apply discounting to this item for Solvency II purposes
Total assets without technical provisions	**332 436 974**	**342 733 960**	

According to the Article 75(1)(a) of Directive 2009/138/EC all assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction, that means with their fair values.

According to IFRS a mixed measurement model is established. That means, some assets are also measured with their fair values, others are measured at amortized costs or with their par values. If the valuation basis for Solvency II and IFRS is the same, we use the same fair values for both purposes. If the valuation basis is different, we explain the differences in more detail for the respective asset classes. Only if differences between the fair values and IFRS values are immaterial, assets are measured with the latter values as explained in more detail below.

In addition to the different valuation methods used for individual items, the structure of the solvency balance sheet also differs from that of the IFRS balance sheet. Not all balance sheet items are therefore directly comparable. The differences are particularly significant for assets shown under investments. In the IFRS balance sheet, loans on policies are included in investments as "loans", whilst under Solvency II they are shown outside investments as a separate item. There are also differences in the classification of receivables and other assets, which are described under the individual items.

Where it was possible to reclassify assets as per IFRS in order to comply with the structure prescribed for the solvency balance sheet, we did so.

D.1.2 Use of judgements and estimates in recognition and measurement

Where valuation has to be based on models because no market prices are available for the calculation of the fair values required, discretion must be exercised and estimates and assumptions used, and these affects both the assets and the other liabilities shown in the solvency balance sheet.

Solvency II amounts should be determined as accurately as possible, considering all the relevant information. The basis for determining amounts is management's best knowledge regarding the items concerned at the reporting date.

Nevertheless, it is in the nature of these items that estimates may have to be adjusted in the course of time to take account of new knowledge.

D.1.3 Goodwill

No goodwill is shown in the solvency balance sheet. Goodwill resulting from the first-time consolidation of subsidiaries is tested for impairment at least annually, in accordance with IAS 36. We additionally carry out ad-hoc impairment tests if there are indications of impairment. For impairment testing, the goodwill is allocated to the cash-generating units or groups of cash-generating units expected to derive benefit from the synergies of the business combination.

In line with accounting principles, company's IFRS balance sheet reflects zero goodwill.

D.1.4 Deferred Acquisition Costs

Acquisition costs are not shown as an asset in the solvency balance sheet but are considered in the valuation of the technical provisions.

With the introduction of IFRS17, certain items that have previously been presented separately in our financial statements will be omitted, since the resulting cash flows are now recognized as part of the measurement models. This mainly concerns the items deferred acquisition costs and insurance-related receivables and liabilities such as accounts receivable and payable.

D.1.5 Intangible assets

Other intangible assets are only shown in the solvency balance sheet if they are both ac-counted for in IFRS and traded in an active market. The latter requirement is deemed to be met if an active market exists for similar assets. Since ERGO's intangible assets do not currently meet this requirement, this item in the solvency balance sheet is empty.

Under IFRS, other intangible assets largely include self-developed and software assets, as well as acquired distribution networks and client bases.

Intangible assets are recognised at acquisition or production cost and depreciated on a straight-line basis over their planned useful life.

D.1.6 Deferred tax assets

Under Solvency II, deferred taxes are determined pursuant to Article 15 in conjunction with Article 9 of Delegated Regulation (EU) 2015/35.

In accordance with Article 9(1) and (2) of the Delegated Regulation, assets and liabilities must be recognised and valued in accordance with IFRS requirements, provided that these are consistent with Article 75 of Directive 2009/138/EC. Therefore, under Solvency II, deferred tax assets are recognised and valued in accordance with IAS 12.

Deferred tax assets are calculated on the basis of the difference between the values ascribed to assets recognised and valued in accordance with Article 75 of Directive 2009/138/EC, and the values ascribed to assets recognised and valued for tax purposes. Deferred taxes are determined on the basis of the tax rates of the countries concerned.

Deferred tax assets are recognised in cases where asset items have to be valued lower, or liability items higher, in the solvency balance sheet than in the tax accounts of the Group company concerned, and these differences will be eliminated at a later date with a corresponding effect on taxable income (temporary differences). Also included are deferred tax assets deriving from tax loss carry-forwards.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the related tax benefit will be realized.

In 2023 the principal temporary differences arise from different property and equipment depreciation rates, as well as from accrued expenses, provisions for doubtful debts and tax losses carried forward.

Deferred tax assets and liabilities are not discounted. The same deferred tax assets value is used for Solvency II and IFRS purposes.

D.1.7 Property, plant & equipment held for own use

For Solvency II purposes property, plant and equipment held for ERGO own use shall be valuated with their fair value. The valuation must be performed annually. Property is not evaluated by the company itself, but appraisal service is outsourced to professional real estate appraiser.

Two methods can be used for such valuation: Sales Comparison Approach and Income Approach. The selection of a relevant methodology depends upon the nature and characteristics of the real estate under consideration and the market data available.

Choice of the valuation method/approach depends on particular property characteristics and certain market conditions. If the object is suitable for generating of the rental income, the income approach is preferable.

For Solvency II plant and equipment is – for reasons of simplification – measured with its IFRS value that means at amortized costs, subject to scheduled depreciation over the course of its useful life in accordance with the decline in its utility to the necessity of unscheduled depreciation to a lower value. The same method is applied in IFRS for property objects.

D.1.8 Investments Participations

This item comprises the associates or such 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.

In the Solvency II the value of participations must be either the market price or the proportional amount of the equity of the participation.

D.1.9 Other financial assets

In the solvency balance sheet, we value all financial assets at fair value. The fair value of a financial instrument is the amount for which a financial asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties in an arm's length transaction.

Where a price is quoted in active markets (i. e. a market value), it should be used. If no market value is available, valuation models are used in which observable market parameters are applied as far as possible. The same valuation principles are followed as under IFRS.

D.1.10 Determining fair values

Since market values are not available for all financial instruments, IFRS has a valuation hierarchy with three levels. Though Solvency II does not explicitly name the levels, it does provide for equivalent differentiation in the assessment of the fair values used.

The allocation reflects whether a fair value has been derived from transactions in the market or the valuation is based on models because there are no market transactions.

In the case of Level 1, valuation is based on unadjusted quoted prices in active markets for identical financial assets which ERGO can refer to at the balance sheet date. A market is deemed active if transactions take place with sufficient frequency and in sufficient quantity for price information to be available on an ongoing basis. Since a quoted price in an active market is the most reliable indicator of fair value, this should always be used if available. The financial instruments we have allocated to this level mainly comprise equities, investment funds (except property funds) and fixed-interest securities (bearer bonds) for which either a stock market price is available, or prices are provided by a price quoter on the basis of actual market transactions. We have also allocated derivatives traded on the stock market to Level 1.

Assets allocated to Level 2 are valued using models based on observable market data. For this, we use inputs directly or indirectly observable in the market, other than quoted prices. If the financial instrument concerned has a fixed contract period, the inputs used for valuation must be observable for the whole of this period. The financial instruments we have allocated to this level mainly comprise borrowers' note loans, pfandbriefs, subordinated securities and derivatives not traded on the stock market.

For assets allocated to Level 3, we use valuation techniques not based on inputs observable in the market. This is only permissible insofar as no observable market data are available. The inputs used reflect ERGO Insurance's assumptions regarding the factors which market players would consider in their pricing. We use the best available information for this, including internal company data. The financial instruments allocated to this level of the fair value hierarchy largely comprise investments in private equity, renewable energy, and new technologies (RENT), certain credit structures, and investments in affiliated companies and associates measured at fair value. We also allocate insurance derivatives and derivative components that are separated from the host insurance contract to Level 3. Regularly, at each quarterly reporting date, we assess whether the allocation of our investments and liabilities to the levels of the valuation hierarchy is still appropriate. If changes in the basis of valuation have occurred – for in-stance, if a market is no longer active or the valuation was performed using parameters that make it necessary to change the allocation – we make the necessary adjustments.

D.1.11 Valuation categories according to IFRS

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.

D.1.12 Business model

An 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 based on their fair value.

D.1.13 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.

D.1.14 Impairment

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 – based on 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);
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for the financial asset because of financial difficulties.

To measure expected credit losses, we use the probability of default, the loss given default and the exposure at default.

Expected credit losses are equal to the discounted product of these three components. The calculation includes probability-weighted scenarios that take account of reasonable and supportable information that is available without undue cost or effort as at the reporting date and incorporates past events, current conditions, and forecasts of future economic conditions.

Financial assets are written off if, based on a reasonable assessment, it must be assumed that these assets are not recoverable. Indicators for this include a debtor lacking 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.

As all assets are carried at fair value in the solvency balance sheet, no impairment regulations are required.

D.1.15 Insurance & intermediaries receivables

In the solvency balance sheet Insurance & intermediaries receivables must be measured with their fair values; compared to investments no special requirements must be considered.

Insurance and intermediaries receivables must be discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. The individual business partner's credit risk is also considered. Receivables aged less than one year should not be discounted.

For IFRS insurance & intermediaries receivables are the part of Liability for Remaining Coverage and is not presented as separate item in the balance sheet.

D.1.16 Reinsurance receivables

In the solvency balance sheet reinsurance receivables must be measured with their fair values; compared to investments, no special requirements must be considered. Reinsurance receivables must be discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. The individual business partner's credit risk is also considered.

Receivables aged less than one year should not be discounted.

For IFRS reinsurance receivables are the part of Liability for Remaining Coverage and is not presented as separate item in the balance sheet.

D.1.17 Receivables (trade, not insurance)

Under Solvency II, the receivables (trade, not insurance) include receivables from dividends, receivables from profit pooling or transfer agreements, receivables from taxes or other receivables. Basically, these receivables must be measured with their fair values. However, for reasons of simplification, receivables from dividends and receivables from profit pooling or transfer agreements are measured at their IFRS book value, i. e. at amortised costs. Doubtful receivables are written down to the envisaged amount attainable.

Receivables (trade, not insurance) must be discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. The individual business partner's credit risk is also considered. Receivables aged less than one year should not be discounted.

For IFRS receivables is recognised at face value. Regular aging analysis is performed based on the time buckets (0-30 days old, 31-60 days old, 61-90 days old and older than 90 days), in case if receivable falling into time bucket older than 90 days, it should be written down immediately.

D.1.18 Cash and cash equivalents

For Solvency II, for cash the fair value is the par value. Transferable deposits (including cheques) are valued at amortized cost (usually this is the par value). Credit risk is considered by write-off of doubtful deposits and doubtful cheques to the envisaged amount attainable.

In IFRS, cash and cash equivalents are financial instruments and are managed within the business model "hold to collect". As a result, they are measured at amortised cost, or at their nominal value due to their short-term nature. If they do not pass the SPPI test, they are measured at fair value through profit or loss.

D.1.19 Any other assets, not elsewhere shown

"Other assets, not elsewhere shown", cover all assets that cannot be allocated in any other class of assets. This includes work of arts and prepayment assets. In contrast to the IFRS, in the solvency balance sheet activated deferred premium refunds are included in the valuation of the technical provisions.

As a basic principle, under Solvency II all other assets are to be measured with their fair values. Similarly to IFRS, prepayments are calculated pro rata temporis and cover the period between the reporting date and the date the corresponding benefit is earned or becomes due. Contrary to IFRS, the prepayments are discounted, considering the actual relevant risk-free interest rate as well as relevant interest rate spreads, unless the effect from discounting is immaterial.

D.2 Technical provisions

D.2.1 Value of Technical provisions

In general, the value of technical provisions is equal to the sum of a best estimate and a risk margin as set out below. Life insurance technical provisions stem only from Motor Third Party Liability annuities, non-life gross insurance technical provisions are further split into lines of business as in the following table.

Euros	Solvency II Best Estimate	Risk Margin	Solvency II Technical provision
Medical expense insurance	1 137 137	227 769	1 364 907
Income protection insurance	1 898 674	435 533	2 334 206
Motor vehicle liability insurance, excl. annuities	85 651 832	2 234 071	87 885 903
Other motor insurance	20 249 562	1 083 065	21 332 627
Marine, aviation and transport insurance	4 909 288	168 991	5 078 279
Fire and other damage to property insurance	30 179 107	1 607 725	31 786 831
General liability insurance	11 373 203	490 118	11 863 322
Credit and suretyship insurance	2 493 692	203 427	2 697 119
Legal expense insurance	117 154	42 318	159 471
Assistance	1 116 758	99 635	1 216 394
Total non-life	**159 126 407**	**6 592 652**	**165 719 060**

Technical provisions under Solvency II and IFRS17 are slightly different. ERGOs technical provision values under Solvency II and IFRS17 as at 31.12.2024 are set out in the table below.

Euros	Solvency II value	IFRS 17 value	Difference
Technical provisions – non-life	165 719 060	178 177 604	-12 458 544
Technical provisions – non-life (excluding health)	162 019 947	171 526 258	-9 506 311
TP calculated as a whole	0		
Best Estimate	156 090 596		
Risk margin	5 929 350		
Technical provisions – health (similar to non-life)	3 699 113	6 651 346	-2 952 233
TP calculated as a whole	0		
Best Estimate	3 035 811		
Risk margin	663 302		
Technical provisions – life (excluding index-linked and unit-linked)	18 866 760	18 866 760	0
Technical provisions – health (similar to life)	0		
TP calculated as a whole	0		
Best Estimate	0		
Risk margin	0		
Technical provisions – life (excluding health and index-linked and unit-linked)	18 866 760	18 866 760	0
TP calculated as a whole	0		
Best Estimate	18 659 030		
Risk margin	207 729		
Technical provisions – index-linked and unit-linked	0		
TP calculated as a whole	0		
Best Estimate	0		
Risk margin	0		

The value for reinsurance recoverables under Solvency II and IFRS17 as at 31.12.2024 is set out below.

Euros	Solvency II value	IFRS17 value	Difference
Reinsurance recoverables from:	32 758 066	37 573 408	-4 815 342
Non-life and health similar to non-life	27 537 262	32 352 604	-4 815 342
Non-life excluding health	27 550 352	32 343 958	-4 793 606
Health similar to non-life	-13 089	8 646	-21 736
Life and health similar to life, excluding health and index-linked and unit-linked	5 220 804	5 220 804	0
Health similar to life	0	0	0
Life excluding health and index-linked and unit-linked	5 220 804	5 220 804	0
Life index-linked and unit-linked	0	0	0

D.2.2 Overall requirements for technical provisions

Insurance and reinsurance undertakings have to establish technical provisions with respect to all of their insurance and reinsurance obligations towards policy holders and beneficiaries of insurance or reinsurance contracts. The value of technical provisions shall correspond to the current amount insurance and reinsurance undertakings would have to pay if they were to transfer their insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking. The calculation of technical provisions shall make use of and be consistent with information provided by the financial markets and generally available data on underwriting risks (market consistency). Technical provisions shall be calculated in a prudent, reliable and objective manner. Following the principles set out above, the calculation of technical provisions is carried out as described below.

D.2.3 Calculation of technical provisions

In general, the value of Solvency II technical provisions is equal to the sum of a best estimate and a risk margin as set out below.

The best estimate corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure. The calculation of the best estimate is based upon up-to-date and credible information and realistic assumptions and performed using adequate, applicable and relevant actuarial and statistical methods. The cash-flow projection used in the calculation of the best estimate takes account of all the cash in- and out-flows required to settle the insurance and reinsurance obligations over the lifetime thereof. The best estimate is calculated gross, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles. Those amounts are calculated separately.

The risk margin is such as to ensure that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations. Where the best estimate and the risk margin are valued separately, the risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations over the lifetime thereof. The rate used in the determination of the cost of providing that amount of eligible own funds (Cost-of-Capital rate) is the prescribed rate.

C.2.4 Valuation of financial guarantees and contractual options included in insurance and reinsurance contracts

In general, when calculating technical provisions, the value of financial guarantees and contractual options included in insurance and reinsurance policies are taken into account. Any assumptions made with respect to the likelihood that policyholders will exercise contractual options, including lapses and surrenders, are realistic and based on current and credible information. The assumptions take account, either explicitly or implicitly, of the impact that future changes in financial and non-financial conditions may have on the exercise of those options.

D.2.5 Segmentation

We segment our insurance and reinsurance obligations into homogeneous risk groups, and as a minimum by lines of business, when calculating technical provisions.

D.2.6 Uncertainty Associated with the Amount of Technical Provisions

The estimation of technical provisions is subject to uncertainty due to the fact that the settlement of claims that have arisen before the balance sheet date is dependent on future events and developments. Unforeseen loss trends resulting from court rulings, changes in the law, differences in loss adjustment practice, medical and long-term care, and economic factors such as inflation can have a considerable impact on run-off results.

We calculate the technical provisions for losses and claims settlement costs in accordance with actuarial practice based on substantiated assumptions, methods and assessments. The assumptions are regularly reviewed and updated.

Application of Group-wide reserving rules guarantees a substantially reliable and consistent procedure. In addition, internal audits are carried out Group-wide to verify compliance with these rules and the appropriateness of the technical provisions.

The uncertainty in technical provisions is further analysed by stressing certain assumptions and parameters in the calculations. In addition, we define and monitor scenarios that have the potential to impact the level of technical provisions significantly. Our technical provisions reflect the outcome of these analyses.

D.2.7 Financial statements: Application of International Financial Reporting Standards (IFRS)

ERGOs financial statements meet the requirements of IFRS.

D.2.8 Financial statements: Recognition and measurement of gross technical provisions

The technical provisions are shown as gross figures in the Solvency II balance sheet, i. e. before deduction of the ceded share. The ceded share is calculated and accounted for on the basis of the individual reinsurance agreements.

Unearned premiums are accrued premiums already written for future risk periods. For primary insurance, these premiums are calculated separately for each insurance policy pro rata temporis; for reinsurance, nominal percentages are used in some cases where the data for a calculation pro rata temporis are not available.

The provision for outstanding claims is for payment obligations arising from insurance contracts in primary insurance and reinsurance where the size of the claim or the timing of the payment is still uncertain. Part of the provision is for known claims for which individually calculated provisions are posted. Another part is for expenses for claims whose occurrence is not yet known (e. g. because they have not been reported yet or have not yet manifested themselves). A third class of provisions covers claims which are known but whose extent has turned out to be different than originally foreseen. Expenses for internal and external loss adjustment expenses are included.

The provision for outstanding claims is based on estimates: the actual payments may be higher or lower. The amounts posted are the realistically estimated future amounts to be paid; they are calculated on the basis of past experience and assumptions about future developments (e. g. social, economic or technological factors). For determining the provision for outstanding claims, ERGO uses a range of actuarial projection methods, including the chain ladder and the Bornhuetter-Ferguson method. In applying the statistical methods, we consider large exposures separately. The standard actuarial methods we use are applied both to the run-off triangles for the payments and to the run-off triangles for the reported claims, so that we obtain a range of estimates for the ultimate loss. Within this range, a realistic estimated value for the ultimate loss is determined.

Under currently valid International Financial Reporting Standard (IFRS 17) the Company's technical provisions are calculated as the sum of the Liability for Incurred Claims (LIC), Risk Adjustment (RA), Liability for Remaining Coverage (LRC) and Loss Component (LC). A contract is classified as an insurance contract within the scope of IFRS17 if it transfers significant insurance risk.

The basic approach consists in applying the general measurement model (GMM). In view of the GMM's high complexity, IFRS17 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 particularly for our property-casualty (re)insurance business.

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).

The carrying amount of the LRC is – at the end of each reporting period – the sum of the present value of expected future net cash flows, the risk adjustment for non-financial risk and the contractual service margin. 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 taken into account when measuring the liability for remaining coverage. On subsequent measurement, the change in the contractual service margin is recognised in the consolidated income statement as part of insurance revenue. 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.

The LIC comprises the payment obligations for incurred claims that have not yet been settled, and for other insurance contract services already provided. All three measurement approaches involve calculating the present value of the risk-adjusted future cash flows: it therefore comprises net cash flows, discounting and a risk adjustment for non-financial risk.

D.2.9 Financial Statements: Recognition and Measurement of Ceded Share of Technical Provisions

The share of technical provisions for business ceded is determined from the respective technical provisions in accordance with the terms of the reinsurance agreements.

D.2.10 Explanation of the qualitative differences between the methodologies used for valuation for solvency purposes and those used for valuation in financial statements

Definition and scope

Under Solvency II the best estimate for non-life insurance obligations is calculated separately for the premium provision and for the provision for claims outstanding. The premium provision relates to future claim events covered by insurance and reinsurance obligations falling within the defined contract boundary. Similarly, to IFRS, the provision for claims outstanding relates to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not. Premium provisions under Solvency II differ from the IFRS Liability for Remaining Coverage (LRC) due to differences in calculation principles.

In line with Solvency II, technical provisions and reinsurance recoverables are established for all (re)insurance contracts independent of the level of insurance risk underlying a particular contract. IFRS 17 requires measurement of insurance contracts to be done in contract groups, which should aggregate contracts with similar characteristics and similar expected profitability.

D.2.11 Contract boundary

When valuating technical provisions under Solvency II, the company has to include obligations relating to existing (re) insurance business and exclude obligations relating to future business. The contract boundary is defined by the policyholder's options to establish, renew, extend, increase or resume the (re)insurance cover and the company's options to terminate the contract or amend premiums or benefits.

The contract boundary under Solvency II and IFRS17 are similar.

There might be cases where the company's processes lead to a differing contract boundary compared to Solvency II requirements. The impact of those differences is not material.

D.2.12 Discounting

Under Solvency II technical provisions cash flow are discounted. The company uses the risk-free interest rates depending on currency and maturity published by EIOPA when discounting technical provisions. Fulfillment cash flows are also discounted under IFRS17.

Matching adjustment referred to in Article 77b of Directive 2009/138/EC is not used. Volatility adjustment referred to in Article 77d of Directive 2009/138/EC is not used.

Transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC is not used. Transitional deduction referred to in Article 308d of Directive 2009/138/EC is not used.

D.2.13 Risk margin

Solvency II prescribes an explicit risk margin as a part of technical provisions. In order to evaluate the uncertainty about the amount and timing of future cash flows, Risk Adjustment for non-financial risk is calculated also under IFRS17. While the Risk Margin under Solvency II and the Risk Adjustment fo under IFRS 17 share certain similaritiesIFRS risk adjustment Is lower compared to Solvency II risk margin due to different methodology.

The general principle for the calculation of the risk margin assumes that the whole portfolio of insurance and reinsurance obligations of the entity that calculates the risk margin (the original entity) is taken over by another undertaking. It is required to calculate the risk margin separately for the portfolio of insurance obligations related to life and to non-life activities.

In particular, the risk margin should cover underwriting risk, credit risk with respect to reinsurance contracts, arrangements with special purpose vehicles, intermediaries, policy holders and any other material exposures which are closely related to the insurance and reinsurance obligations, and operational risk. The risk margin is calculated by projecting the SCR under a 1-year risk horizon, covering the above risk categories, by using suitable risk drivers. The present value of the total SCR requirements is then multiplied with a cost of capital rate of 6%. The allocation of the risk margin to lines of business takes fair account of the cause of risk capital cost, by considering both the inherent risk drivers of the SCR and the best estimate technical provisions.

Company uses a simplified calculation of the risk margin as described in Article 58 of the Commission Delegate Regulation (EU) 2015/35.

D.2.14 Non-performance risk

We comply with the Solvency II requirements for the determination of the counterparty default adjustment.

Allocation of Expenses

Under Solvency II all costs are taken into consideration when calculating technical provisions. For premium provision, the valuation of the best estimate takes into account administrative (including overheads), investment management, claims handling expenses and commissions connected with on-going administration of the in force policies. For claims provisions, the valuation of the best estimate take into account claims administration expenses with unsettled claims that have occurred before the valuation date.

Under IFRS17 expenses are allocated to groups of contracts if they are directly attributable to fulfilling Insurance contracts. The non-attributable expenses are separated.

D.2.15 General requirements for the calculation of reinsurance recoverables

The calculation of amounts recoverable from reinsurance contracts and special purpose vehicles by insurance and reinsurance undertakings shall comply with the rules relating to technical provisions. The amounts recoverable from reinsurance contracts and special purpose vehicles shall be calculated consistently with the boundaries of the underlying insurance or reinsurance contracts to which they relate.

A separate calculation shall be carried out for the amounts recoverable from reinsurance contracts and special purpose vehicles for non-life insurance obligations regarding premium provisions and provisions for claims outstanding. The cash-flows relating to provisions for claims outstanding shall include the compensation payments relating to the claims accounted for in the gross provisions for claims outstanding of the insurance or reinsurance undertaking ceding risks. The cash-flows relating to premium provisions shall include all other payments. For the purpose of calculating the amounts recoverable from reinsurance contracts and special purpose vehicles, the cash-flows shall only include payments in relation to compensation of insurance events and unsettled insurance claims. Payments in relation to other events or settled insurance claims shall be accounted for outside the amounts recoverable from reinsurance contracts and special purpose vehicles and other elements of the technical provisions. Where a deposit has been made for the cash-flows, the amounts recoverable shall be adjusted accordingly to avoid a double counting of the assets and liabilities relating to the deposit.

When calculating amounts recoverable from reinsurance contracts and special purpose vehicles, insurance and reinsurance undertakings shall take account of the time difference between recoveries and direct payments.

The Company does not use any special purpose vehicles within the meaning of Directive 2009/138 / EC of the European Parliament and of the Council.

D.2.16 Counterparty default adjustment

The result from the calculation of the best estimate shall be adjusted to take account of expected losses due to default of the counterparty. That adjustment shall be based on an assessment of the probability of default of the counterparty and the average loss resulting therefrom (loss-given-default).

The adjustment to take account of expected losses due to default of the counterparty shall be calculated as the expected present value of the change in cash-flows underlying the amounts recoverable from that counterparty, resulting from a possible default of the counterparty, including insolvency or dispute, at a certain point in time. For this purpose, the change in cash-flows shall not take into account the effect of any risk mitigating technique that mitigates the credit risk of the counterparty. These risk mitigating techniques shall be separately recognised as an asset, without increasing the amount recoverable from reinsurance contracts and special purpose vehicles.

The calculation shall take into account possible default events over the lifetime of the reinsurance contract or arrangement with the special purpose vehicle and the dependence on time of the probability of default. It shall be carried out separately by each counterparty and each line of business, and in non-life insurance also separately for premium provisions and provisions for claims outstanding.

The company uses a simplified calculation of the counterparty default adjustment as described in Article 61 of the Commission Delegate Regulation (EU) 2015/35.

D.2.17 Management actions

Management actions are implemented as rules that reflect management discretion. The aim is to model potential management decisions realistically under various scenarios.

ERGO belongs to the Munich Re Group. A Manual of Methods for Technical Provisions ensures consistent valuation approaches throughout Munich Re Group. The technical provisions are calculated using established principles for actuarial valuation. In this context, requirements regarding segmentation of business, data used, economic and non-economic assumptions as well as methods and models are set out.

Management actions that have a potential to influence technical provisions include setting a reinsurance strategy. Company's management has taken a balanced and stable approach to reinsurance and drastic changes are not assumed.

D.2.18 Material changes in the assumptions made in the calculation of technical provisions compared to the previous reporting period

During 2024 Solvency II Best Estimate assumptions were reviewed in both the outstanding claims and the premium provisions. In the outstanding claims provisions the claim development and cash-flow patterns were reviewed. In the premium provision the assumptions about future premiums, claims and expenses were reviewed.

During 2024 the provision for outstanding claims without the reinsurance impact increased by 13.4 million Euros, the premium provision decreased by 4.4 million Euros, with reinsurance impact the changes were respectively 12.8 and 3.8 million Euros. The biggest increase was seen in Motor liability Insurance and decrease Marine insurance portfolio.

D.3 Other liabilities

D.3.1 Comparison of other liabilities with their Solvency II values and Statutory accounts values

The following table covers information about other liabilities that is to be given in the Quantitative Reporting Template (QRT) S.02.01, i. e. the comparison of other liabilities with their Solvency II values and with their Statutory accounts values, that is for ERGO the IFRS values.

Other liabilities	Solvency II values 2024	IFRS values 2024	Explanations
Financial liabilities other than debts owed to credit institutions	5 807 010	5 807 010	SII and IFRS values are equal. At the end of the reporting period, discounting of this item for Solvency II purposes has not been required
Insurance & intermediaries payables	28 815 839	6 128 890	Under IFRS, Insurance and intermediary payables are classified within the Liability for Remaining Coverage, whereas under Solvency II, these receivables continue to be reported separately. However, the IFRS value for Insurance Liabilities includes acquisition costs, which are directly expensed in accordance with 59(a). At the end of the reporting period, discounting of this item for Solvency II purposes has not been required
Reinsurance payables	28 811 835	0	Under IFRS, Reinsurance payables are classified within the Liability for Remaining Coverage, whereas under Solvency II, these receivables continue to be reported separately. As of the end of the reporting period, there is no requirement to discount this item for Solvency II purposes At the end of the reporting period, discounting of this item for Solvency II purposes has not been required
Payables (trade, not insurance)	10 273 884	10 273 884	The values under Solvency II (SII) and IFRS are identical. At the end of the reporting period, discounting of this item for Solvency II purposes has not been required
Subordinated liabilities	15 624 133	15 698 233	
Subordinated liabilities not in Basic Own Funds	198 233	198 233	The values under Solvency II (SII) and IFRS are identical
Subordinated liabilities in Basic Own Funds	15 425 900	15 500 000	Solvency II presents the fair value, whereas IFRS reflects the value at cost. The difference amounts to 74,100 euros
Any other liabilities, not elsewhere shown	0	0	
Total other liabilities	**89 332 701**	**37 908 017**	

According to Article 75(1) (b) of Directive 2009/138/EC all the other liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction, that means with their fair values. When valuing liabilities, no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made. As in general the valuation basis for Solvency II and IFRS is different, we explain the differences in more detail for the respective liabilities classes above. Only if differences between the fair values and IFRS values are immaterial, the other liabilities are measured with the latter values as explained in more detail above.

The statutory accounts of the undertaking (financial statements prepared under local requirements) shall be reported in the format of Solvency II. Therefore, items of the statutory financial statements shall be classified into the Solvency II split where possible.

D.3.2 Provisions other than technical provisions

Both in the solvency balance sheet and for IFRS, we produce a best estimate of the sum that would be required to settle the liabilities as at the balance sheet date, which is the amount we would reasonably have to pay to satisfy them or transfer them to a third party as at the balance sheet date. If there is a range of possible estimates having an equal degree of probability, the mid-point of the range is used. If the interest rate is a material factor, we value the provision at the present value of the expected expenditure, and if it is immaterial, we disregard it for Solvency II purposes.

D.3.3 Financial liabilities

Insurance & intermediaries payables

Under Solvency II, insurance & intermediaries payables must be recognised at fair value, for IFRS, such payables a part of Liability for Remaining Coverage and are not presented as a separate item.

D.3.4 Reinsurance payables

Under Solvency II, reinsurance payables must be recognised at fair value, for IFRS, such payables a part of Liability for Remaining Coverage ceded and are not presented as a separate item.

D.3.5 Payables (trade, not insurance)

In the Solvency balance sheet, the item Payables (trade, not insurance) covers Payables from dividends, Payables from profit pooling or transfer agreements, and Payables from taxes as well as other Payables. Thus, payables (trade, not insurance) shall be measured at their reporting date fair value without considering any upsides or downsides for the own credit risk of the undertaking. However, for reasons of simplification, payables from dividends and payables from profit pooling or transfer agreements are measured at their IFRS book value, i. e. at amortised costs.

Payables from taxes and other receivables are discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. However, the undertaking's own credit risk must not be considered.

D.3.6 Any other liabilities, not elsewhere shown

Other liabilities, not elsewhere shown, cover all liabilities that cannot be allocated in any other class of liabilities. As a basic principle, under Solvency II, all other liabilities must be measured with their fair values. For IFRS such liabilities are recognised at the amount actually required to redeem or settle them.

D.4 Alternative methods for valuation

Alternative methods for valuation applied only for Property measurement. The valuation must be performed annually. Property is not evaluated by the company itself, but appraisal service is outsourced to professional real estate appraiser.

Two methods can be used for such valuation: Sales Comparison Approach and Income Approach. The selection of a relevant methodology depends upon the nature and characteristics of the real estate under consideration and the market data available.

D.4.1 Sales Comparison Approach

The Sales Comparison Approach compares subject property to the recently sold local similar properties. This approach compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transactions. The process uses one of several techniques to adjust the prices of the comparable transactions according to the presence, absence, or degree of characteristics which influence value.

This principle holds that a prudent person would not pay more for a property than cost of acquiring an equally satisfactory substitute property, in the absence of the complicating factors of time, greater risk, or inconvenience. The Sales Comparison Approach relies upon the development of a value estimate from prices paid in the open market for properties with adequate exposure to ensure that the prices represent fair market value.

D.4.2 Income Approach

The Income Approach is based on the principle according to which the value of the real estate reflects the present value of NET income to be earned from it in the future. Methods that fall under the income approach include income capitalization and discounted cash flow analysis.

This principle holds that a prudent person would not pay more than expected monetary returns subject property can produce.

Discounted cash flow (DCF) analysis is a technique based on explicit assumptions regarding the prospective income and expenses of a property. Such assumptions pertain to the quantity, quality, variability, timing, and duration of inflows and outflows that are discounted to present value. Upon estimating the value, the following formula is used:

$$V_0 = \sum_{i=1}^{n} \frac{CF_t}{(1+i)^t} + \frac{CF_{closing}}{(1+i)^n}$$

where
$CF0 \ldots CFn$ – cash flow for the period (upon estimating market value – NOI (net operating income)
$CF_{closing}$ – cash flow by the end of the forecasted period (upon estimating market value – Market Value minus sales expenses)
i – discount rate (rate of return)
n – number of considered periods

Upon estimating the market value all elements of the cash flow as well as the discount rate should be market derived. The duration of the forecasted period depends on the economic environment. If the economic environment is risky, then the forecasted period is shorter and vice versa.

Choice of the valuation method/approach depends on particular property characteristics and certain market conditions. If the object is suitable for generating of the rental income, the income approach is preferable.

Both methods are widely used in the world practice and the Company considers them as reliable.

D.5 Any other information

There is no other information.

E. Capital Management

E.1 Own funds

E.1.1 Differences between IFRS equity and SII excess of assets over liabilities

Material differences between equity shown in ERGO IFRS financial statements and excess of assets over liabilities as calculated for Solvency II purposes arise from differing rules and regulations for valuation and consideration of balance sheet items.

As per Solvency II methodology, fair value principles are applied comprehensively. This means, either a market value is available and applicable (e. g. investments), or a predefined approach determines the fair value of assets and liabilities without an active market (e. g. best estimate and risk margin for technical provisions). The time value of money is considered under Solvency II and requires the discounting of cash flows, which is only the case for selected technical provisions in IFRS. In contrast to the IFRS balance sheet, the Solvency II balance sheet does not include any claims equalisation provisions.

In consequence, IFRS equity and SII excess of assets over liabilities differ due to differing total balances for assets as well as liabilities in a Solvency II compliant balance sheet and an IRFS balance sheet.

Excess of assets over liabilities – attribution of valuation differences	31.12.2024	31.12.2023
Total of equity reserves and retained earnings from financial statements	119 375 681	94 538 362
Difference in the valuation of assets	-10 296 986	-7 885 154
Difference in the valuation of technical provisions	33 622 508	6 353 706
Difference in the valuation of other liabilities	-51 424 684	-19 995 274
Solvency II Excess of assets over liabilities	**91 276 519**	**73 011 640**

E.1.2 Composition of own funds

In the following table presented information on the structure, amount, and quality of the available own funds at the end of the reporting period:

Basic own funds	31.12.2024	31.12.2023	Tier classification
Ordinary share capital (gross of own shares)	6 391 391	6 391 391	Tier 1 – unrestricted
Reconciliation reserve	77 103 979	66 352 701	Tier 1 – unrestricted
Subordinated liabilities	15 425 900	21 030 150	Tier 2
Net deferred tax assets	281 149	267 548	Tier 3
Total basic own funds	**99 202 419**	**94 041 790**	

E.2 Solvency Capital Requirement and Minimum Capital Requirement

ERGO discloses and safeguards the regulatory needed capitalisation based on the Standard Formula.

E.2.1 Values of Solvency Capital Requirement and Minimum Capital Requirement

The following table shows the Company's Solvency II Capital Requirement (SCR) composition:

Euro	Value 31.12.24	Value 31.12.23
Market risk	4 889 468	6 508 081
Counterparty default risk	3 215 953	3 170 329
Life underwriting risk	445 026	414 111
Health underwriting risk	4 923 262	4 695 663
Non-life underwriting risk	47 285 256	38 437 567
Diversification	-9 837 829	-10 388 543
Intangible asset risk	-	-
Basic Solvency Capital Requirement	**50 921 135**	**42 837 208**
Operational risk	8 556 740	7 773 499
Loss-absorbing capacity of deferred taxes	-	-
Net Solvency Capital Requirements (SCR)	**59 477 875**	**50 610 707**

Minimum Capital Requirement (MCR) is calculated as a maximum of two components: combined MCR and the absolute floor referred to in Article 129(1)(d) of Directive 2009/138/EC. The combined MCR shall be equal to the Linear MCR but not more than 45% of SCR and not less than 25% of SCR.

The Linear MCR is calculate separately for life and non-life obligations and added. For non-life the calculation depends on written premiums and technical provisions without the risk margin, for life technical provisions and capital at risk as described in Articles 250 and 251 of the Commission Delegate Regulation (EU) 2015/35.

The following data is used for Linear MCR calculations:

Euro	Net technical provisions	Net written premiums	α	β	Linear MCR
Medical expenses insurance	1 138 946	4 422 393	4,70%	4,70%	261 383
Income protection insurance	1 909 955	13 301 328	13,10%	8,50%	1 380 817
Motor vehicle liability	64 840 086	50 370 377	8,50%	9,40%	10 246 223
Motor, other classes	17 369 088	37 311 006	7,50%	7,50%	4 101 007
Marine, aviation, transport (MAT)	4 736 461	2 937 553	10,30%	14,00%	899 113
Fire and other property damage	28 110 080	51 349 865	9,40%	7,50%	6 493 587
Third-party liability	10 136 130	12 915 146	10,30%	13,10%	2 735 906
Credit and suretyship	2 114 487	5 050 843	17,70%	11,30%	945 009
Legal expense insurance	117 154	1 509 259	11,30%	6,60%	112 849
Assistance	1 116 758	4 097 103	18,60%	8,50%	555 971
Total Linear MCR for non-life obligations					**27 731 865**
Linear MCR for life obligations	13 438 226		2,10%		282 203
Total Linear MCR					**28 014 068**

The value of Minimum Capital Requirement (MCR) is shown below:

Euro	Value 31.12.24	Value 31.12.23
Linear MCR	28 014 068	26 010 119
SCR	59 477 875	50 610 707
MCR cap	26 765 044	22 774 818
MCR floor	14 869 469	12 652 677
Combined MCR	26 765 044	22 774 818
Absolute floor of the MCR	4 000 000	4 000 000
Minimum Capital Requirement (MCR)	**26 765 044**	**22 774 818**

The following table shows that ERGO is sufficiently covered under Solvency II:

Euro	Value 31.12.24	Value 31.12.23
SCR	59 477 875	50 610 707
MCR	26 765 044	22 774 818
Eligible Own Funds for SCR coverage	99 202 419	94 041 790
Eligible Own Funds for MCR coverage	88 848 378	77 299 056
SCR Coverage	**167%**	**186%**
MCR Coverage	**332%**	**339%**

E.2.2 Material changes to Solvency Capital Requirement and Minimum Capital Requirement over the reporting period

During 2024 Solvency Capital Requirement value increased by 8.9 million Euros. Capital Requirement for Underwriting risk before diversification increased by 9.1 million Euros. The increase in underwriting risk is driven by increased premium and reserve volume measure in most segments. The largest premium and reserve volume increases are seen in Motor and Fire and other damage to property.

Minimum Capital Requirement increased by 4.0 million Euros due to Solvency Capital Requirement increase. Like the year before, the Minimum Capital Requirement was determined by MCR cap value of 45% of SCR.

E.2.3 Simplified calculations

ERGO uses simplified calculations with longevity risk, lapse risk and catastrophe risk.

Article 88 of the Delegated Regulation (EU) 2015/35 regulates the use of the simplified calculations. The Company assesses that the use of the simplification is justified considering the nature, scale and complexity of the specific risk.

E.2.4 Use of Undertaking-specific Parameters

ERGO does not use Undertaking-specific Parameters (USP) as described in to Article 104 (7) of Directive 2009/138 / EC.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

As the duration-based equity risk sub-module only applies to life insurance undertakings, ERGO does not use it.

E.4 Differences between the standard formula and any internal model used

ERGO does not use internal model for calculating solvency capital requirement.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

As at 31.12.2024 ERGO is compliant with the Minimum Capital Requirement and with the Solvency Capital Requirement.

E.6 Any other information

There is no other information.

Appendices

Appendices according to Commission Implementing Regulation (EU) 2015/2452.

S.02.01.02
Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	281 149
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	7 271 440
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	297 209 922
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	50 000
Equities	**R0100**	43 443
Equities – listed	**R0110**	
Equities – unlisted	**R0120**	43 443
Bonds	**R0130**	291 818 821
Government Bonds	**R0140**	177 509 443
Corporate Bonds	**R0150**	114 409 377
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	5 197 658
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	32 758 066
Non-life and health similar to non-life	**R0280**	27 537 262
Non-life excluding health	**R0290**	27 550 352
Health similar to non-life	**R0300**	-13 089
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	5 220 804
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	5 220 804
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	

		Solvency II value
		C0010
Insurance and intermediaries receivables	R0360	4 832 770
Reinsurance receivables	R0370	2 452 479
Receivables (trade, not insurance)	R0380	1 905 342
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	15 662 845
Any other assets, not elsewhere shown	R0420	2 821 027
Total assets	R0500	**365 195 040**

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	**R0510**	165 719 060
Technical provisions – non-life (excluding health)	**R0520**	162 019 947
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	156 090 596
Risk margin	**R0550**	5 929 350
Technical provisions – health (similar to non-life)	**R0560**	3 699 113
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	3 035 811
Risk margin	**R0590**	663 302
Technical provisions – life (excluding index-linked and unit-linked)	**R0600**	18 866 760
Technical provisions – health (similar to life)	**R0610**	
Technical provisions calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	18 866 760
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	18 659 030
Risk margin	**R0680**	207 729
Technical provisions – index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	5 807 010
Insurance & intermediaries payables	**R0820**	28 815 839
Reinsurance payables	**R0830**	28 811 835
Payables (trade, not insurance)	**R0840**	10 273 885
Subordinated liabilities	**R0850**	15 624 133
Subordinated liabilities not in Basic Own Funds	**R0860**	198 233
Subordinated liabilities in Basic Own Funds	**R0870**	15 425 900
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	**273 918 521**
Excess of assets over liabilities	**R1000**	**91 276 519**

S.04.05.21
Premiums, claims and expenses by country

Non-life insurance and reinsurance obligations

		Home country	Latvia	Lithuania
		C0010	C0020	C0020
Premiums written (gross)				
Gross Written Premium (direct)	**R0020**	88 087 304	47 234 943	152 367 184
Gross Written Premium (proportional reinsurance)	**R0021**			
Gross Written Premium (non-proportional reinsurance)	**R0022**			
Premiums earned (gross)				
Gross Earned Premium (direct)	**R0030**	87 646 985	47 020 321	150 557 367
Gross Earned Premium (proportional reinsurance)	**R0031**			
Gross Earned Premium (non-proportional reinsurance)	**R0032**			
Claims incurred (gross)				
Claims incurred (direct)	**R0040**	42 246 763	22 840 840	82 669 044
Claims incurred (proportional reinsurance)	**R0041**			
Claims incurred (non-proportional reinsurance)	**R0042**			
Expenses incurred (gross)				
Gross Expenses Incurred (direct)	**R0050**	24 050 065	17 070 885	49 778 340
Gross Expenses Incurred (proportional reinsurance)	**R0051**			
Gross Expenses Incurred (non-proportional reinsurance)	**R0052**			

S.05.01.02

Premiums, claims and expenses by line of business

			Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
			Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
			C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Premiums written	Gross – Direct Business	**R0110**	4 462 510	13 578 176		99 900 882	75 823 729	3 519 180	58 427 105	14 984 417	11 337 305
	Gross – Proportional reinsurance accepted	**R0120**									
	Gross – Non-proportional reinsurance accepted	**R0130**									
	Reinsurers' share	**R0140**	50 407	59 246		49 873 814	38 059 875	498 469	6 944 408	1 954 195	5 615 758
	Net	**R0200**	4 412 102	13 518 931		50 027 068	37 763 854	3 020 710	51 482 697	13 030 222	5 721 547
Premiums earned	Gross – Direct Business	**R0210**				101 908 357	75 250 534	3 461 029	56 532 739	14 696 108	9 991 011
	Gross – Proportional reinsurance accepted	**R0220**									
	Gross – Non-proportional reinsurance accepted	**R0230**									
	Reinsurers' share	**R0240**	50 407	59 239		49 887 786	38 069 249	473 660	6 987 747	2 056 633	4 997 712
	Net	**R0300**				52 020 571	37 181 285	2 987 368	49 544 992	12 639 475	4 993 299
Claims incurred	Gross – Direct Business	**R0310**	1 740 789	4 361 532		62 054 783	45 916 788	1 753 271	25 403 984	5 293 902	662 048
	Gross – Proportional reinsurance accepted	**R0320**									
	Gross – Non-proportional reinsurance accepted	**R0330**									
	Reinsurers' share	**R0340**				28 062 330	23 490 146	-26 289	625 314	227 081	-22 510
	Net	**R0400**	1 740 789	4 361 532		33 992 453	22 426 642	1 779 560	24 778 669	5 066 821	684 558
Expenses incurred		**R0550**	1 808 874	5 005 908		10 573 364	9 803 760	1 184 426	19 316 438	4 193 048	821 324
Balance – other technical expenses/income		**R1210**									
Total technical expenses		**R1300**									

			Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				Total
			Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
			C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written	Gross – Direct Business	**R0110**	1 509 259	4 146 866						287 689 430
	Gross – Proportional reinsurance accepted	**R0120**								
	Gross – Non-proportional reinsurance accepted	**R0130**								103 056 173
	Reinsurers‘ share	**R0140**								**103 056 173**
	Net	**R0200**	1 509 259	4 146 866						184 633 257
Premiums earned	Gross – Direct Business	**R0210**	1 508 046	4 084 345						285 224 673
	Gross – Proportional reinsurance accepted	**R0220**								
	Gross – Non-proportional reinsurance accepted	**R0230**								
	Reinsurers‘ share	**R0240**								**102 582 435**
	Net	**R0300**	1 508 046	4 084 345						182 642 238
Claims incurred	Gross – Direct Business	**R0310**	153 566	415 985						147 756 647
	Gross – Proportional reinsurance accepted	**R0320**								
	Gross – Non-proportional reinsurance accepted	**R0330**								
	Reinsurers‘ share	**R0340**								**52 356 072**
	Net	**R0400**	153 566	415 985						95 400 575
Expenses incurred		**R0550**	859 350	2 978 096						**56 544 587**
Balance – other technical expenses/income		**R1210**								**2 593 597**
Total technical expenses		**R1300**								**59 138 185**

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	**R1410**									
Reinsurers' share	**R1420**									
Net	**R1500**									
Premiums earned										
Gross	**R1510**									
Reinsurers' share	**R1520**									
Net	**R1600**									
Claims incurred										
Gross	**R1610**						2 146 786			**2 146 786**
Reinsurers' share	**R1620**									
Net	**R1700**						2 146 786			**2 146 786**
Changes in other technical provisions										
Gross	**R1710**									
Reinsurers' share	**R1720**									
Net	**R1800**									
Expenses incurred	**R1900**									
Other expenses	**R2500**									
Total expenses	**R2600**									

S.12.01.02
Life and Health SLT Technical Provisions

				Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
				C0090	C0100	C0150
Technical provisions calculated as a whole			**R0010**			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole			**R0020**			
Technical provisions calculated as a sum of BE and RM	Best Estimate	**Gross Best Estimate**	**R0030**	18 659 030		**18 659 030**
		Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	5 220 804		**13 438 226**
		Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	**R0090**	13 438 226		**13 438 226**
		Risk Margin	**R0100**	207 729		**207 729**
Technical provisions – total			**R0200**	18 866 760		**18 66 760**

S.17.01.02
Non-Life Technical Provisions

					Direct business and accepted proportional reinsurance										Total Non-Life obligation
					Medical expense insurance	Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assis-tance	
					C0020	C0030	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0180
Technical provisions calculated as a whole				R0010											
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole				R0050											
Technical provisions calculated as a sum of BE and RM	Best esti-mate	Premium provi-sions	Gross	R0060	368 000	1 231 283	24 937 978	13 231 936	220 525	14 823 928	1 391 844	787 869	-236 243	407.042	**57 164 161**
			Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-7 451	-39 929	-440 293	-877 162	-79 836	142 644	-159 138	-232 314	0	0	**-1 693 479**
			Net Best Estimate of Premium Provisions	R0150	375 451	1 271 212	25 378 271	14 109 098	300 361	14 681 284	1 550 982	1 020 183	-236 243	407.042	**58 857 641**
		Claims provi-sions	Gross	R0160	853 532	1 120 801	53 642 036	7 726 642	6 546 341	13 935 950	8 425 584	1 536 343	274 668	158.333	**94 220 231**
			Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240			20 182 883	3 745 487	608 051	3 402 332	1 369 397	663 104			**29 971 255**
			Net Best Estimate of Claims Provisions	R0250	853 532	1 120 801	33 459 153	3 981 155	5 938 290	10 533 618	7 056 186	873 239	274 668	158.333	**64 248 977**
	Total Best estimate – gross			R0260	1 221 532	2 352 085	78 580 014	20 958 577	6 766 866	28 759 878	9 817 428	2 324 212	38 425	565 375	**151 384 393**
	Total Best estimate – net			R0270	1 228 983	2 392 013	58 837 424	18 090 253	6 238 651	25 214 902	8 607 169	1 893 422	38 425	565 375	**123 106 617**
	Risk margin			R0280	211 903	370 380	1 794 706	847 274	191 537	1 313 497	384 269	144 167	39 921	82 057	**5 379 710**
Technical provisions – total	**Technical provisions – total**			R0320	**1 433 435**	**2 722 464**	**80 374 720**	**21 805 851**	**6 958 403**	**30 073 375**	**10 201 697**	**2 468 380**	**78 346**	**647 431**	**156 764 102**
	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total			R0330	**-7 451**	**-39 929**	**19 742 590**	**2 868 325**	**528 215**	**3 544 976**	**1 210 259**	**430 790**			**28 277 775**
	Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total			R0340	**1 440 886**	**2 762 393**	**60 632 130**	**18 937 527**	**6 430 188**	**26 528 399**	**8 991 438**	**2 037 590**	**78 346**	**647 431**	**128 486 327**

S.19.01.21
Non-life Insurance Claims

Total Non-Life Business

Accident year / Underwriting year

Z0020	Accident year

Gross Claims Paid (non-cumulative) (absolute amount)

		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											360 282	360 282	360 282
N-9	R0160	48 538 885	21 536 181	1 781 904	646 034	278 027	164 696	-43 835	34 773	-4 319	74 780		74 780	73 007 126
N-8	R0170	59 849 657	18 286 548	2 108 328	1 058 163	778 133	285 308	40 841	90 350	545 431			545 431	104 746 282
N-7	R0180	57 690 659	19 894 788	2 062 393	1 550 128	599 612	272 982	-211 748	126 364				126 364	81 985 178
N-6	R0190	64 172 562	23 320 148	3 172 730	1 082 314	1 262 156	2 254 981	533 464					533 464	95 798 354
N-5	R0200	70 915 387	22 927 597	4 223 284	1 186 888	1 894 598	371 549						371 549	101 519 302
N-4	R0210	72 380 544	27 340 612	4 639 242	2 136 578	309 771							309 771	106 806
N-3	R0220	89 538 272	37 786 010	7 241 636	3 770 078								3 770 078	138 335 997
N-2	R0230	85 193 689	31 802 571	3 545 404									3 545 404	120 541 664
N-1	R0240	95 093 238	35 749 404										35 749 404	130 842 642
N	R0250	100 104 251											100 104 251	100 104 251
Total	R0260												**145 490 779**	**1 032 344 303**

Gross undiscounted Best Estimate Claims Provisions (absolute amount)

		Development year											Year-end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											13 605 320	14 741 442
N-9	R0160	27 799 036	5 592 413	2 859 814	2 171 736	1 654 907	2 001 847	1 350 721	1 373 753	1 113 610	1 069 699		947 204
N-8	R0170	30 464 432	8 964 916	7 374 007	5 743 066	4 605 357	3 439 538	2 763 943	2 727 043	2 153 111			1 880 735
N-7	R0180	33 807 211	10 238 069	7 237 004	5 420 574	3 773 092	2 977 540	1 885 756	1 875 195				1 635 692
N-6	R0190	40 114 963	16 458 460	12 289 738	11 945 156	10 223 485	8 012 845	5 666 439					4 907 177
N-5	R0200	44 758 104	18 804 191	11 711 360	10 909 971	4 402 911	4 127 523						3 632 819
N-4	R0210	46 759 068	12 785 702	6 642 098	3 788 286	2 232 123							2 026 174
N-3	R0220	60 424 650	19 905 266	16 101 778	12 716 920								11 635 929
N-2	R0230	46 750 968	12 422 648	9 803 108									8 989 544
N-1	R0240	53 410 598	18 943 298										17 521 858
N	R0250	59 159 651											57 059 395
Total	R0260												**124 977 968**

S.23.01.01
Own funds

			Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
			C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Ordinary share capital (gross of own shares)	R0010	6 391 391	6 391 391			
	Share premium account related to ordinary share capital	R0030					
	Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040					
	Subordinated mutual member accounts	R0050					
	Surplus funds	R0070					
	Preference shares	R0090					
	Share premium account related to preference shares	R0110					
	Reconciliation reserve	R0130	77 103 978	77 103 978			
	Subordinated liabilities	R0140	15 425 900			15 425 900	
	An amount equal to the value of net deferred tax assets	R0160	281 149				281 149
	Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions	Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions		R0290	99 202 419	83 495 369		15 425 900	281 149
Total ancillary own funds		R0400					
Available and eligible own funds	Total available own funds to meet the SCR	R0500	99 202 419	83 495 369		15 425 900	281 149
	Total available own funds to meet the MCR	R0510	99 202 419	83 495 369		15 425 900	
	Total eligible own funds to meet the SCR	R0540	99 202 419	83 495 369		15 425 900	281 149
	Total eligible own funds to meet the MCR	R0550	99 202 419	83 495 369		5 353 009	
SCR		R0580	59 477 875				
MCR		R0600	26 765 044				
Ratio of Eligible own funds to SCR		R0620	1,6679				
Ratio of Eligible own funds to MCR		R0640	3,3196				

			Value
			C0060
Reconciliation reserve	Excess of assets over liabilities	R0700	91 276 519
	Own shares (held directly and indirectly)	R0710	0
	Foreseeable dividends, distributions and charges	R0720	7 500 000
	Other basic own fund items	R0730	6 672 541
	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve		**R0760**	77 103 978

S.25.01.01
Solvency Capital Requirement – for undertakings on Standard Formula

Basic Solvency Capital Requirement

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	4 889 468		
Counterparty default risk	R0020	3 215 953		
Life underwriting risk	R0030	445 026		
Health underwriting risk	R0040	4 923 262		
Non-life underwriting risk	R0050	47 285 256		
Diversification	R0060	-9 837 829		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	**R0100**	**50 921 135**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	8 556 740
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	59 477 875
Capital add-on already set	R0210	
Solvency capital requirement	R0220	59 477 875
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.28.01.01
Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	27 731 865

		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	1 138 946	4 422 393
Income protection insurance and proportional reinsurance	R0030	1 909 955	13 301 328
Workers‘ compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	64 840 086	50 370 377
Other motor insurance and proportional reinsurance	R0060	17 369 088	37 311 006
Marine, aviation and transport insurance and proportional reinsurance	R0070	4 736 461	2 937 553
Fire and other damage to property insurance and proportional reinsurance	R0080	28 110 080	51 349 865
General liability insurance and proportional reinsurance	R0090	10 136 130	12 915 146
Credit and suretyship insurance and proportional reinsurance	R0100	2 114 487	5 050 843
Legal expenses insurance and proportional reinsurance	R0110	117 154	1 509 259
Assistance and proportional reinsurance	R0120	1 116 758	4 097 103
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	**R0200**	282 203

		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/ SPV) total capital at risk
		C0050	C0060
Obligations with profit participation – guaranteed benefits	**R0210**		
Obligations with profit participation – future discretionary benefits	**R0220**		
Index-linked and unit-linked insurance obligations	**R0230**		
Other life (re)insurance and health (re)insurance obligations	**R0240**	13 438 226	
Total capital at risk for all life (re)insurance obligations	**R0250**		

Overall MCR calculation

		C0070
Linear MCR	**R0300**	28 014 068
SCR	**R0310**	59 477 875
MCR cap	**R0320**	26 765 044
MCR floor	**R0330**	14 869 469
Combined MCR	**R0340**	26 765 044
Absolute floor of the MCR	**R0350**	4 000 000
Minimum Capital Requirement	**R0400**	**26 765 044**

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