ERGO Life Insurance SE

Independent Auditor’s Report, Annual Management Report and Separate Financial Statements for the Year Ended 31 December 2024

FINANCIAL STATEMENTS

Company name:	**ERGO Life Insurance SE**
Registry number:	**110707135**
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	Republic of Lithuania
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E-mail:	**info@ergo.lt**
Website:	**www.ergo.lt**
Core business:	**Life insurance**
Beginning of financial year:	**1 January 2024**
End of financial year:	**As at 31 December 2024**
Chairwoman of the Management Board and Managing Director:	**Ursula Clara Deschka**
Auditor:	**Ernst & Young Baltic UAB**

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Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

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Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

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INDEPENDENT AUDITOR'S REPORT

To the shareholder of ERGO Life Insurance SE

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of ERGO Life Insurance SE, a company registered in accordance with the corporate law of the European Union (hereinafter the Company), which comprise the statement of financial position as of 31 December 2024, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of the Financial Statements and Other Assurance Services of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the Financial Statements and Other Assurance Services of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matters	How the matter was addressed in the audit
Assessment of the Liability for Remaining Coverage (LRC)	
As outlined in Note 14 to the financial statements, the liability for remaining coverage (LRC) as at 31 December 2024 was 201.5 million euro (gross of reinsurance contracts). Out of this amount 192.5 million euro has been measured under the variable fee approach (VFA, the measurement model for contracts with direct participation features), 6.8 million euro under the premium allocation approach (PAA, the simplified measurement model) and 2.2 million euro under the general measurement model (GMM, highly complex and mainly used in life reinsurance).	Our audit procedures included, among others, evaluation of the appropriateness of the Company's accounting policies related to the measurement of insurance contract liabilities according to IFRS 17 *Insurance contracts* and whether assumptions and the methods for making the accounting estimates are appropriate and have been applied consistently. We involved our actuaries to assist us in performing audit procedures in this area. Our key audit procedures included evaluating the Company's

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Key audit matters	How the matter was addressed in the audit
Assessment of the Liability for Remaining Coverage (LRC)	
The measurement of LRC related to insurance contracts involves judgment over uncertain future outcomes, which involves setting various assumptions regarding the total settlement value of LRC. The determination of LRC related to insurance contracts requires the use of complex (actuarial) models and other computational tools for which it is important that their design and configuration is adequate, the assumptions used are appropriate and the input data is complete and accurate. The use of different actuarial techniques and assumptions could produce materially different estimates of liabilities related to insurance contracts. Also, as disclosed in Note 29, the Company has identified and retrospectively corrected an error in the comparative LRC-related financial information presented in these financial statements. Therefore, we consider the LRC as a key audit matter. Furthermore, the insurance service results, including insurance revenue, are also produced to a significant extent with the use of the same processes, tools and assumptions. The specific risk considerations of the Company are included below. The key economic assumptions used are the discount rate applied to adjust the expected future cash flows for time value of money (including applicable illiquidity premium) and the 'cost of capital' percentage applied in the risk adjustment calculation. For Life and Health insurance, the valuation of liabilities requires the application of significant judgement in the setting of operating assumptions such as expenses, lapses, mortality. Furthermore, the Contractual Service Margin (CSM) release for the period as well as the release of the expected incurred claims and expenses are important drivers in determining the insurance revenue for the period. We refer to Note 14 "Insurance and reinsurance contracts", Note 6 "Insurance revenue", Note 7 "Insurance service expense" and Note 29 "Correction of an error" of the financial statements.	methodology for calculating LRC and obtaining understanding and evaluating the design of internal controls in this respect. Furthermore, we performed the following procedures: 1. Testing of the accuracy and completeness of data as utilized by the Company to value estimated future cash flows by reconciling such data to the underlying records. 2. Evaluation of the mathematical accuracy and methodological compliance of the calculation tools developed by the Company for VFA, GMM and PAA measurement models under IFRS 17 *Insurance Contracts*. 3. Evaluation of the assumptions on the discount rate (including illiquidity premium) and the cost of capital percentage used in valuation of insurance contract liabilities based on Company's and market data. 4. Evaluation of the nature, timing and completeness of changes in key assumptions, models and methods, including their impact on financial reporting. 5. Performing analytical procedures, including period to period analysis of changes in present value future cash flows. In relation to the restatement of comparative financial information, we have evaluated whether the restatement was properly accounted for retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, have tested the accuracy and completeness of data used by the Company to determine the relevant amounts of the restatement. We evaluated ERGO Life Insurance SE disclosures in relation to insurance contract liabilities and insurance service result in accordance with IFRS 17 *Insurance contracts*. In particular, we evaluated that disclosures adequately convey the degree of estimation uncertainty. We have also evaluated the Company's disclosures in relation to the correction or an error.

Other information

Other information consists of the information included in the Company's 2024 Annual Management Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

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

We also have to evaluate, if the financial information included in the Company's Annual Management Report, corresponds to the financial statements for the same financial year and if the Company's Annual Management Report was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- The financial information included in the Company's Annual Management Report, corresponds to the financial information included in the financial statements for the same year; and
- The Company's Annual Management Report has been prepared in accordance with the requirements of the Law on Reporting by Undertakings and Groups of Undertakings of the Republic of Lithuania.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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‣ Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

‣ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment and approval of the auditor
In accordance with the decision made by shareholder we have been chosen to carry out the audit of Company’s financial statements the first time on 27 December 2018. Our appointment to carry out the audit of Company’s financial statements in accordance with the decision made by shareholder has been renewed annually and the period of total uninterrupted engagement is 5 years.

Consistency with the audit report submitted to the audit committee
We confirm that our opinion in the section *Opinion* is consistent with the additional Audit report which we have submitted to the Company and the Audit Committee.

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

Throughout our audit engagement period, we have not provided any other services except for the audit of the financial statements and translation assistance services.

The partner in charge of the audit resulting in this independent auditor’s report is Jonas Akelis.

UAB ERNST & YOUNG BALTIC
Audit company’s licence No. 001335

Jonas Akelis
Auditor’s licence
No. 000003

11 April 2025

Annual management Report 2024

Review of operations

Strong owner

Through their parent company, ERGO Group AG, the ERGO Life Insurance SE in the Baltics represents one of the world's leading reinsurers and risk carriers, Münchener Rückversicherungs-Gesellschaft AG (Munich Re), which has been operating since 1880 and has always been able to satisfy its customers' claims. Ratings of Munich Re: A+ superior A.M. Best, AA very strong Fitch, AA very strong Standard & Poor's. Ratings of ERGO Grou: AA- by Fitch, A+ by Standard & Poor's. Munich Re is included in the DAX 40 and EURO STOXX 50.

At the end of 2024, the share capital of ERGO Life Insurance SE (hereinafter in the report ERGO Life Insurance SE, ERGO, the Company) was EUR 4,380,213. The sole shareholder of ERGO Life Insurance SE is ERGO International AG, registry code HRB 40871, address ERGO-Platz 1, 40198 Düsseldorf, Germany.

Cooperation with the world's leading re-insurers

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

Information about the company's Management Board:

Ursula Clara Deschka. Chairperson of the Board of Management ERGO Life Insurance SE (code: 110707135; address: Geležinio Vilko St. 6, Vilnius) and ERGO Insurance SE (code: 10017013; address: Veskiposti 2/1, Tallinn).

Tadas Dovbyšas. Member of the Management Board of ERGO Life Insurance SE (code: 110707135; address: Geležinio Vilko st. 6, Vilnius) and ERGO Insurance SE (code: 10017013; address: Veskiposti 2/1, Tallinn).

Marek Ratnik. Member of the Management Board of ERGO Life Insurance SE (code: 110707135; address: Geležinio Vilko st. 6, Vilnius) and ERGO Insurance SE (code: 10017013; address: Veskiposti 2/1, Tallinn).

Laimė Naruševičienė. Member of the Management Board of ERGO Life Insurance SE (code: 110707135; address: Geležinio Vilko st. 6, Vilnius) and ERGO Insurance SE (code: 10017013; address: Veskiposti 2/1, Tallinn).

Aija Medne. Member of the Management Board of ERGO Life Insurance SE (code: 110707135; address: Geležinio Vilko st. 6, Vilnius) and ERGO Insurance SE (code: 10017013; address: Veskiposti 2/1, Tallinn).

Information about the company's Supervisory Board:

1. Theodoros Kokkalas. Chair of Supervisory Board of ERGO Life Insurance SE (code: 110707135; address: Geležinio Vilko st. 6, Vilnius) and ERGO Insurance SE (code: 10017013; address: Veskiposti 2/1, Tallinn), Chair of the Board of Management of ERGO International AG, Dusseldorf; Member of the Board of Directors at Ergo Insurance N.V., Brussels; Member of the Board of Directors at DKV Belgium S.A. / N.V., Brussels; Chair of the Board of Directors at Ergo Insurance Company Single Member S.A., Athens; Member of Supervisory Board at HDFC Ergo General Insurance Company Limited, Mumbai; Member of Supervisory Board at Sopockie

Towarzystwo Ubezpieczen Ergo Hestia SA, Sopot; Member of Supervisory Board at Sopockie Towarzystwo Ubezpieczen na Zycie Ergo Hestia SA, Sopot.

2. Ilona Mihele. Member of the Supervisory Board of ERGO Life Insurance SE (code: 110707135; address: Geležinio Vilko st. 6, Vilnius) and ERGO Insurance SE (code: 10017013; address: Veskiposti 2/1, Tallinn), Member of the Board of Directors (non-executive) at Ergo Insurance N.V., Brussels and DKV Seguros y Reaseguros S.A.E., Saragossa. Chairperson of the Board of Directors (non-executive) of ERGO Danismanlik A.S., Istanbul. Member of Audit Committee and Risk Committee of ERGO Insurance Public Company Limited, Bangkok and ERGO Insurance N.V., Brussels.
3. Dr. Dirk Christoph Schautes. Member of the Supervisory Board of ERGO Life Insurance SE (code: 110707135; address: Geležinio Vilko st. 6, Vilnius) and ERGO Insurance SE (code: 10017013; address: Veskiposti 2/1, Tallinn), Member of the Management Board of Sopockie Towarzystwo Ubezpieczen Ergo Hestia SA, Sopot; Member of the Board of Management at Sopockie Towarzystwo Ubezpieczen na Zycie Ergo Hestia SA, Sopot; Member of the Supervisory Board ERGO Technology & Services SA, Sopot.

4. Dr. Maximilian Happacher. Member of the Supervisory Board of ERGO Life Insurance SE (code: 110707135; address: Geležinio Vilko st. 6, Vilnius). Chairperson of the Supervisory Boards: ERGO Lebensversicherung AG, Hamburg; Victoria Lebensversicherung AG, Düsseldorf; ERGO Pensionskasse AG, Düsseldorf. Member of the Supervisory Boards: ERGO Pensionsfonds AG, Düsseldorf; ERGO Hestia SA Life, Sopot; Protektor Lebensversicherung AG, Berlin; Versorgungsausgleichskasse Pensionskasse VVaG, Stuttgart; ERGO Austria International AG, Viena. Chairperson of the Board of Directors of ERGO Insurance NV, Brussels. Member of the Board of Directors of ERGO China Life Insurance Co. Ltd., Jinan. Chair of Executive Board of DAV e.V, Cologne. Managing Director of Thipara GmbH, Hamburg and Cominia Aktuarielle Services GmbH, Hamburg.

ERGO Life Insurance SE: Result for 2024

Insurance revenue	EUR 65.2 million
Total assets	EUR 321.03 million
Investments in financial instruments	EUR 269.04 million
Insurance contract liabilities	EUR 227.14 million
Equity	EUR 65.30 million
Profit for the year	EUR 10.47 million
Total comprehensive income/expense	EUR 10.17 million
Return on equity[1]	16.44 %
Insurance contracts in force	119,237
Offices	8 in Lithuania, 20 in Latvia, and 1 in Estonia
Employees (FTE) at year-end	in total – 278, of which 117 in Lithuania, 121 in Latvia and 40 in Estonia

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

Economic environment

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

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

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

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

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

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

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

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

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

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

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

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

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

Economic developments in the Baltic States

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On the fiscal front, the general government deficit is anticipated to widen from 0.7% of GDP in 2023 to 2.0% in 2024 and then further to 2.4% and 2.6% in 2025 and 2026 respectively. This increase is attributed to higher social spending, including public wages and pensions, as well as increased capital transfers linked to national defense needs. The public debt-to-GDP ratio is also forecasted to rise to 38.3% in 2024 (41.0% in 2025 and 44.6% in 2026), reflecting these fiscal pressures.

The labor market is expected to remain tight despite a temporary loosening due to the continued inflow of refugees from Ukraine. Employment is projected to grow by a modest 1.9% in 2024, with the unemployment rate reaching 7.5% in 2024 and then slightly decreasing to 7.0% in 2025 and 6.9% in

2026. Wage growth remains robust (at 10% in 2024), influenced by both private sector dynamics and planned public sector wage increases.
The trade sector will see mixed performance. While services exports are expected to maintain their strong trajectory, trade in goods is forecasted to recover at a slower pace, aligned with gradual improvements in the EU and global economies. However, imports are predicted to outpace exports, indicating a potential trade balance challenge.
Investment activity is likely to contract slightly in 2024 after a robust performance in 2023, constrained by trade uncertainties and low capacity utilization. However, from 2025 onwards, investment in areas such as intangibles, defense, and energy is expected to rebound, supported by EU funding and a more accommodative monetary policy.
In summary, Lithuania's economy in 2024 will navigate a landscape of moderate growth, easing inflation, and fiscal expansion. Structural challenges, including balancing trade and managing public debt, will require careful policy attention to sustain economic momentum.

Main risks:

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

Regulatory environment

The main law for insurance industry in Lithuania is the Law on Insurance of the Republic of Lithuania; European Parliament and Council Directive (EU) 2016/97 regarding the distribution of insurance products, Directive 2009/138/EC of the European Parliament and of the Council on the initiation and performance of insurance and reinsurance activities (Solvency II).

In 2024, the global minimum tax came into force, establishing a 15% minimum corporate tax rate for large multinational enterprises. This initiative, led by the OECD and supported by over 140 countries, aims to prevent tax base erosion and profit shifting by ensuring that multinational corporations pay a fair share of taxes, regardless of where they operate. The reform is expected to enhance tax transparency and create a more level playing field in global taxation.

Under the Insurance Distribution Directive and implementing and delegated Regulations thereof, the aim is to better protect the interests of customers and increase the transparency of insurance companies, in particular through the provision of insurance-based investment products, including:

- stronger focus on identification of customer needs and acting in the best interest of the insured;
- greater transparency in insurance activities by providing sufficient information to the insured on an insurance product, their parts, intermediaries and their remuneration, potential conflicts of interest (if they are not managed effectively, etc.);

- stronger focus on management of conflicts of interest in order to prioritise activities of the insurance company to provide the best conditions for clients and not to serve business interests;
- rules on transparency and business conduct to help customers avoid buying products that do not meet their needs.

The Regulation 2016/679 of the European Parliament and of the Council (EU) effective as of 27 April 2016 on the protection of individuals with regard to processing of personal data and on the free movement of such data repealing Directive 95/46/EB (General Data Protection Regulation) (hereinafter – GDPR) is of significant importance to activities of the Insurance Company. The GDPR is a European Union legal act of direct application. In implementing the General Data Protection Regulation (GDPR), the Company is continuously maintaining a high level of data protection in its operations, i.e. regularly reviews and updates its internal procedures governing the processing of handling of personal data in order to comply with the provisions of the applicable legal regulation (laws, requirements established by the State Data Protection Inspectorate) and clarifications of relevant court decisions. The Company's employees improve their knowledge in the field of personal data protection through trainings and competence tests.

A further legislative package with significant impact on the activities of ERGO Life Insurance SE related to distribution of life insurance products include the Directive 2018/843 of the European Parliament and of the Council (6th AML Directive) and the Law on the Prevention of Money Laundering and Terrorist Financing of the Republic of Lithuania, which impose requirements comprising control measures implemented both at the time of concluding contracts (appropriate customer due diligence and customer's money-laundering risk assessment) and conducting monitoring of the business relationship, including payment of insurance claims. The 6th AML Directive has increased transparency of information on ultimate owners/beneficiaries of legal entities. The Directive also introduced some amendments concerning the identification of politically exposed persons and customer due diligence. The Company shall continuously strengthen the AML/CFT (Anti-Money Laundering/Combating the Financing of Terrorism) area in order to properly manage the relevant risks.

On 10 March 2021, Sustainable Finance Disclosure Regulation (SFDR) came into force. This document aimed at disclosing to customers information about the Company's (ERGO Life Insurance SE) approach to sustainability risks and the maximum adverse effect on sustainability factors to ensure that customers are equipped to make informed investment decisions. To this end, and in line with the requirements of the SFDR, the Sustainability Policy has been published on the Company's website, demonstrating how sustainability risks are integrated into the Company's investment decision-making processes. Following the entry into force of the Regulatory Technical Standards (RTS), the companies disclose information on adverse impacts on sustainability at the corporate level using a single format, including sustainability impact indicators specified therein.

On 1st of January 2023 the 17th IFRS "Insurance Contracts" came into force of and the Company's accounting is carried out according to the new requirements. The purpose of the new standard is to establish completely new, uniform rules for evaluating insurance contracts, ensuring better comparability of reports from different insurers, as well as providing a lot of new information for recipients of financial statements.

Regulation (EU) 2022/2554 on digital operational resilience for the financial sector (Digital Operational Resilience Act, DORA) from 17 January 2025 is directly applicable EU legal act which aims to increase the digital operational resilience of the EU financial sector by strengthening the risk management and incident reporting systems of financial entities (such as banks, insurance undertakings, electronic money and payment institutions, investment firms, etc.), information and communication technology

(ICT) and third parties. DORA establishes a regulatory framework for digital operational resilience which requires all undertakings covered by this regulation to ensure the operational capacity to withstand, respond to and recover from all types of ICT-related disruptions and threats. These requirements are uniformly applied in all EU Member States and define ICT risk, establish rules on ICT risk management, incident reporting, operational resilience testing and ICT third-party risk monitoring.

On 1st July 2024 Lithuania finalised transposition of European Union Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS) requirements into local legislation which resulted in amendments to sixteen laws. Legal acts define principles how companies shall prepare, report and publish information about their sustainability impacts, sustainability risks, opportunities and overall related sustainability performance. In accordance with these legal requirements ERGO Life Insurance SE is exempted from the obligation to prepare a sustainability report as its parent undertaking organisation has prepared consolidated group sustainability statement in accordance with CSRD and ESRS requirements. Parent undertaking organisation and its consolidated group sustainability statement related information:

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

Financial performance of ERGO Life Insurance SE

In 2024, ERGO generated insurance revenue of EUR 65.72 million, a 4.1% increase on the year before. The largest classes were life Variable Fee Approach (VFA) and General Measurement Model (GMM) insurance contracts and health Premium Allocation Approach (PAA) insurance, the revenue of which amounted to EUR 42.97 million or 65.4% and EUR 22.75 million or 34.6% of the portfolio, respectively. In terms of premium income, ERGO maintained the seventh position in the Lithuanian and the fifth position in the Baltic life insurance market. Claims and benefits in 2024 totalled EUR 35.11 million (2023: EUR 31.27 million).

At the year-end, ERGO Life Insurance SE had assets of EUR 321.03 million (2023: EUR 303.05 million). Investments in financial instruments amounted to EUR 269.04 million (2023: EUR 265.17 million), debt instruments at fair value through other comprehensive income accounted for 52.08% (2023: 55.44%), debt instrument at amortised cost accounted for 5.83% (2023: 8.19%), equity and debt instruments at fair value through profit or loss accounted for 42,0% (2023: 36.37%) of the total. Altogether, investments in financial instruments accounted for 83.79% (2023: 87.5%) of total assets. Insurance contract liabilities totalled EUR -227.14 million (2023: EUR -218.00 million), accounted for 88.82% (2023: 89.74%) of total liabilities and 70.84% (2023: 71.94%) of total assets.

Insurance activities

Gross insurance revenue by line of business

In euros	2024		2023[2]		Change	
	Insurance Revenue	**Share of class, %**	**Insurance Revenue**	**Share of class, %**	**Insurance Revenue**	**Share of class, pp**
Life insurance contracts	22,750,427	34.6	22,741,160	36.0	9,266	-1,4
Health insurance contracts	42,969,210	65.4	40,408,852	64.0	2,560,358	1,4
Total	**65,719,637**	**100.0**	**63,150,012**	**100.0**	**2,569,625**	

In 2024, ERGO generated insurance revenue of EUR 65.72 million, a 4,1% increase on the year before. The largest classes were life VFA/GMM insurance contracts and health PAA insurance, the revenue of which amounted to EUR 22.75 million or 34,6% and EUR 42.97 million or 65,4% of the portfolio respectively.

Incurred claims and benefits paid by insurance class:

In euros	2024		2023[3]		Change	
	Incurred claims and benefits	**Share of class, %**	**Incurred claims and benefits**	**Share of class, %**	**Incurred claims and benefits**	**Share of class, pp**
Life insurance contracts	5,697,698	16,2	2,090,687	6,7	3,607,011	9,5
Health insurance contracts	29,415,555	83,8	29,179,108	93,3	236,448	-9,5
Total	**35,113,254**	**100.0**	**31,269,794**	**100.0**	**3,843,459**	

Claims and benefits in 2024 totalled EUR 35.11 million (2023: EUR 31.27 million). The largest share of claims was settled in Health insurance: EUR 29.42 million or 83.8% of claims incurred. The next-largest class was life insurance, where claims and benefits totalled EUR 5.7 million or 16.2%.

[2] Restated after error correction provided in Note 29

[3] Restated after error correction provided in Note 29

Investment activities

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

In 2024 company maintained conservative investment approach whereas income on assets with interest rate risk amounted to 3 million euros. Realisation of debt securities produced a profit of 0.15 million euros. The fair value reserve increased by 0.6 million euros while fair value reserve through profit and loss statement increased by 0.8 million euros. Dividend income and income from loans amounted to 1.4 million euros. Investment management expenses accounted for 0.16% of the carrying value of managed investments. Thus, the overall yield of the investment portfolio was 3.2 %.

Development

Overview and key focus areas

Insurance revenue by ERGO Life Insurance SE during the reporting year amounted to 65.72 million euros, i.e. 4.1% more than in 2023 (2023: EUR 63.15 million, due to correction of error). In terms of insurance revenue in the separate insurance groups, the most rapid increase was in Insurance with profit participation in Latvia. In overall Life Insurance revenue increased by 0.04%. Portfolio declined mostly in immediate annuities and in run-off portfolio of traditional business. Index-lined, unit-linked, and other life Insurance revenue grew due to focus to regular premium business instead of single premium business and by introducing of new products with strong focus to biometric product sales.

Fast and fair insurance claim settlement is the main goal of the insurance company. During the reporting year, accumulative Claims and benefits totalled EUR 35.11 million (2023: EUR 31.27 million).

Legal structure of the company

ERGO Life Insurance SE is one of the leading insurance companies in the Baltic States, offering life and health insurance to both private and corporate clients.

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

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

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

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

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

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

Information on own shares

In 2024, the Company did not hold, acquire, and transfer its own shares.

Strategic vision

Our strategy focuses on putting customers first, recognising that employees who feel supported are best equipped to provide the best service they can to the outside world.
We make sure that costumers can trust us and see us as a reliable long-term partner. We encourage our team to contribute and feel valued members of our company. We believe that connecting people - our customers and ourselves - will lead us to sustainable success and will fulfil our promise.

Our Brand Promise: **Simple because it matters.** We want to design insurance for our customers as simple, fast and convenient as possible. We therefore seamlessly link our competent advice with modern mobile and online services, thus allowing our customers to decide flexibly how and where to contact us.
The essence of our ERGO brand – "Making insurance easier" – is the compass for our actions. As an active companion at every stage in life, as an equal partner, and as a positive driving force for the future. Simple because it matters.

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

We want to create scope to shape the future of ERGO together and for one another.
Our goal is to make ERGO a place that allows us to grow together.

Our engagement

Based on ERGO International engagement survey, our employees' sustainable engagement is extremely high in the Baltics - even 89% in 2024. The participation rate also reached a remarkable 95%.

Such results show that most of our people feel as a part of our company. It also reflects our success in implementing effective strategies throughout the year, leading to positive results.

The business activities of ERGO Life Insurance SE stem from the strategic framework of the ERGO Group with the main objective to make insurance easier for the customer. Our strategic direction remains improving on digital development and the transition to shared systems and operations across the Baltics.

ERGO is continuing with the harmonisation of its processes in the Baltics, following the business model for the company. The goal of these changes is to leverage our strengths and experiences in the Baltics while also honouring local characteristics and fully utilizing local opportunities. The changes in our structure and operations support our focus on understanding our customers' personal needs by offering them clear added value.

Main achievements / recognitions on company level 2024

Category	Award-winning performance	Reference	Country
Valued company/ brand	**Nielsen IQ Brand Study Brand Awareness** ➢ 2nd place (92%) ➢ 2nd place (83%) ➢ 2nd place (87%)	Omnibus Study (CAWI) by Nielsen Consumer LLC	Estonia Latvia Lithuania
Sustainable company	**Sustainability awards, collaboration, index** ➢ Annual Sustainability Index, Platinum category	https://www.ergo.lv/lv/par-ergo/jaunumi/ergo-sanem-treso-platinu-ilgtspejas-indeksa-novertejuma	Latvia
	➢ Responsible Business Forum: Silver category in CSR	https://csr.ee/uudised/vastutustundliku-ettevotluse-indeks-2024-tulemused/	Estonia
	➢ The members of Diversity Charter	https://humanrights.ee/teemad/mitmekesisus-ja-kaasatus/charter/ https://diversity.lt/en/nariai/ https://www.diversity.lv/parakstitaji/	Estonia Lithuania Latvia
	➢ Member of Green Tiger	https://rohetiiger.ee/liikmed/?lang=en	Estonia
	Environmental certifications ➢ Environmental ISO Certificate	Bureau Veritas Certifications	Estonia Lithuania Latvia
Client-centric company	**Mystery Shopping Insurance brands** ➢ 1st place in Best Customer Service / Dive ➢ 2nd place in Best Customer Service / Dive	Customer surveys by https://dive-group.com/	Estonia Lithuania Latvia
Valued Employer	**Humane company** ➢ Family-friendly workplace	https://vietagimenei.lv/gimenei-draudziga-darbavieta/programmas-dalibnieki/ https://www.tooelu.ee/et/peres%C3%B5bralik#programmi-labinud-tooandjad	Latvia Estonia
	➢ Diversity empowering employer	https://socmin.lrv.lt/lt/veiklos-sritys/darbo-rinka-uzimtumas/imoniu-socialine-atsakomybe-isa/nacionaliniai-atsakingo-verslo-apdovanojimai/nacionaliniu-	Lithuania
	➢ Diverse Workplace Label		

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	https://humanrights.ee/teemad/mitmekesisus-ja-kaasatus/mitmekesise-tooandja-margis/	
Best Employer ➢ CV-online: 10th place on finance sector (2024) ➢ In TOP 50 of the best employers (2023)	https://tooelublogi.ee/2024/01/30/top-tooandjad-2024-finantssektoris/	Estonia
➢ CV-Online Top 10 of the best employers in financial sector (2023)	https://www.topdarbadevejs.lv/	Latvia
	https://www.apiedarba.lt/paskelbti-cv-online-top-darbdaviai-2023-naujos-nominacijos/	Lithuania

Sustainability overview

Our dedication

At ERGO, we understand that protecting the environment and addressing climate change is crucial for our future, and it’s also a vital part of our corporate governance. That’s why we have set an ambitious objective to significantly reduce carbon emissions in our business operations, insurance, and investments as part of our “Climate Ambition 2025” initiative. Further strategic milestones from 2025 onwards will be developed in line with current scientific progress, political and regulatory developments, and in line with international standards. Our goal is to contribute to the achievement of international climate targets by providing active support to verified climate protection projects.

In addition to our internal efforts, we also strive to contribute to society by helping to mitigate the impact of climate change. Together with Munich Re, we promote international afforestation projects and assist start-ups with innovative business ideas on climate protection. For example, in 2024 we strengthened our partnership in Baltics with a startup company whose activity focus is to extend lifecycle of IT equipment which is no longer used by corporate companies.

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

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

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

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

Economical Liability

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

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

External service providers are required to sign a Corporate Responsibility Agreement and confirm Supplier Code of Conduct. The ERGO Anti-fraud Management Guideline, includes principles and rules on preventing, uncovering, and investigating economic crimes.

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

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

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

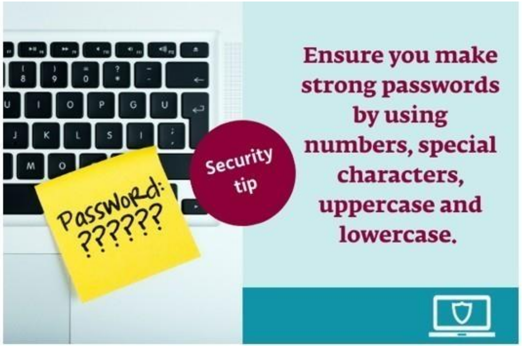
Digitalization and data protection

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

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

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

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



Human rights

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

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

In 2023 ERGO Group approved the Declaration of Human Rights Principles. It aims to improve the human rights around the world and restrict cooperation with sellers of goods and services if they do not ensure adequate human rights principles.
In this year ERGO signed the Diversity Charter. By joining, we affirmed our respect for people's diversity and commitment to the principle of equal treatment among their employees, partners, and clients.

Social responsibility

Customer orientated services and products

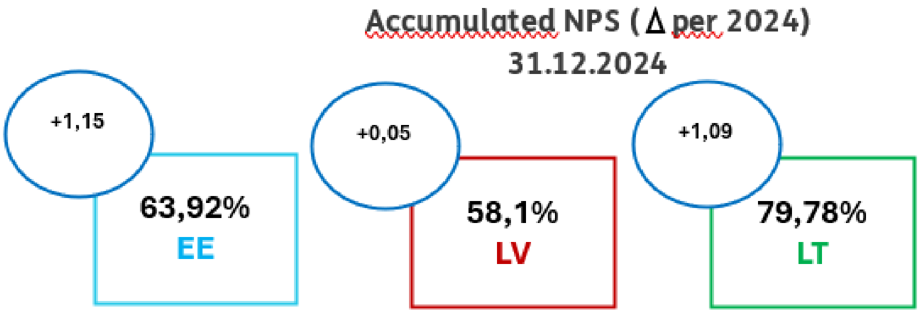
At ERGO, we believe that people are the most important in business. We strive to combine customer satisfaction with our employee’s engagement.

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

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

Insurance is a long-term commitment, so we always think about the future. We make responsible choices, support environmental protection, foster a positive workplace culture, and dedicate ourselves to helping others. Our internal and pan-Baltic accumulated NPS, that is set as one of the most important KPIs for all our employees, continued to grow – in all three countries, both for sales and claims handling. Our NPS process is harmonized on Baltic level since the beginning of 2020. It is closely monitored, communicated on a regular basis, and based on the feedback we update our processes constantly. We are glad to receive positive feedback from our clients, which we also incorporate into our culture of recognition.

At ERGO customer satisfaction is a core part of our company culture, meaning it is a fundamental aspect of how our organization operates and how our employees behave. ERGO Baltics employees across all levels of the organization understand the importance of customer satisfaction and prioritize it in their everyday work. It’s not only about employees who work with the clients, but also about back-office employees who serve internal customers and understand how their work impacts client expectations. We systematically gather customer feedback, analyse it, and take appropriate actions to address issues and improve our service.



In 2024, the market research company Dive conducted a study focusing on the insurance companies. Through mystery shopping exercises, they determined that ERGO, operating in Estonia and Lithuania, stood out for its exceptional customer service within the insurance industry. Latvia this year also made a huge jump and became second best customer service providing insurance company in Latvia.

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

Sponsorships / social responsibility actions 2024

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

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

The projects are carried out locally, but group-wide reporting on activities and expenditure ensures transparency and lays the foundation for our social commitment reporting. We prefer projects that align with our business activities, support them, and provide added value to our employees and clients.

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

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

For the first year **Pie Day** was organized in Lithuanian headquarter and other sales offices and it was a great success. The main idea was to bake pies, take them to work and sell it to the colleagues. The money collected for these pies were donated to the NGO of our choice. This year ERGO employees have voted and selected to donate this money to Rimantas Kaukenas charitable foundation. The aim was to collect 500 euros, and we've collected almost 1,500 euros. These money were dedicated to fulfil the dreams of two girls who are in a fight with cancer.

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

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

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

The first **forest planting event in ERGO Latvia** took place in the fall of 2023, where ERGO employees, together with Riga Forestry specialists, planted 6,000 birch trees outside the forest area.

Continuing the work and promises that had been started, a second forest planting event was held in April of 2024, where about 60 ERGO employees, together with their family members, planted Christmas trees. A total of 5,500 spruce trees were planted.

ERGO aims to advocate for a mindset of prevention. Therefore, in October ERGO Latvia becomes the general sponsor of the **social campaign - "For the safety of your breasts"**. The goal of the campaign is to draw attention to breast cancer prevention, educate the public about the importance of breast health, and offer women the opportunity to undergo free examinations on a mobile mammogram.

In Estonia we continued with **ERGO's preventive action competition** "Ennetades täna, loome turvalisema homse" (eng. By preventing today, we create a safer tomorrow), launched in 2022.

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

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

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

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

ERGO Estonia is also a member of **"Green Tiger"**, a collaborative platform that aims to devise, teach, and implement a plan for a balanced economy.

People management

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

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

ERGO Baltics strategy that was renewed is based on people – our customers and the team. We want to show that ERGO is focused on both, collective and individual success and offers opportunities for personal growth. And we want to reach people who are ready to play a committed role in making the customer promise a reality. This is the result of consistent work to improve the employee experience in all aspects. This is done through specific programs, training sessions and information flow/internal communication.

Diversity, equity and inclusion (DEI)

Diversity

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

Equity

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

Inclusion

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

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

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

There is lot of talk about glass-ceiling in career management for woman, so ERGO Group has identified a specific gender ambition to have both genders on different management levels to be achieved by 2025.

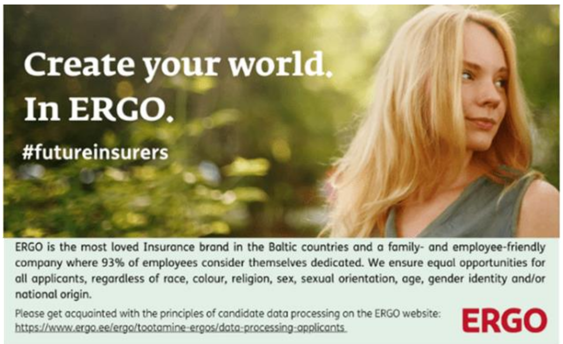
ERGO Baltics has managed to achieve and exceed these targets before 2025, please see the pictures below. We have a lot of efficient leaders, that is not so common in all companies and especially in insurance sector.

Data reflecting ERGO Life Insurance SE specifically

61% of female in ERGO Insurance SE Management level 1: Division managers	**67% of female in ERGO Insurance SE** Management level 2: Department managers	**60% of female in ERGO Insurance SE** Management Board

Data: 2024 Q4

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



- Our salaries are determined according to the "Hay" methodology (in LT) and "Fontes/ Figure" methodology (in LV and EE), where job positions are evaluated rather than specific individuals.
- Promotion decisions are driven by skills and performance results, in such case eliminating possibilities for personal biases, prejudice and stereotypes.
- In case of discrimination or violated equal opportunities people can seek for anonymous support via the “Line of trust”.

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

To achieve this, we have implemented (and continue practicing) various initiatives to ensure an inclusive and supportive environment for all:

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

- ERGO Baltics Health Month. Employees in all three countries were involved in theoretical and practical sessions emphasizing how to improve physical, emotional and psychological health.
- Mentoring programs:
    - New joiners‘ program (LT; LV; EE): to support a newcomer at the beginning of his/her career at ERGO and help him/her feel welcome.

Career mentoring program (LT): a voluntary initiative for ambitious colleagues seeking to acquire practical business knowledge, improve their personal qualities and skills during a continuous cooperation (3 months) with a selected mentor. ERGO Shadowing Days. Started in 2023 in Estonia and Latvia, the initiative received an immediate success since our people had a chance to have a peak at the daily work of other departments and colleagues, understand what they are responsible for and what challenges they face. Back then our CEO of ERGO Baltics Ursula Clara Deschka also participated in the shadowing days and encouraged colleagues to join as well. The initiative was continued in 2024 in all countries. As many as 207 participants joined the project in the Baltics.

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

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

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

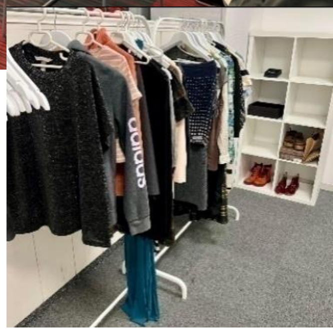
- Neurodiversity trainings. Knowing that invisible disabilities are way more common than physical ones, however surrounded by many stigmas, we sought to develop the ability of our employees to recognize them. We talked about what neurodiversity is and what forms it takes; what the most common myths about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

- Hybrid work and workation. In ERGO we provide an innovative solution (“3+2 model”: 3 days of work at the office, 2 days – at home) and trust our employees, so employees don’t have to choose between family/pets and the office. Also, people can take up to 28 calendar days of workation per year in European Union countries, to ensure their safety and IT support. In 2024, 3 ERGO Life Insurance SE colleagues used the workation solution.
- Initiative "Succeed - women in leadership" initiative. We conduct interviews with female leaders in order to find out their unique career stories, the challenges they face, examples of combining work and family and their life credos. Everything is done with the main purpose – to motivate and inspire the rest of the community.

- Transparent job postings. It simply means that our job ads are competency and role-based with no gender-specific wording or keywords. Also, our job ads pass the message that we support equal opportunities for all applicants regardless of race, colour, religion, sex, sexual orientation, age, gender identity and/or national origin.
- Various studies show that the experience gained by employees before/during/after parental leave has a direct impact on people's engagement and motivation, efficiency and psychological health, loyalty, and employer reputation; that is why we have created action plan for both ERGO managers and employees (preparing for, currently on, returning from childcare leave) focused on ensuring and fostering a positive experience at all stages of childcare leave. One of the examples is “ERGO tėveliai” (ERGO parents) initiative created in 2022 and continued further on. The purpose of this project is to create a positive experience and accompany ERGO employees before/during/after childcare leave by fostering a feeling of "I still feel part of the ERGO community".

- Unconscious bias trainings for leaders. The main goal was to increase leaders’ awareness of unconscious prejudices, stereotypes, and biases in employee-related processes. It is crucial since awareness is the first step to overcome them.
- Celebrating career milestones at ERGO. We do celebrate and reward our people based on the duration of their work at ERGO – 10, 15, 20, 25, 30 years. In the Baltics we rewarded 37 ERGO Life Insurance SE colleagues in total. Distribution by countries is as follows:
    - LT (29 colleagues in total): 10 years – 17 colleagues; 15 years – 6 colleagues; 20 years – 5 colleagues; 25 years – 0 colleagues; 30 years – 1 colleague.

    - LV (8 colleague in total): 10 years – 2 colleagues; 15 years – 3 colleagues; 20 years – 1 colleague; 25 years – 1 colleague; 30 years – 1 colleague.
    - EE: no anniversaries happened from Life side.
- An internal campaign “Idea Box”. The main goal – encourage employees to have their say by offering ideas how to improve ERGO culture. One idea was implemented every quarter. In total four ideas were implemented in 2024: organized blood donation; created ERGO Wardrobe; established a massage room (a message chair); created VR (virtual reality room).



These are just a few examples indicating how we are ensuring inclusion. It should be noted that in ERGO employees are also involved daily through the activities of line managers as well as through the intranet, the in-house magazine, organic communication in modern offices and joint activities.

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

Diversity / Main HR Statistics

ERGO HR & Diversity statistics	2024		
Total number of staff		510	
Gender balance (nr/%)	Male:	94	18%
	Female:	416	82%
Managers on Level 1-3 (nr/%)	Male:	30	27%
	Female:	80	73%
Average age (years)	Male:	40	
	Female:	42	
Average tenure (years)		7,5	
Training hours per employee		49	
Employees on maternity leave		19	

Environmental responsibility

“Protecting the future is in our nature” – with this statement we dedicate ourselves for creating a better tomorrow and especially environment - making an effort to ensure minimal impact on our ecological footprint and to make positive contributions towards meeting the requirements set out in the Paris Agreement.

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

We raise awareness of environmentally friendly behaviour among our employees and customers alike. We are committed to moving our business operations across the Group to reach climate friendly results in accordance with set Group Ambition 2025 plan.

We will achieve this by focusing on three main activity areas – direct climate related impacts of greenhouse gas emissions from our own operations and indirect impact from our activities in investments and (re)insurance products.

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

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

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

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

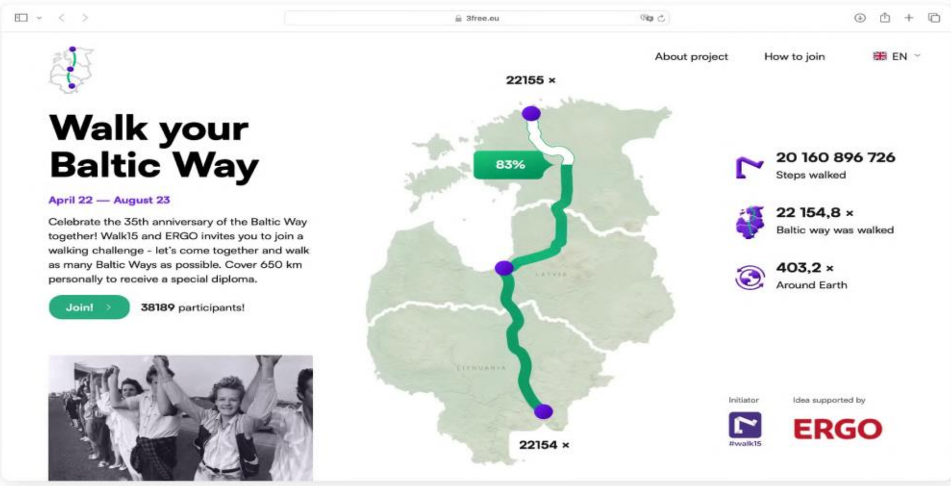
Caring for the environment begins with awareness and small actions, and to ensure that no hazards go unnoticed, ERGO continued use an environmental register through which all employees can report environmental risks they have noticed.

In 2024 ERGO Estonia strengthened cooperation with company GreenDice, startup which offers to various society groups companies used ICT devices, by this extending life cycle of ICT equipment and supporting various social groups which due to various reasons do not have possibility to purchase and work with high level ICT devices.

In 2024 we continued our participation as a member of Green Tiger, a collaborative platform that aims to devise, teach and implement a plan for a balanced economy. With a help of collaboration process want to improve our climate journey even more carefully and involve employees more directly in environmental issues as well as make sure that the insurance sector as a whole takes a more sustainable direction – by engaging in prevention work and reducing the footprint of insurance, which is primarily due to claims handling.

ERGO each year joins the Earth Hour initiative together with other Group offices and completely switched off the lights in ERGO Baltic countries headquarters for one hour. ERGO Estonia headquarters is in one of the most environmentally sustainable office buildings in the Baltic States, where all lighting solutions are automated. Thus, we supported Earth Hour in Estonia by sharing the call to action to promote saving energy.

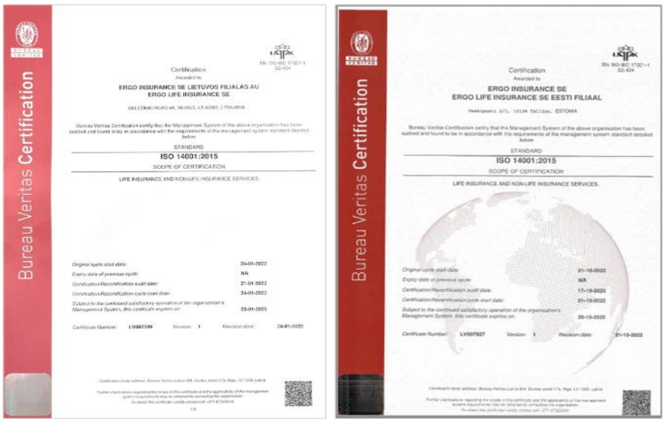
In 2024 ERGO expanded its cooperation with #walk15 and organized "The Walking Baltic Way" challenge. The challenge aim is to commemorate the Baltic Way – a unique call for freedom of three Baltic states which was held 35 Years ago. Challenge became one of the most popular ERGO initiated activities and it attracted more than 38,189 participants from 65 countries. According to challenge results, more than 20 billion steps were collected, Baltic Way distance has been walked 22,155 times or 403 times participants walked around the world. Such meaningful initiative not only strengthened knowledge of various social groups about significant historical event in Baltics but helped to motivate Baltic society to be more active and strengthen its health activities.



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

Environmental Management

Our parent companies, Munich Re and ERGO Group, have announced their Strategy Ambition 2025 Shape – Scale – Succeed, which includes the Climate Ambition 2025. The main goal of this initiative is to reduce current CO2 emissions by 12% per employee by 2025. ERGO Baltic has also committed to this goal and wants to be part of the international initiative to take action to reduce carbon emissions in our organization.
To achieve this, we are measuring our 'carbon footprint', monitoring it, and looking for ways to reduce CO2 emissions. Our Management Board has approved and regularly reviews operations of the Environmental Management System, related policies and performance KPI’s. The Environmental Management team within its daily operations monitor resource usage by tracking and converting our water, electricity, heating, waste, and travel data into CO2 emissions, developing action plans to reduce CO2 emissions, identifying and monitoring environmental risks within our organization, and educating all employees on how to consider environmental aspects in their daily activities.



During 2024, ERGO Baltics successfully passed ISO14001:2015 surveillance audits in all three countries, ISO14064:2018 surveillance audit in Estonia and Latvia which confirm the companies' significant achievements and responsibilities in the environmental and sustainability fields.

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

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

Overview of carbon emission

Carbon emissions in all three countries are calculated according to greenhouse gas emissions (GHG) principles and are quantified in following Scope categories:
Scope 1 – Direct emission from primary energy consumption (natural gas, emergency diesel power, fuel for company cars)
Scope 2 – Indirect emissions from procured energy (purchase of electricity, district heating)
Scope 3 – Other indirect emissions (business trips, waste, consumption of paper and water).
As a result, following carbon emissions results were registered in all three ERGO Baltics countries:

ERGO Lithuania key environmental figures

	2024	2023	2022	2021	2019
Carbon emission in CO2 kilograms	334,731	403,606	459,976	398,429	604,524
Direct carbon emissions from primary energy consumption - Scope 1	285,934	295,792	367,540	319,283	418,205
Indirect carbon emissions from procured energy - Scope 2	0*	41,307	44,817	43,788	114,632
Other indirect carbon emissions - Scope 3	48,797	66,507	47,619	35,358	71,687
Carbon emissions per employee	468	572	579	499	806
Carbon savings per employee compared to baseline Year 2019	42%	29%	28%	38%	,

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

ERGO Latvia key environmental figures

	2024	2023	2022	2021	2019
Carbon emission in CO2 kilograms	97,216	106,288	93,141	88,942	129,511
Direct carbon emissions from primary energy consumption - Scope 1	23,470	27,071	28,718	25,743	42,761
Indirect carbon emissions from procured energy - Scope 2	26,321	33,154	48,902	59,888	61,627
Other indirect carbon emissions - Scope 3	47,425	46,063	15,521	3,311	25,123
Carbon emissions per employee	322	370	335	326	453
Carbon savings per employee compared to baseline Year 2019	29%	18%*	26%	28%	

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

ERGO Estonia key environmental figures

	2024	2023	2022	2021	2019
Carbon emission in CO2 kilograms	57,216	89,559	296,700	409,526	536,663
Direct carbon emissions from primary energy consumption - Scope 1	20,270	15,117	12,736	10,679	40,094
Indirect carbon emissions from procured energy - Scope 2	10,635	48,702	266,471	391,402	412,204
Other indirect carbon emissions - Scope 3	26,311	25,740	17,493	7,445	84,365
Carbon emissions per employee	211	435	1529	2155	2809
Carbon savings per employee compared to baseline Year 2019	92%*	84%*	46%	23%	

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

In all three countries carbon emission savings significantly overachieved set 12% saving target. If in Year 2020 and 2021 main reason for carbon emissions improvement was directly related to Covid 19 impact then in Year 2022 and in Years 2023 and 2024 ERGO identified various impact factors such as energy efficiency activities, change of office premises, implementation of hybrid work principles, upgrade of car fleet to hybrid type engines, higher influence of digitalization processes and other environmental improvement activities.
Partially carbon emission calculations results are impacted by adjusted calculations methodologies and changed Scope components. At the same time ERGO has detailed structure of environmental KPI's which allow to objectively compare exact environmental results in each category.

Main activities and actions

Marketing, communication, brand image

In marketing we focused on sales support, and in communication our goal was to communicate about insurance and prevention, using our expertise, statistics, and potential risks to demonstrate our commitment to making the world a safer place.
Our goal of simplifying insurance was also reflected in our internal communications, client sales materials, and on our homepage. In Lithuania we launched a new and modern website.

Sales support & service

During 2024 several Life insurance promoting campaigns have been organized in Latvia and Lithuania.

In the first quarter Latvian promotion campaign "Planning the future is very important" was organised to conclude Life insurance with savings contract and get accident insurance free of charge for 6 months from the moment of conclusion of the contract.

Another marketing campaign in the third quarter "You are special. Just like your insurance" was held to promote Life insurance and attract new clients during which ERGO organized a lottery.

And in the last fourth quarter of 2024 sales campaign "A Gift with a View to the Future" was organized. The aim was – conclude Life insurance with savings contract and attract new clients.

In Lithuania two major Life insurance sales promotion campaigns have been organized during the third quarter of the year.

October started with a Life insurance campaign which was prepared together with ERGO Direkt AG. Campaign banners have been shown in several international portals, which redirected to a special web page dedicated for contact leads.

Another sales promotion campaign called "Financial pillow with ERGO" has started later the same month. The aim of the campaign was to inform/remind people that they can save money with ERGO Life insurance. The campaign lasted until November 15th.

Statement of the management's responsibility

The Board of ERGO Life Insurance SE confirms that the separate financial statements for the year ended 31 December 2024 are prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and that appropriate accounting policies have been applied on a consistent basis. The Board of ERGO Life Insurance SE is responsible for preparing these separate financial statements from the books of primary entry. The Board confirms that these separate financial statements for the year ended 31 December 2024 present fairly the financial position at the end of the reporting year, and the results of its operations and cash flows for the reporting year.

Prudent and reasonable judgements and estimates have been made by the Board in the preparation of the separate financial statements for the year ended 31 December 2024.

The Board of ERGO Life Insurance SE is responsible for the maintenance of proper accounting records, the safeguarding of the Company's assets and the prevention and detection of fraud and other irregularities in the Company. The members of the Board are also responsible for operating the Company in compliance with the legislation of the Republic of Lithuania.

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Ursula Clara Deschka
Chairwoman of the Management Board

11 April 2025

Separate financial statements

Separate statement of profit or loss

in EUR	Note	2024	2023	2023	2023
			Before the correction	**Error correction**	**After the correction**
Insurance revenue	6	65,719,637	65,031,695	-1,881,682	63,150,013
Insurance service expense	7	-55,024,995	-52,054,641	8,772	-52,045,869
Insurance service result before reinsurance contracts held		**10,694,642**	**12,977,054**	**-1,872,910**	**11,104,144**
Allocation of reinsurance premiums	8	-988,783	-925,399		-925,399
Amounts recoverable from reinsurers for incurred claims	8	539,305	286,259		286,259
Net expense from reinsurance contracts held		**-449,478**	**-639,140**	**0**	**-639,140**
Insurance service result		**10,245,164**	**12,337,914**	**-1,872,910**	**10,465,004**
Interest revenue calculated using the effective interest method	9	3,030,605	3,273,448		3,273,448
Other interest and similar income	9	1,405,651	1,698,991		1,698,991
Net fair value gains/(losses) on financial assets at fair value through profit or loss Unit link	9	7,074,406	7,536,035		7,536,035
Net fair value gains/(losses) on financial assets at fair value through profit or loss Equity and debt instruments	9	809,369	414,567		414,567
Net fair value gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	9	151,858	-51,709		-51,709
Impairment loss on financial assets	9	19,163	15,331		15,331
Investment management expenses	9	-282,302	-278,664		-278,664
Net foreign exchange (expense) / income	9	43,729	-19,988		-19,988
Total investment income		**12,252,479**	**12,588,011**	**0**	**12,588,011**
Insurance finance expenses for insurance contracts issued	9	-10,455,492	-10,891,089		-10,891,089
Reinsurance finance income for reinsurance contracts held	9	107,895	114,220		114,220
Net insurance financial result		**-10,347,597**	**-10,776,869**	**0**	**-10,776,869**
Other income and expense	10	-1,681,424	-1,797,468		-1,797,468
Profit before tax		**10,468,622**	**12,351,588**	**-1,872.910**	**10,478,678**
Income tax expense	25	-4,707	22,269		22,269
Profit for the year		**10,463,915**	**12,373,857**	**-1.872.910**	**10,500,947**

The accompanying notes are an integral part of these financial statements.

Separate statement of comprehensive income

In euros	Notes	2024	2023		
			Before the correction	**Error correction**	**After the correction**
Profit/loss for the year		**10,463,915**	**12,373,857**	**-1,872,910**	**10,500,947**
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Change in fair value of financial assets	29	558,062	7,062,313		7,062,313
Debt instruments at fair value through other comprehensive income		**558,062**	**7,062,313**		**7,062,313**
Change in insurance/reinsurance finance reserve	9	-851,360	-5,565,850		-5,565,850
Net insurance financial result		**-851,360**	**-5,565,850**		**-5,565,850**
Total other comprehensive income		**-293,298**	**1,496,463**		**1,496,463**
Total comprehensive income/expense for the year		**10,170,617**	**13,870,320**	**-1,872,910**	**11,997,410**

The accompanying notes are an integral part of these financial statements.

Separate statement of financial position

in EUR

	Note	2024	2023		
			Before the correction	**Error correction**	**After the correction**
Assets					
Cash and cash equivalents	11	10,504,975	5,238,616		5,238,616
Equity and debt instruments at fair value through profit or loss	12	113,215,715	96,450,640		96,450,640
Debt instruments at fair value through other comprehensive income	12.1	140,123,857	147,006,089		147,006,089
Debt instruments at amortised cost	12.2	15,698,233	21,709,478		21,709,478
Investments in subsidiaries	13	4,677,870	4,677,870		4,677,870
Insurance contract assets	14	16,951,118	11,420,085	-375,363	11,044,722
Reinsurance contract assets	14	1,136,960	788,858		788,858
Deferred tax assets	25	119,067	123,774		123,774
Other receivables	15	11,507,644	10,671,231		10,671,231
Intangible assets	16	5,262,326	3,688,064		3,688,064
Property, plant, and equipment	17	1,834,118	1,649,959		1,649,959
Total Assets		**321,031,883**	**303,424,664**	**-375,363**	**303,049,301**
Liabilities					
Insurance contract liabilities	14	227,145,251	216,505,183	1,497,547	218,002,730
Reinsurance contract liabilities	14	65,516	10,728		10,728
Financial liabilities from investment contracts	18	18,522,237	16,110,998		16,110,998
Lease-related liabilities	19	1,717,124	1,443,231		1,443,231
Other payables and accrued expenses	20	8,278,590	7,349,064		7,349,064
Total liabilities		**255,728,718**	**241.419.204**	**1,497,547**	**242,916,751**
Equity					
Issued capital	21	4,380,213	4,380,213		4,380,213
Capital reserve	22	15,869,501	15,869,501		15,869,501
Retained earnings		36,480,139	30,979,193		30,979,193
Profit/loss for the reporting year		10,463,915	12,373,857	-1,872,910	10,500,947
Fair value reserve	23	-8,929,855	-9,487,917		-9,487,917
Insurance/reinsurance finance reserve	24	7,039,252	7,890,613		7,890,613
Total equity		**65,303,166**	**62.005.460**	**-1,872,910**	**60,132,550**
Total liabilities and equity		**321,031,883**	**303,424,664**	**-375,363**	**303,049,301**

The accompanying notes are an integral part of these financial statements.

Separate statement of changes in equity

In euros	Note	Share capital	Capital reserve	Fair value reserve	Insurance/ reinsurance finance reserve	Retained earnings	Total equity
Balance at 31 December 2022		**4,380,213**	**15,869,501**	**-15,290,153**	**13,456,463**	**33,231,717**	**51,647,741**
Effects of the transition to IFRS 9	4	0	0	-1,260,077	0	1,247,476	-12,601
Distribution of dividends		0	0	0	0	-3,500,000	-3,500,000
Total transactions with owner		**0**	**0**	**0**	**0**	**-3,500,000**	**-3,500,000**
Profit for the year (restated)		0	0	0	0	10,500,947	10,500,947
Other comprehensive income		0	0	7,062,313	-5,565,850	0	1,496,463
Total comprehensive income for the year (restated)		**0**	**0**	**7,062,313**	**-5,565,850**	**10,500,947**	**11,997,410**
Balance at 31 December 2023		**4,380,213**	**15,869,501**	**-9,487,917**	**7,890,613**	**41,480,140**	**60,132,550**
Distribution of dividends		0	0	0	0	-5,000,000	-5,000,000
Total transactions with owner		**0**	**0**	**0**	**0**	**-5,000,000**	**-5,000,000**
Profit for the year		0	0	0	0	10,463,915	10,463,915
Other comprehensive income		0	0	558,062	-851,361	0	-293,299
Total comprehensive income for the year		**0**	**0**	**558,062**	**-851,361**	**10,463,915**	**10,170,616**
Balance at 31 December 2024		**4,380,213**	**15,869,501**	**-8,929,855**	**7,039,252**	**46,944,055**	**65,303,166**

The accompanying notes are an integral part of these financial statements.

Separate statement of cash flows

in EUR

(Inflow + , outflow –)	Note	2024	2023
Net cash flows from operating activities		**2,846,339**	**-905,200**
Premiums received in direct insurance		72,167,615	66,418,585
Claims and benefits incurred, and handling costs paid		-43,260,338	-42,348,307
Settlements with reinsurers		-572,448	-788,795
Paid in operating expenses (including taxes except for income tax)[1]		-27,278,978	-26,177,925
Paid income tax		-209,830	-201,488
Paid other income and expenses		2,000,318	2,192,730
Net cash flows from investing activities		**7,420,020**	**4,465,812**
Investment income received		4,335,159	4,828,639
Sums received on maturity and assets sold		23,506,595	20,673,180
New investments acquired		-20,331,942	-20,935,439
Paid other investment expenses		-89,792	-100,568
Net cash flows from financing activities		**-5,000,000**	**-3,500,000**
Dividends paid		-5,000,000	-3,500,000
Net cash inflow/(outflow)		**5,266,359**	**60,612**
Cash and cash equivalents at the beginning of the year	**11**	**5,238,616**	**5,178,003**
Cash and cash equivalents at the end of year	**11**	**10,504,975**	**5,238,616**

[1] The Company also recorded low-value or short-term lease payments under this caption in the amount of EUR 16,489 as at 31 December 2024 (EUR 26,804 as at 31 December 2023).

The accompanying notes are an integral part of these financial statements.

Notes to the separate financial statements

Note 1. Reporting entity

ERGO Life Insurance SE (hereinafter "the Company") is a life insurance company incorporated and domiciled in Lithuania. The Company's legal address is Geležinio Vilko St. 6A, Vilnius.

The Company is engaged in life insurance and health and accident insurance business.

The separate financial statements of ERGO Life Insurance SE for 2024 include the financial data of ERGO Life Insurance SE's head office in Lithuania and the financial information of its Latvian and Estonian branches.

These separate financial statements were authorised for issue by the management board on 11 April 2025. Under the Law on Companies of the Republic of Lithuania, the annual report and the financial statements that have been prepared by the management board and approved by the supervisory board must also be approved by the shareholders' general meeting. Shareholders may decide not to approve the financial statements and may demand that a new set of financial statements be prepared.

Note 2. Basis of preparation

The principal accounting policies applied in the preparation of these separate financial statements are set out below. Consistent accounting principles have been applied to the financial years presented in these separate financial statements.

These financial statements are separate financial statements of the Company. Consolidated financial statements are not prepared as the exemption criteria in IFRS 10.4(a) for preparation of consolidated financial statements is met. The translated consolidated financial statements of the ultimate parent Münchener Rückversicherungs-Gesellschaft AG (code – HRB 42039, address – Königinstr. 107, 80802 München, Germany) are published on the local website www.ergo.lt. The Company also meets consolidation exemption criteria set out in Article 6 of the Law on Consolidated Financial Reporting by Groups of undertakings of the Republic of Lithuania.

Going concern

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

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

(a) Basis of accounting

The separate financial statements of ERGO Life Insurance SE have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and their interpretations as adopted by the European Union (IFRS EU) to be effective for the year 2024.

(b) Functional and presentation currency

These separate financial statements are presented in euro (unless otherwise stated), which is the Company's functional currency.

(c) Basis of measurement

The separate financial statements are prepared on the historical cost basis except for the financial assets measured at fair value through profit or loss, financial assets at fair value through other comprehensive income and unit-linked and investment contract liabilities, measured at fair value.

(d) Use of judgements and estimates

In preparing these separate financial statements, the management made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses.

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

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

Key sources of uncertainty estimates in the separate financial statements are related to insurance contract liabilities. The Company employs a responsible actuary. Estimation and recognition of insurance contract liabilities are described in policies (k).

Estimates are also used in determining fair value of financial assets (see part (h)), impairment (see part (i)) and deferred tax assets (see part (o)).

Information about the main estimation criteria that affect the amounts recognised in the separate financial statements is presented in the following notes:

- Note 12. Investments in financial instruments
- Note 14. Insurance and reinsurance contracts
- Note 15. Other receivables
- Note 25. Income tax

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

(e) Geopolitical risk

ERGO Life Insurance SE, including the branches (hereinafter ERGO or the Company), monitors the geopolitical situation in Eastern Europe and carefully assesses all circumstances that could impact the Company's activities and risk profile, including operational and cyber risks. We have carried out several analyses of the potential impact of the conflict situation on the Company's business.

Underwriting risk

ERGO does not run direct business in the conflict area (Russia, Ukraine, and Belarus). However, the Company carefully reviewed the insurance products it sells and implemented additional preventive measures (i.e. set underwriting limitations) to reduce the further possible risk exposure in Ukraine, Russia, and Belarus.

Operational risks

The most significant operational risks derive from sanction management and information and cyber security.

Sanction risks in ERGO are generally managed and grouped into two major categories: targeted and sectoral sanctions. Targeted sanctions are fully covered by an automated screening tool implemented in the Company as part of the Internal Control System. All insured parties and persons participating in the contract (natural or legal persons) who obtain direct or indirect insurance coverage are screened against the sanction lists using this tool. Sectoral sanctions are managed through both: an automated screening tool and manual control, performed to all insurance products to which sanctions could possibly apply.

ERGO Life Insurance SE, being a part of ERGO Group, takes the information and cyber security very seriously. The Company has implemented an information security management system in line with the best international practices (ISO27001). Additionally, there is a cyber security maturity program where ERGO is expected to be on a specific level of cyber security. Such initiatives create the background to be properly prepared for cyber risks. Security trends are closely monitored, to raise employees' awareness of potential cyber-attacks, special communication to all employees was performed. In addition to the above, at the end of December 2023 – beginning of 2024, ERGO carried out a supplementary evaluation of cyber security measures in place and set additional prevention measures to be implemented.

Market risks

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

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

(f) Measurement of fair value

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.
The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the

requirements of IFRS EU, including the level in the fair value hierarchy in which the valuations should be classified.
When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.
–Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
–Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
–Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).
If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Correction of Errors
During the preparation of the financial statements for the reporting year, it was identified that certain errors from previous period had occurred. In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors", these errors have been corrected retrospectively. This means that the comparative figures for prior periods have been restated, and the cumulative effect of the errors has been recognized in the opening balances of the earliest period presented. The detailed information about errors occurred presented in the Note 29.

Note 3. Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements.

(a) Classification of insurance contracts

Classification as an insurance contract

A contract is classified as an insurance contract within the scope of IFRS 17 if it transfers significant insurance risk. The risk is significant if, and only if, there is at least one scenario where the insured event could cause the issuer to pay additional amounts that are significant compared to payments under any other scenario.

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

Separation of components

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

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

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

Distinct investment components and distinct non-insurance services are separated from the insurance contract and accounted for in accordance with IFRS 9 and/or IFRS 15 requirements.

Level of aggregation

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

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

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

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

(b) Lease accounting

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

(i) *<u>The Company as a lessee</u>*

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand- alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located to the condition required by the terms and conditions of the lease, less any lease incentives received.

The right-of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant, and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed lease payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in “property, plant and equipment” and lease liabilities in “lease-related liabilities” in the statement of financial position.

Short-term leases and leases of low-value assets
The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(c) Property, plant, and equipment

(i) Recognition and measurement

Items of property, plant, and equipment are recognised as assets when it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. This recognition principle is applied to all property, plant, and equipment costs at the time they are incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

Items of property and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation, and any accumulated impairment losses.

Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives for current and comparative periods are as follows:

Computer equipment	3–5 years
Cars, office, and communications equipment	5 years
Furniture	6–7 years
Buildings	50 years

Depreciation is charged on the difference between cost and residual value. If residual value cannot be estimated reliably or is insignificant, it is presumed to be equal to zero. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Intangible assets

(i) Recognition and measurement

Items of intangible assets are recognised if, and only if, it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets comprise acquired software and licences.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful live for current and comparative periods is as follows:

Software	3–12 years

Intangible assets are amortised on the assumption that their residual value is zero. Internally generated goodwill and the costs attributable to the development of brands are recognised as an expense as incurred. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Cash and cash equivalents

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

(f) Investment is subsidiaries and associates

Investments in subsidiaries and associated companies are accounted for at cost less impairment.

(g) Assets held-for-sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for- sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such non-current assets and disposal groups classified as held for sale are generally measured at the lower of their carrying value and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent losses on remeasurement are recognised in profit or loss. Impairment losses on available-for-sale assets measured at initial recognition, and subsequent gains and losses on revaluation of the assets are included in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised/depreciated.

(h) Financial instruments

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

Recognition and derecognition

We recognise a financial asset in the statement of financial position at the time when we become a party to the contractual provisions of the financial instrument.

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

Classification

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

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

Business model

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 on the basis of their fair value.

Contractual cash flow characteristics

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

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

Measurement

Measurement on initial recognition

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

Subsequent measurement

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

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

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

Financial assets that are managed under the business model “other” or that do not pass the SPPI test are measured at fair value through profit or loss. In view of the business model this includes in particular the investments for unit-linked life insurance and the insurance-related financial instruments – such as insurance contracts that do not transfer significant insurance risk.

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

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

(i) Impairment

(i) Financial assets

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

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

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

Stage 3: If in addition to a significant increase in credit risk, there is objective evidence of impairment, the instrument is allocated to Stage 3 of the impairment model (credit-impaired financial assets). As in Stage 2, the loss allowance is measured at an amount equal to the lifetime expected credit losses. Interest revenue is calculated by applying the effective interest method – unlike in Stage 1 and Stage 2 – on the basis of the net carrying amount of the financial asset (i.e. after deducting the loss allowance).

As a matter of principle, a significant increase in credit risk is assumed if this risk (measured in terms of the probability of default) has increased by more than two percentage points since the financial instrument was initially recognised.

We assume that the credit risk of a financial instrument has not increased significantly if it has low credit risk as at the reporting date (low credit risk exception).

For financial instruments with an MEAG rating (Munich Re Group asset manager), 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 another 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.

(ii) Non-financial assets

At each reporting date, the Company reviews the carrying values of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, the Company makes estimate of the recoverable amount of such asset. An impairment loss is recognised if the carrying value of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

(j) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

Investments are classified into fair value levels as per classification policy of Munich Re on the Group level.

In the case of Level 1, valuation is based on quoted prices in active markets for identical financial assets which the Company can refer to at the statement of financial position date. The financial instruments allocated to this level mainly comprise listed and unlisted equity funds, listed bond funds.

Assets allocated to Level 2 are valued using models based on observable market data. If the financial instrument concerned has a fixed contract period, the inputs used for valuation must be observable for the whole of this period. Moreover, we have allocated to this level such assets for which prices are provided by price quoters but for which there is no proof that these were based on actual market transactions. The financial instruments we have allocated to this level mainly comprise bearer bonds and unlisted bond funds.

For assets allocated to Level 3, valuation techniques are used that are also based on unobservable inputs – which influences valuation both immaterially and materially. The inputs used reflect the Company's assumptions regarding the factors which market players would consider in their pricing. To this end, we use the best available market information, supplemented with internal company data. The assets allocated to this level of the fair value hierarchy comprise property funds and infrastructure investment funds.

(k) Insurance contract assets and liabilities

Recognition of insurance contract

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

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

Measurement of insurance contract

IFRS 17 provides a consistent accounting model for all insurance contracts. The basic approach consists in applying the General Measurement Model (GMM), which is mainly used in life reinsurance. In view of the GMM's high complexity, IFRS 17 provides the option of using – primarily for short-term contracts – a simplified measurement model known as the Premium Allocation Approach (PAA). We apply this simplified measurement approach for health insurance business. IFRS 17 also provides for a modified measurement model, the Variable Fee Approach (VFA), for certain participating primary insurance contracts. We apply the VFA for conventional life and unit-linked insurance. Please see below for more detailed explanations of the underlying concepts of these approaches.

The different models are used for the measurement of liability for remaining coverage based on the characteristics of the contracts. Please see below for more detailed explanations of the starting points for the valuation approaches.

General Measurement Model (GMM)

Procedure

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

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

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

Cash flows (building block 1)

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

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

Discounting (building block 2)

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

At each reporting date, the fulfilment cash flows for the LRC and LIC are remeasured using current discount rates.

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

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

The risk adjustment for non-financial risk is determined in accordance with our internal risk model, taking Group-wide risk diversification into account. We apply a cost-of-capital method for determining the risk adjustment for non-financial risk. More specifically, we apply a cost-of-capital rate of 6% to the amount of capital required as at each future reporting date on a going-concern basis, and we discount the result using the risk-free rates adjusted for illiquidity. The level of risk adjustment for non-financial risk used by Company corresponds to a confidence level of approximately 88% over a one-year period. Like the present value of the cash flows, the risk adjustment for non-financial risk is reviewed at each reporting date and updated to reflect the current conditions.

Contractual service margin (building block 4)

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

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

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

Premium Allocation Approach (PAA)

Scope of application

We use the PAA for all groups of insurance contracts that meet the requirements for applying the simplified measurement model. This is always the case if the coverage period of such contracts is one year or less – or, if the coverage period is longer, it can be reasonably expected that applying the simplified measurement model will produce a measurement of the LRC for the group that would not differ materially from the measurement that would result from applying the requirements of the GMM. The length of the coverage period is mainly determined by the concept of contract boundaries. We use the PAA for health insurance business.

Procedure

On initial recognition of a group of insurance contracts, we recognise an LRC, equal to the premiums received less acquisition costs paid. For business classified as profitable, neither the present value of the future net cash flows nor the risk adjustment for non-financial risk nor the contractual service margin is explicitly determined and recognised. If the coverage period of the contracts in the group is one year or less, any acquisition costs incurred may be recognised directly as an expense. We use this option for a substantial part of health insurance business.

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

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

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

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

Scope of application

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

Contracts with direct participation features are measured using the VFA, subject to certain criteria. Contracts fall within the VFA scope if they provide for policyholder participation in the performance of a reference value for the underlying items. Unit-linked life insurance is another case for application of the VFA.

Procedure

Because of the special characteristics of insurance contracts with direct participation features, we consider our share of the income from the underlying items to be a variable fee, which we recognise in accordance with the requirements of the VFA. This variable fee comprises our share of the fair value of the underlying items and is our compensation for administering and managing them.

While the initial measurement of participating contracts is the same as under the GMM, special rules apply under IFRS 17 for subsequent measurement. For example, we offset against the contractual service margin any and all effects that have an impact on the fair value of the underlying items and consequently on our variable fee.

The value of the underlying items is based on this profit participation and reflects the present value of both future payments and payments made in current and prior periods. We use the fair values of the net assets backing our liabilities, including the assets backing equity, to measure the fair value of the underlying items.

The fulfilment cash flows for life and health primary insurance business are determined on a market-consistent basis in line with the contractual options and guarantees, applying a risk-neutral measurement where risk-free interest rates only can be generated under the no-arbitrage principle. The actual returns generated from the underlying items are usually higher, and the company’s share in any excess return over the risk-neutral measurement is included in the contractual service margin under the VFA. After the contractual service margin has been adjusted, it is recognised in profit or loss based on the expected provision of future services, which are spread proportionally by applying coverage units. For participating contracts, we consider that we provide not only insurance services, but also investment-related services in managing the assets backing our liabilities.

Another difference compared with the GMM relates to the option of recognising the effect of changes in financial inputs on the measurement either in the statement of profit or loss, or in other comprehensive income in equity. This effect is not explicitly captured when using the VFA. Instead, because of the special link to the asset side, the result of the underlying item recognised in profit or loss for the liability side is mirrored in the statement of profit or loss. A positive investment result is offset by corresponding finance expenses from insurance contracts issued. Changes in the fair value of assets that are part of the underlying items and do not have an impact on profit or loss are recognised as insurance finance income or expenses directly in other comprehensive income in equity. This value corresponds to the amounts recognised for the investments in other comprehensive income in equity.

Presentation in the financial statements

Reinsurance contracts held that are assets

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

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

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

We apply the GMM for reinsurance contracts held in life and health business.

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

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

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

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

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

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

Insurance contracts issued that are assets

Insurance contracts issued that are recognised as assets under the accounting policies are presented separately from the liabilities at a portfolio level in the statement of financial position.

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

Reinsurance contracts held that are liabilities

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

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

Insurance contracts issued that are liabilities

Insurance contracts issued that are liabilities consist of the Liability for remaining coverage (LRC) and the Liability for incurred claims (LIC).

Liability for remaining coverage (LRC)

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

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

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

The LRC for groups of insurance contracts measured under the VFA consists of the sum of the present value of the risk-adjusted future cash flows and the contractual service margin. The determination of both the present value of the future cash flows and the risk adjustment for non-financial risk at initial measurement generally follows the requirements under the GMM. Special rules apply under IFRS 17 for subsequent measurement as per the VFA.

Liability for incurred claims

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

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

We use current discount rates when discounting future cash outflows and use the option to recognise the effect of changes in financial inputs on measurement in other comprehensive income in equity. In this context, the measurement is based on different reference interest rates, depending on the specific measurement model used. Under the GMM, current discount rates are used to determine the fulfilment cash flows. By contrast, under the PAA the discount rates at the date of the incurred claim are used to measure fulfilment cash flows. When applying the PAA, we do not make use of the option to refrain from discounting under certain circumstances.

Changes in the measurement of the LIC arising from updated actuarial estimates or updated costs are recognised in profit or loss.

Particularly for participating life and health primary insurance business, the LIC primarily concerns payments to customers. We do not distinguish in our balance sheet presentation of technical liabilities between unit-linked life insurance contracts and other insurance contracts in the VFA scope.

Insurance service result

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

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

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

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

(l) Financial liabilities

(i) Financial liabilities from investment contracts

This class includes investment contracts the financial liabilities of which are determined based on the market values of the securities linked to the investment contracts. Such financial liabilities are classified as at fair value through profit or loss upon acquisition. The Company has designated the liabilities to the category of at fair value through profit or loss because this eliminates or significantly reduces the accounting mismatch for assets and liabilities which would arise if gains and losses on the said assets and liabilities were recognised using different accounting policies. This class covers products that contain insignificant insurance risk. Insurance risk is assumed insignificant if sum insured at policy inception does not exceed 5% of first year premium.

(ii) Other financial liabilities

All other financial liabilities (trade payables, other current and non-current liabilities, loans received, debt securities issued) are initially recognised at their fair values and are subsequently measured at their amortised cost using the effective interest rate method. The amortised cost of current financial liabilities generally equals their nominal value; therefore, current financial liabilities are measured in the separate statement of financial position at the amount payable. Non-current financial liabilities are initially recognised at the fair value of the transaction (less transaction costs). In subsequent periods, they are measured at their amortised cost using the effective interest rate method.

(m) Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the separate statement of profit or loss, net of any reimbursement (if any). If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(n) Vacation pays liability and other liabilities to employees

Payables to employees include the accrued vacation pay liability calculated in accordance with employment contracts and the legislation in force at the reporting date. The vacation pay liability includes associated social security tax and unemployment insurance contributions. The item also includes contractual termination benefits and associated social security tax.

Social security tax includes statutory national funded pension contributions. The Company has no legal or constructive obligation to make any pension or similar payments in addition to payments of social security tax.

(o) Taxes

The main rates of the taxes (other than income tax) applicable to the Company:

- Insurance Supervisory Commission maintenance fee of 0.221% as from May 2022 from insurance premiums written in Lithuania;
- Social insurance contributions of 1.77% in Lithuania, 23.59% in Latvia and 33.80% in Estonia on employment related income calculated for employees;
- Output value added tax of 21% in Lithuania, 21% in Latvia and 22% in Estonia calculated on sales income taxable by VAT, less input VAT;
- Real estate tax up to 1% in Lithuania, up to 0.5% in Latvia and 0% in Estonia calculated on the value of real estate;
- Pollution tax at the rates specified by the legislation.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. In the reporting period, the corporate income tax rate in Lithuania was 15% (the same as in the previous year). Activity in the Republic of Latvia and Estonia is not subject to corporate income tax. Instead of taxation on the profit of the current year, the tax is applied only upon profit distribution, i.e. upon payment of dividends.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

In Latvia and Estonia, income tax is not levied on companies' profits. A new income tax legislation came in effect in Latvia on 1 January 2018. In accordance with the changed Latvian Income Tax Act, income tax is not levied on companies' profits but on dividends distributed. The tax rate in 2024 was 20/80 of the amount distributed as the net dividend (20/80 in 2023). In accordance with the effective Estonian Income Tax Act, income tax is not levied on companies' profits but on dividends distributed. The tax rate in 2024 was 20/80 of the amount distributed as the net dividend (20/80 in 2023).

The Company has undistributed profit in Latvia and Estonia, accrued after 1 January 2018, which would be taxed upon distribution. In accordance with paragraph 39 of IAS 12, the Company shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches, and associates except the cases when recognition exception apply. The Company has determined that the recognition exception in 39 of IAS 12 does apply to it because it is not probable that the temporary difference will reverse in the foreseeable future, i.e. no distribution of undistributed profits in Latvia and Estonia are planned in the foreseeable future.

(p) Foreign currency transactions

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

(r) Capital management

As from 1 January 2016, the Company assesses capital adequacy based on Solvency II rules. Solvency II entails rules for calculating capital requirements and qualifying capital, risk management and internal control requirements, regulates the reporting of the risk and capital situation. The objective of capital management is to ensure the sustainability and stability of the Company protecting therewith the interests of policyholders and shareholders. Capital management is based on the management of the assets and liabilities of the Company and risks related thereto and consist of regular assessment of the compliance with the capital requirements established in the Insurance Activities Act. Based Insurance Activities Act, the Company should comply with the following requirements:

- The sum of eligible basic own funds shall not be smaller than the floor of the minimum capital requirement, which is EUR 6.7 million.
- The sum of eligible own funds shall not be smaller than the solvency capital requirement.

The Company has sufficient own funds which consists from ordinary share capital, share premium account related to ordinary share capital, retained earnings and revaluation reserve. According to the Solvency II rules, as at 31 December 2024, the eligible own funds exceed the solvency capital requirement by 1.96 times (2.11 times as at 31 December 2023).

(s) Offsetting

When preparing the financial statements, assets, and liabilities, as well as revenue and expenses are not set off, except for the cases when certain International Financial Reporting Standard specifically requires such set-off.

Note 4. New and revised International Financial Reporting Standards and new interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC)

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

Adoption of New and Revised IFRS Standards and Interpretations

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

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

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

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

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

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

Issued on September 22, 2022, these amendments require a seller-lessee to measure lease liabilities arising from a leaseback in a manner that does not recognize any gain or loss related to the retained right of use. The new requirements do not prevent a seller-lessee from recognizing gains or losses in profit or loss related to the partial or full termination of a lease.
In the current year, the Company has adopted these amendments to IFRS standards, which became mandatory for reporting periods beginning on or after January 1, 2024. These amendments, as applicable to the Company's operations, have had no material impact on the financial statements or the disclosures made.

New Standards and Interpretations Issued but Not Yet Effective

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Issued on September 11, 2014, these amendments clarify that, in transactions involving associates or joint ventures, the recognition of gains or losses depends on whether the assets sold or contributed constitute a business.
While these standards have been issued, they are not yet mandatory for the Company. A preliminary assessment indicates that their adoption is not expected to have a significant impact on the financial statements when first applied.

Note 5. Risk management

As part of the ERGO 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).

The Company’s Risk Management Function is established to achieve main strategic goals from a risk management perspective:

- Maintain the financial strength, thereby ensuring that the liabilities to the clients are met;

- Protect and increase the value of the shareholders' investment;
- Safeguard the reputation of the Company and ERGO Group.

The Company needs to take the right type of risks in appropriate amounts in order to achieve these goals. Therefore, risk awareness and prudent risk management are priorities. The Company puts a lot of effort in enhancing its risk management system. Own risk and solvency assessment, which covers all the processes and procedures employed to identify, assess, monitor, manage, and report the short- and long-term risks forms an essential part of ERGO's risk management system. Own risk and solvency assessment integrates both the current status and outlook of the business strategy, risk strategy and capital management. The chapters below describe the main risks that the Company has to face due to the business model.

(a) Insurance risks

The insurance environment is regulated by the law of obligations and insurance activities legislation. As the Baltic countries are members of the EU, all legislation and regulations have to comply with relevant EU directives. Lithuania's, Latvia's, and Estonia's laws related to insurance supervision comply with the EIOPA directives prepared for Solvency II regime.

Insurance risk management is an integral part of the Company's risk management system. To ensure a balanced insurance portfolio, the Company has established pricing and underwriting guidelines, which are updated on a regular basis. Insurance premiums and provisions are calculated on the basis of carefully selected actuarial assumptions. The milestones for evaluating underwriting portfolio risks differ depending on product group. The latter is described in more details in subsequent chapters.

Policies for mitigating insurance risk

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

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

The Company manages its insurance risk through strict underwriting policy, group-wide new product approval procedures and follow-up of current products, continuous check-up of consistency in reserving and underwriting rates.

The Company uses several methods to assess and monitor insurance risk. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing.

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

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

Insurance risk management strategy

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

Diversity among product groups is important as well. Key underwriting risks per policy group are as follows:

1 Products with guaranteed investment return in savings phase. The group of products is sensitive to mortality, lapse, expense, and catastrophe risks. The portfolio is mainly under run-off with very small volumes of new business. Risk capital for this product group remains on approximately the same level with slight decrease over time and more volatility is experienced if there are significant down / up movements of risk-free rate. Proper cost evaluation is considered challenging aspect also due to long term projections which lead to expense estimation for the next 40 years.

Another challenging point to forecast is lapse due to different trends depending on company's strategy. Due to well diversified and coordinated life underwriting process, mortality profit margin is rather high and mortality risk is of minor importance.

2 Pension annuities in annuity payment phase (product with guaranteed investment return). The group of products is sensitive to longevity, investment and expense risks. Longevity risk is constantly growing due to increasing volume of pension annuities in annuity payment phase portfolio. Company's current experience cannot be considered sufficient in order to have prudent actual longevity estimates.

Investment risk is volatile if there are significant down / up movements of risk-free rate.

Expense risk is of minor importance due to rather constant expenses for annuity products.

3 Unit-linked products. The products are sensitive to mortality, disability-morbidity, lapse, expense, and catastrophe risks. The products have longer duration than other non-annuity products, therefore main underwriting risks for unit-linked business are expense and lapse risks. The product is sensitive to disability-morbidity risk due to the current company's strategy to have risk covers added.

4 Risk products. The products are sensitive to mortality, disability-morbidity, lapse, expense, catastrophe risks. These products are reflected either under life or health similar to life underwriting risk modules.

The principles of insurance risk management are described in the Company's risk strategy.

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period. The impact on equity is equal to increase/decrease in profit.

As at 31 December 2024 (unaudited) *in EUR*	**Change in assumptions**	**Increase/(decrease) in gross liabilities**	**Increase/(decrease) in net liabilities**	**Increase/(decrease) in profit before tax**
Mortality rate	10%	-59,261	-59,261	-59,261
Lapse and surrenders rate	10%	-20,166	-20,166	-20,166
Discount rate	1%	-2,282,181	-2,282,181	-2,282,181

Mortality rate	-10%	61,982	61,982	61,982
Lapse and surrenders rate	-10%	14,887	14,887	14,887
Discount rate	-1%	3,033,725	3,033,725	3,033,725

As at 31 December 2023[4] *in EUR*	**Change in assumptions**	**Increase/(decrease) in gross liabilities**	**Increase/(decrease) in net liabilities**	**Increase/(decrease) in profit before tax**
Mortality rate	10%	-96,386	-96,386	-96,386
Lapse and surrenders rate	10%	-37,850	-37,850	-37,850
Discount rate	1%	-2,449,511	-2,449,511	-2,449,511
Mortality rate	-10%	108,137	108,137	108,137
Lapse and surrenders rate	-10%	122,158	122,158	122,158
Discount rate	-1%	3,455,885	3,455,885	3,455,885

Pricing risks

The premium rates and tariffs applied by the Company are usually calculated for a long-term, but their adequacy is checked on a regular basis. Premium rates and tariffs may be changed due to changes in claim incurrence statistics, market trends and the broadening or limitation of insurance cover. The Company has a routine procedure for changing premium rates and tariffs. Tariffs are calculated based on mathematical assumptions.

Therefore, there exists the risk that realistic parameters will not be in line with the assumptions set, thus making premium rates and tariffs insufficient. This risk is mitigated by checking the validity of assumptions applied in regular analyses.

Another pricing risk in life insurance is anti-selection risk. This risk is mitigated during the underwriting procedure or by setting special conditions in term and conditions.

Claim handling risks

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

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

[4] Restated after error correction provided in Note 29

by class of business, depend also on the terms of the underlying insurance contract, claim complexity and size, determination of the date of occurrence, and reporting lag.

Reinsurance strategy

The Company reinsures a certain part of the risks for which it provides insurance cover under insurance contracts. The purpose of reinsurance is to reduce the Company's share of losses and to limit the potential net loss through the diversification of risks. The main contract form in reinsurance is obligatory proportional reinsurance. Risks exceeding the limits of obligatory reinsurance contracts or falling outside their scope are reinsured on a facultative basis.

Concentration risks

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

In EUR	2024				
Country	**Insurance contract assets**	**Insurance contract liabilities**	**Reinsurance contract assets**	**Reinsurance contract liabilities**	**Net provisions**
Estonia	-5,913,940	23,135,856	-293,493	2,692	16,931,115
Latvia	-3,832,208	78,543,785	-422,066	47,674	74,337,185
Lithuania	-7,204,970	125,465,610	-421,401	15,150	117,854,389
Total	**-16,951,118**	**227,145,251**	**-1,136,960**	**65,516**	**209,122,689**

In EUR	2023[5]				
Country	**Insurance contract assets**	**Insurance contract liabilities**	**Reinsurance contract assets**	**Reinsurance contract liabilities**	**Net provisions**
Estonia	-5,166,897	24,051,062	-218,162	10,728	18,700,107
Latvia	-761,466	71,809,060	-294,280	0	69,820,097
Lithuania	-5,116,359	122,142,608	-276,416	0	115,786,764
Total	**-11,044,722**	**218,002,730**	**-788,858**	**10,728**	**204,306,968**

(b) Market, credit, and liquidity risks

ERGO pursues an investment strategy that is largely based on the characteristics of the maturity and currency structure of its liabilities. In addition to return, safety and creditworthiness, investment decisions consider liquidity, diversification and above all, the structure of the insurance liabilities. The principles of managing the risks related to financial assets are embedded in the Company's risk management policy and observed in the predetermined risk appetite, strategic investment of assets and specific risk management processes.

[5] Restated after error correction provided in Note 29

The Company manages its asset risk by preparing a new investment policy on an annual basis. Implementation of the strategy and adherence to restrictions is monitored by a multi-level structure. In 2024 tactical decisions were made and implemented by GIM – Group Investment Management department of Munich RE. The compliance of investments with the adopted strategy is monitored by the asset and liability management team (AL Team) which, in addition to asset manager, consists of the Company's actuaries, investment officers, risk manager, head of planning and controlling department and the member of the Board. Many ERGO group entities are also involved in planning, monitoring, and managing investment risks.

Market risk

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

The significant market risks are evaluated within the Solvency II Standard Formula. That means that assets and liabilities are revalued for each simulated market scenario, thus showing the probability distribution for changes to basic own funds in accordance with Solvency II.

Additionally, exposure to fluctuations in market value is assessed on an ongoing basis using one internal model. Net Loss Limit (NLL) monitors the probability of achieving a result that surpasses the minimum investment result fixed by the actuaries. 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.

Clearly defined processes ensure that the company can respond timely to any significant capital market developments.

(a) Interest rate risk

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

The Company's investments comprise mostly fixed-income securities, the market value of which is influenced by changes in interest rates. As at 31 December 2024, the weighted average purchase yield to maturity of fixed-income portfolio was 2.03% (2.15% as at 31 December 2023).

If as at 31 December 2024 the entire yield curve would have increased/decreased by 100 basis points, then fair value reserve would have decreased/increased by EUR 8.5 million (2023: EUR 9.7 million). Reduced impact is related to smaller fixed income portfolio and lower modified duration of the portfolio.

In order to manage interest rate risk Company has adopted cash flow matching principle i.e. liabilities maturing in 10 years are covered with 10-year bond. Therefore, changes in fair value reserve and equity do not convey entire economic situation of the Company as it describes movements only on asset side but not in liabilities. In order to understand Company's financial situation, one should look at Solvency II balance sheet where both assets and liabilities are marked-to-market.

Investments in financial instruments and cash exposed to interest rate risk, by interest rate

in EUR	**2024**	**2023**
	Carrying amount	**Carrying amount**
Debt instruments at fair value through other comprehensive income		
Interest rate 0.00-2.50%	91,731,591	89,870,533
Interest rate 2.51-3.50%	9,303,268	7,797,592
Interest rate 3.51-4.50%	16,886,483	18,755,633

Interest rate 4.51-5.50%	14,745,144	17,369,601
Interest rate 5.51-6.50%	7,457,371	13,212,730
Interest rate 6.51-7.50%	0	0
Interest rate 7.51-8.50%	0	0
Total Debt instruments at fair value through other comprehensive income	**140,123,857**	**147,006,090**
Debt instruments at amortised cost		
Interest rate 2.51-3.50%	15,698,233	21,709,478
Total Debt instruments at amortised cost	**15,698,233**	**21,709,478**
Equity and debt instruments at fair value through profit or loss and cash and cash equivalents		
No interest	123,720,690	101,689,256
In total	**279,542,780**	**270,404,823**

(b) Other price risk

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

If as at 31 December 2024 the value of investments in equity and fixed income and real estate funds had increased/decreased by 10%, the Company’s equity would have increased/decreased by EUR 1.7 million (2023: EUR 1.8 million).

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

Investments in financial instruments and cash by issuer's domicile

in EUR **As at 31 December**	**2024**	**2023**
Debt instruments at fair value through other comprehensive income		
Austria	6,030,444	8,091,141
Australia	5,102,251	4,987,949
Belgium	9,912,682	11,537,098
Great Britain Virgin Islands	200,495	195,724
Cayman Islands	0	297,942
Canada	4,679,054	4,097,809
Chile	974,488	953,786
Estonia	2,416,730	1,375,490
Finland	1,260,850	2,252,382
France	15,414,513	17,551,635
Germany	14,911,851	15,126,071
Hungary	3,812,787	3,663,994
Indonesia	301,870	295,053
Ireland	6,575,236	6,580,581
Israel	2,353,161	2,270,942
Italy	6,032,158	6,315,247
Kazakhstan	1,393,625	1,353,990
Latvia	3,243,357	3,118,693
Lithuania	2,926,219	3,043,697
Luxembourg	8,420,495	10,001,010
Mexico	505,824	498,946
Netherlands	7,842,107	8,288,353
New Zealand	645,305	626,815
Norway	1,699,592	1,656,439
Peru	919,317	907,015
Poland	2,477,397	2,400,445
Portugal	3,198,227	3,198,040
Slovakia	1,816,332	1,836,304
Slovenia	3,870,802	3,785,582
Spain	8,916,483	9,045,410
Sweden	2,263,571	2,206,934
Switzerland	571,687	547,169
Great Britain	1,150,803	1,028,747
USA	7,680,942	7,686,683
Japan	186,381	182,974
Korea	416,823	0
Total Debt instruments at fair value through other comprehensive income	***140,123,857***	***147,006,089***
Equity and debt instruments at fair value through profit or loss		
Units in equity, debt, property and real estate funds		
Ireland	624,475	1,378,197
Germany	1,336,034	1,237,920
Estonia	8,218,602	7,667,305
Finland	80,044	128,261
Luxembourg	7,548,230	7,310,830
Total Units in equity, debt, property and real estate funds	***17,807,385***	***17,722,514***

Investments in financial instruments and cash by issuer's domicile (continued)

in EUR As at 31 December	2024	2023
Unit-linked		
Ireland	19,259,916	14,721,261
Finland	6,592,892	5,481,916
Luxembourg	69,555,522	58,524,949
Total Unit-linked	***95,408,330***	***78,728,126***
***Total* Equity and debt instruments at fair value through profit or loss**	**113,215,715**	**96,450,640**
Debt instruments at amortised cost		
Estonia	15,698,233	21,709,478
Total Debt instruments at amortised cost	***15,698,233***	***21,709,478***
Cash and cash equivalents		
Estonia	1,081,790	882,186
Latvia	1,949,682	1,917,111
Lithuania	7,473,503	2,439,319
Total Cash and cash equivalents	***10,504,975***	***5,238,616***
Total investments in financial instruments and cash	**279,542,780**	**270,404,823**

(c) Currency risk

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

Most of the Company's liabilities in different currencies are covered with assets denominated in the same currencies. Currency risk is countered by monitoring that no uncovered currency exposure exceeds 10% of asset manager assets.

At the end of reporting period, The Company has insignificant amount of assets and liabilities exposed to currency risk.

Credit risk

The credit risk of investments is the risk that the issuer of a security will not honour/fulfil its obligations. The risk is mitigated by acquiring securities from issuers with a high credit rating. The following table describes the Company's debt securities portfolio by the issuer's credit rating. At the year-end, the weighted average rating of fixed-income securities was A (A in 2023). The Company believes that its credit risk exposure to other financial assets is low due to their small proportion.

IFRS 9 calls for using an expected credit loss model to recognise impairment losses, under which expected credit losses are anticipated before they arise and must be recognised as an expense. A three-stage impairment model is used to recognise and measure impairment losses on financial assets. The key parameters for calculating expected credit losses are the probability of default, the loss given default and the exposure at default.

Probability of default is calculated on the basis of rating model, which takes account of not only historical information, but also current market conditions and the relevant forward-looking information (such as forecast macroeconomic developments). Rating categories are based on those of the leading international rating agencies. For financial assets allocated to Stage 1 of the impairment model, the probabilities of default are always calculated on the basis of the risk of default for the next 12 months. If the instrument's remaining maturity is less than one year, the probability is determined for this maturity.

Probabilities of default for maturities of more than one year used to determine lifetime expected credit losses at Stage 2 are determined by extrapolating migration matrices of default probabilities for the next 12 months. Financial assets allocated to Stage 3 of the impairment model are always analysed on a case-by-case basis.

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

The financial instruments and cash presented in the table below have at least one rating of the respective rating group provided by one of the named rating agencies. A rating of a parent company is presented for cash and cash equivalents.

2024	Standard& Poor's	AAA	AA	A	BBB	Not rated	Amount
in EUR	**Moody's**	**Aaa**	**Aa**	**A**	**Baa**	**Not rated**	
Debt instruments at fair value through other comprehensive income		36,050,899	36,692,598	36,012,436	31,367,924	0	**140,123,857**
Proportion of Debt instruments at fair value through other comprehensive income		*26%*	*26%*	*26%*	*22%*	*0%*	*100.0%*
Debt instruments at amortised cost		0	0	0	0	15,698,233	**15,698,233**
Cash and cash equivalents[1]		0	1,722,047	8,776,342	2,423	4,163	**10,504,975**
Proportion of cash and cash equivalents		*0%*	*16,39%*	*83,55%*	*0.02%*	*0.04%*	*100.0%*

2023	Standard& Poor's	AAA	AA	A	BBB	Not rated	Amount
in EUR	**Moody's**	**Aaa**	**Aa**	**A**	**Baa**	**Not rated**	
Debt instruments at fair value through other comprehensive income		36,156,991	46,547,048	32,336,407	31,965,643	0	**147,006,089**
Proportion of Debt instruments at fair value through other comprehensive income		*24.6%*	*31.7%*	*22.0%*	*21.7%*	*0%*	*100.0%*
Debt instruments at amortised cost		0	0	0	0	21,709,478	**21,709,478**
Cash and cash equivalents[1]		0	1,553,265	3,653,830	19,379	12,141	**5,238,615**
Proportion of cash and cash equivalents		*0%*	*29.7%*	*69.7%*	*0.4%*	*0.2%*	*100.0%*

[1]Baltic banks do not have their independent credit ratings therefore the credit ratings of their parent (groups) have been used.

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

As at 31 December 2024					
in EUR	**Not due**	**Less than 30 days past due**	**Overdue 30–60 days**	**Overdue 60–180 days**	**In total**
Receivables from policyholders	9,600,131	753,430	83,866	132,384	**10,569,811**
Receivables from intermediaries	166,144	54	10	138	**166,346**
Receivables from reinsurers	35,711	-18	0	550,156	**585,849**
Other receivables	6,030,851	5,287,799	27,200	161,794	**11,507,644**
In total	**15,832,837**	**6,041,265**	**111,076**	**844,472**	**22,829,650**

As at 31 December 2023 in EUR	Not due	Less than 30 days past due	Overdue 30–60 days	Overdue 60–180 days	In total
Receivables from policyholders	10,241,393	958,096	437,465	279,461	**11,916,415**
Receivables from intermediaries	4,178	53	311	0	**4,542**
Receivables from reinsurers	63,684	100,381	0	206,574	**370,639**
Other receivables	5,250,512	5,022,192	27,299	169,705	**10,469,708**
In total	**15,559,767**	**6,080,722**	**465,075**	**655,740**	**22,761,304**

In its insurance activities, the Company's main credit risk is payment default by a policyholder. The Company's credit risk arises principally from its insurance receivables. In each business line, risk management measures are applied to protect the Company's financial position. The Company has rules in place for consistently monitoring and managing overdue receivables. Receivables that are more than 180 days overdue are written down. Impairment of receivables from policyholders is presented in Note 15.

To mitigate the risk arising from reinsurance, the Company enters into obligatory reinsurance contracts only with such reinsurers whose equity amounts to at least EUR 250 million and rating is above A– (according to Standard & Poor's). Facultative reinsurance contracts are concluded with such reinsurers only that have been included in the list approved by the relevant department of ERGO group. In addition, premiums ceded to any one reinsurer may not exceed 10% of ERGO's annual gross premium income.

Liquidity risk

The Company has to be able to discharge its payment obligations at any time. This is ensured by liquidity planning that is embedded in the asset and liability management model.
To be able to meet its settlement commitments at any time, the Company needs to know its liabilities and has to acquire a suitable investment portfolio. This is achieved by close cooperation between actuaries, the investment manager and the AL Team.
The debt securities portfolio is composed by taking into account liability cash flows with the aim to build asset portfolio with similar cash flow structure. In addition, a large share of the Company's assets is invested in highly liquid securities, which should ensure the availability of sufficient cash even under stressed circumstances. At the year-end, the Company's liquid funds totalled EUR 279.5 million (2023: EUR 270.4 million), including available-for-sale securities of EUR 140.0 million (2023: EUR 147.0 million), equities and fund units of EUR 113.2 million (2023: EUR 96.5 million), loans of EUR 15.7 million (2023: EUR 21.7 million), and cash and cash equivalents of EUR 10.50 million (2023: EUR 5.24 million).

Investments in financial instruments and cash (by maturity):

As at 31 December *in EUR*	2024	2023
Total contractual cash flows	**279,542,780**	**270,404,823**
No maturity	123,720,690	101,689,250
Up to one year	10,551,942	5,580,853
2–3 years	19,685,344	24,307,775
4–5 years	29,746,216	31,944,782
6–10 years	61,687,692	65,087,002
11–15 years	17,866,042	21,243,725
16 years and more	16,284,854	20,551,430

At the year-end, the weighted average duration of fixed income portfolio was 6,2 years (2023: 6,7 years). There were no non-cash movements in the portfolio.

Financial liabilities (based on maturities):

As at 31 December 2024 *in EUR*	**Up to 2 year**	**Between 2 and 5 years**	**Between 6 and 10 years**	**More than 10 years**	**In total**
Insurance contract provisions	34,352,681	37,002,103	79,887,888	122,209,684	**273,452,356**
Reinsurance contracts held	65,517	0	0	0	**65,517**
Financial liabilities from investment contracts	4,097,864	5,373,977	4,324,827	4,725,569	**18,522,237**
Lease-related liabilities	990,232	548,835	178,056	0	**1,717,123**
Insurance payables	0	0	0	0	**0**
Other payables and accrued expenses	8,278,590	0	0	0	**8,278,590**
In total	**47,784,884**	**42,924,915**	**84,390,771**	**126,935,253**	**302,035,823**

As at 31 December 2023 *in EUR*	**Up to 2 year**	**Between 2 and 5 years**	**Between 6 and 10 years**	**More than 10 years**	**In total**
Insurance contract provisions	28,676,344	36,665,627	45,012,362	130,494,313	**240,848,646**
Reinsurance contracts held	10,728	0	0	0	**10,728**
Financial liabilities from investment contracts	4,240,341	4,719,609	3,763,119	3,387,929	**16,110,998**
Lease-related liabilities	770,176	445,016	228,039	0	**1,443,231**
Insurance payables	0	0	0	0	**0**
Other payables and accrued expenses	7,349,064	0	0	0	**7,349,064**
In total	**41,046,653**	**41,830,252**	**49,003,520**	**133,882,242**	**265,762,667**

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

Liquidity risk is mitigated through asset and liability management. The main market risk is a potential investment return insufficiency to cover guaranteed investment return for liabilities. The risk is mitigated by cautious asset and liability cash flow matching.

Strategic risks

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

The main strategic risks stem from quality of IT landscape and changing regulatory expectations that could jeopardize achievement of strategic results. Economic turmoil and geopolitical tensions also increase uncertainty and complexity of environment the company operates in. Market volatility, driven by a softening market and unfavourable changes in sin tax regulations, poses significant risks to revenue growth and profitability. Additionally, the rapid pace of digitalization continues to heighten cyber and information security risks, increasing the company's exposure to potential threats. Striking a balance between corporate governance, cost control, and business needs remains a challenge, as it directly impacts operational and financial efficiency, raises operational risks, and may jeopardize strategy execution and long-term stability. The strategy of ERGO continues to address the risk environment adequately.

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

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

Operational risk

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

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

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

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

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

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

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

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

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

Reputational risk

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

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

ERGO has identified two subcategories of reputational risk:

- data and information;
- communication risk.

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

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

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

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

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

Note 6. Insurance revenue

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

in EUR		2024	2023[6]
Expected insurance service expenses incurred in the period	a	14,641,743	15,134,427
Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	b	3,910,262	2,524,069
Change in the risk adjustment for non–financial risk	c	140,977	136,311
Amount of CSM recognised in profit or loss	d	4,057,445	4,946,353
Realisation of premiums attributable to current period (PAA)	e	42,969,210	40,408,852
Insurance revenue		**65,719,637**	**63,150,013**

a. Expected insurance service expenses incurred in the period comprise claims and other expenses which the Company expects to pay on insured events that occurred during the period.
b. Acquisition cash flows are allocated in a systematic way on the basis of the passage of time over the coverage period of the group of contracts.
c. Change in risk adjustment shows amount of risk which expired during the period.
d. The CSM is recognised in profit or loss over the coverage period of the corresponding group of contracts based on coverage units.
e. Insurance revenue from insurance contracts measured using the premium allocation approach.

Note 7. Insurance service expense

The table below shows the insurance service expenses

in EUR		2024	2023[6]
Insurance service expenses from insurance contracts issued		**55,024,995**	**52,045,869**
Claims expenses	a	35,112,757	31,269,473
Changes that relate to past service - adjustments to the LIC	b	-2,484,627	-856,849
Administration and acquisition costs	c	16,207,498	13,569,412
Changes from underlying items	d	6,070,372	8,167,966
Other insurance service expenses	e	118,995	-104,134

a. Incurred claims and benefits excluding investment components.
b. Any LIC remeasurements relating to insurance and other non-financial risk with respect to claims incurred in prior periods (such as changes in expense level assumptions).
c. Administration and acquisition costs are presented separately. Acquisition costs are recognised in insurance service expenses in the same amount as used to determine insurance revenue based on systematic allocation to the appropriate periods of the coverage period.
d. Some changes in fulfilment cash flows, risk adjustment, estimates of the present value of future cash flows and loss component are closely tied to changes in underlying items.
   These changes are recognized as insurance service expenses because they reflect the costs incurred in providing services in the period, including incurred claims.
e. Changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components) and other changes have not mentioned above.

[6] Restated after error correction provided in Note 29

Note 8. Net expense from reinsurance contracts held

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

in EUR	Note	2024	2023
Allocation of reinsurance premiums		**988,783**	**925,399**
Expected recovery for insurance service expenses incurred in the period	a	367,144	378,226
Net cost/gain recognised in profit or loss	b	621,640	547,173
Amounts recoverable from reinsurers for incurred claims		**539,305**	**286,259**
Amounts recoverable for claims and other expenses incurred in the period		370,380	312,332
Changes in amounts recoverable arising from changes in liability for incurred claims		168,925	-26,073
Net expense from reinsurance contracts held		**449,478**	**639,140**

a. Expected recovery for insurance service expenses incurred in the period comprise recovery for claims and other expenses which the Company expects to receive from reinsurers on insured events occurred during the period.
b. Net cost/gain recognised in profit or loss during the coverage period of the corresponding group of reinsurance contracts held based on coverage units.

Note 9. Total Investment income and net insurance finance result

in EUR	**2024**	**2023**
Amounts recognised in the profit loss		
Interest revenue calculated using the effective interest method	3,030,605	3,273,448
Other interest and similar income	1,405,651	1,698,991
Net fair value gains/(losses) on financial assets at fair value through profit or loss Unit link	7,074,406	7,536,035
Net fair value gains/(losses) on financial assets at fair value through profit or loss Equity and debt instruments	809,369	414,567
Net fair value gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	151,858	-51,709
Impairment loss on financial assets	19,163	15,331
Investments management expenses	-282,302	-278,664
Net foreign exchange (expense) income	43,729	-19,988
Total amounts recognised in the profit or loss	12,252,479	12,588,011
Amounts recognised in OCI	558,062	7,062,313
Total investment income	**12,810,540**	**19,650,324**
Insurance finance income/ (expenses) from insurance contracts		
Interest accreted to insurance contracts	-1,026,458	-249,996
Expenses caused by changes in fair value of underlying assets (VFA)	-9,429,034	-10,641,093
Amounts recognised in profit or loss	**-10,455,492**	**-10,891,089**
Amounts recognised in OCI	**-851,360**	**-5,565,850**
Total Insurance finance income/ (expenses) from insurance contracts issued	**-11,306,851**	**-16,456,939**
Reinsurance finance income/ (expenses) from insurance		
Interest accreted to reinsurance contracts	107,895	114,220
Amounts recognised in profit or loss	**107,895**	**114,220**
Amounts recognised in OCI	**0**	**0**
Total Reinsurance finance income/ (expenses) from insurance contracts issued	**107,895**	**114,220**
Total net investment income, insurance finance expenses and reinsurance finance income	**1,611,584**	**3,307,605**
Represented by:		
Amounts recognised in profit or loss	1,904,882	1,811,142
Amounts recognised in OCI	-293,298	1,496,463

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

Note 10. Other income and expenses

in EUR	2024	2023
Other income		
Gain on disposal of property and equipment	8,000	377
Fees, commissions, and charges received	1,288	1,018
Rental income	95,836	47,923
Miscellaneous income[1]	282,096	310,808
Total result from other income	**387,220**	**360,126**
Expenses		
Membership fees to Financial Supervision Authority and professional associations	210,026	205,863
Audit and non-audit services and legal permits[3]	173,281	313,487
Business licenses and permits	164,943	170,698
Write down of other intangible assets	34,234	0
Finance lease interest payments	55,109	37,010
State fees, stamp duties and late payment interest	3,355	2,398
Other expenses non-attributable to the insurance portfolio[2]	1,427,696	1,428,138
Total result from expenses	**2,068,644**	**2,157,594**
Total result from other income and expenses	**1,681,424**	**1,797,468**

[1] Miscellaneous income contains various services rendered and other non-regular income

[2] Other expenses non-attributable to the insurance portfolio contains other personal expenses, training expenses, marketing expenses not related to certain product , product development expenses, etc

[3] Within this amount in 2024 audit services amounted to 74,278 euros and non-audit services (assistant with translation of financial statements) – 3,200 euros (respectively in 2023 – 206,539 euros and 3,200 euros)

Note 11. Cash and cash equivalents

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

As of 31.12.2024 the bank accounts of ERGO Life Insurance SE amounted to 10,504,975 euros (31.12.2023: 5,238,616 euros), of which 10,258,961 euros were in euros (31.12.2023: 5,190,067 euros) and 246,014 euros in dollars (2023: 48,549 euros).

Note 12. Investments in financial instruments

in EUR **As at 31 December 2024**	Note	2024	2023
Equity and debt instruments at fair value through profit or loss	14.1	113,215,715	96,450,640
Debt instruments at fair value through other comprehensive income	14.2	140,123,857	147,006,089
Total		**253,339,572**	**243,456,729**
Debt instruments at amortised cost			
Debt instruments at amortised cost	14.3	15,698,233	21,709,478
Total Debt instruments at amortised cost		**15,698,233**	**21,709,478**
In total		**269,037,805**	**265,166,207**

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

in EUR	As at 31 December 2024		As at 31 December 2023	
	Cost	Fair value	Cost	Fair value
Units in listed equity funds	2,249,325	2,647,117	2,250,688	2,503,792
Units in listed debt funds	531,833	538,462	1,522,215	1,441,407
Units in unlisted equity and debt funds	5,280	6,084	3,252	3,601
Infrastructure debt funds	6,515,569	6,397,120	6,515,569	6,106,410
Real estate funds	7,005,446	8,218,602	6,544,521	7,667,305
Unit-linked	82,137,509	95,408,330	71,589,907	78,728,125
In total	**98,444,962**	**113,215,715**	**88,426,152**	**96,450,640**

Fund units have been classified as equity and debt instruments at fair value through profit or loss. Unrealised gains and losses on fund units are recognised in profit and loss statement.

Unit-linked financial assets have been classified as at fair value through profit or loss, these financial assets were designated to that category on initial recognition.

12.2. Debt instruments at fair value through other comprehensive income

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

in EUR	As at 31 December 2024		As at 31 December 2023	
	Cost	Fair value	Cost	Fair value
Debt instruments at fair value through other comprehensive income				
Government bonds	105,462,106	98,433,070	116,419,124	109,645,197
Financial institutions' bonds	22,765,470	22,042,480	18,972,751	17,859,787
Other debt securities	20,826,068	19,648,307	21,102,064	19,501,105
In total	**149,053,644**	**140,123,857**	**156,493,939**	**147,006,089**

Fair values of debt instruments at fair value through other comprehensive income and their dynamics during the period:

in EUR	2024	2023
As at 1 January	**147,006,089**	**152,127,594**
Purchased debt securities	4,830,456	4,543,782
Disposed debt securities	-7,794,027	-5,454,306
Received on maturity date debt securities	-5,186,627	-10,134,134
Amortisation of debt securities	989,402	-426,345
Change in revaluation reserve	751,394	6,967,746
Net realised gains	-225,961	-1,179,417
Net realised loss	81,333	720,963
Change in interest accrued	-328,203	-159,794
As at 31 December -	**140,123,857**	**147,006,089**

Debt instruments comprise government bonds, debt securities issued by financial institutions and companies and other debt securities.

The fair value of debt securities is determined by reference to the Bloomberg Generic (BGN) Prices available on the information systems of Bloomberg. Where BGN prices are not available, fair value is determined by reference to quoted market prices. If there is a broker on the market whose price quotation includes the quantity purchased, that quotation is relied on. If a quotation including the quantity purchased is not available, one without quantity is used. If a debt security does not have a listed price, valuation models are applied. If the models cannot be used or it would be impracticable, the security is measured at cost. As at 31 December 2024 and 2023, the portfolio did not include any debt securities measured at cost or using valuation models.

Cash movements related to debt securities are presented in the separate statement of cash flows. Non-cash movements such as changes in the fair value reserve are presented in the table above.

12.3. Debt instruments at amortised cost

Debt instruments at amortised cost by maturity

in EUR **As at 31 December**	**2024**	**2023**
3–4 years	0	6,011,246
4 years and more	15,698,233	15,698,233
In total	**15,698,233**	**21,709,478**

As of 31 December 2024, the following loans were issued:
EUR 15,500,000 (31 December 2023: EUR 21,709,478) to ERGO Insurance SE, of which EUR 198,233 were accrued interest. The first loan of EUR 6,000,000 was granted in 2021 at 1.29% fixed interest per year for the period 2021–2026 and variable interest of 1.42%+12-month Euribor from the period 2026–2031. The loan matures on 30 December 2031. The second loan of EUR 9,500,000 was granted on 27 June 2022 at 3.85% fixed interest per year for the period 2022–2027 and variable interest of 1.98%+12-month Euribor for the period 2027–2032. The loan matures on 22 June 2032.

Note 13. Investments in subsidiaries

Investment in subsidiary: 100% of the shares of the company ERGO Invest SIA, the acquisition cost of which is EUR 4,677,870. The head office of ERGO Invest SIA is situated at Unijas 45, Riga, the Republic of Latvia.

The Company has assessed the impairment of investment into a subsidiary and having regard to the fact that the Company’s equity is higher than the carrying amount of investment in the subsidiary as well as the subsidiary was profitable have concluded that no impairment indications exist.

in EUR

Carrying amount of investment in subsidiary	
As at 31 December 2022	**4,677,870**
Assets acquired	0
Disposed assets -	0
Written off assets -	0
Reclassified assets +/-	0
As at 31 December 2023	**4,677,870**
Assets acquired	0
Disposed assets -	0
Written off assets -	0
Reclassified assets +/-	0
As at 31 December 2024	**4,677,870**

The main financial information (unaudited) of ERGO Invest SIA as at 31 December 2024 was the following (EUR):

Assets	Liabilities	Equity	Revenue	Result of the year
5,404,556	**110,073**	**5,294,483**	**702,945**	**383,544**

Note 14. Insurance and reinsurance contracts

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

14.1. Insurance contracts issued and reinsurance contracts held

The variable fee approach applied to majority of insurance contract issued portfolios – conventional life insurance, term-life insurance, unit-linked insurance. The premium allocation approach applied to health insurance. The general measurement model applied to reinsurance contracts held.

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

14.1.1.1. Insurance contracts issued

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

Insurance contracts (gross) - Movement in liabilities	2024			
	Liability for remaining coverage			
	Excluding loss component	Loss component	Liability for incurred claims	Total
Opening balance - insurance portfolios in asset position	-11,608,626	0	563,905	-11,044,721
Opening balance - insurance portfolios in liability position	209,297,297	3,363	8,702,070	218,002,730
Opening balance	**197,688,671**	**3,363**	**9,265,975**	**206.958.009**
Insurance service result	**-50,107,365**	**-3,363**	**39,416,086**	**-10,694,641**
Insurance revenue	-65,719,637	0	0	-65,719,637
Expected incurred claims and other expenses for the period	-14,641,742	0	0	-14,641,742
Expected release of risk adjustment for the period	-140,977	0	0	-140,977
Contractual Service Margin for the service provided in the period	-4,057,445	0	0	-4,057,445
Recovery of insurance acquisition cash flows	-3,910,262	0	0	-3,910,262
Insurance revenue for short term contracts	-42,969,210	0	0	-42,969,210
Insurance service expenses	15,612,272	-3,363	39,416,086	55,024,995
Incurred claims and other incurred service expenses	0	0	41,899,782	41,899,782
Changes that relate to past service	0	0	-2,483,696	-2,483,696
Changes that relate to future service	0	-3,363	0	-3,363
Changes in estimates that do not adjust the CSM	0	-3,363	0	-3,363
Reversal of losses	0	0	0	0
Changes through underlying items that relate to future services	6,070,372	0	0	6,070,372
Amortisation of insurance acquisition cash flows	9,541,900	0	0	9,541,900
Investment components	**-28,367,428**	**0**	**28,367,428**	**0**
Insurance finance income or expenses	**10,440,378**	**0**	**15,113**	**10,455,492**
Accretion of interest	1,011,345	0	15,110	1,026,455
Interest expense/income	0	0	3	3
Changes caused by changes in the fair value of underlying items	9,429,033	0	0	9,429,033
Changes recognised in OCI	**851,297**	**0**	**64**	**851,360**
Effects from changes in market variables	**-59,887**	0	64	-59,823
Changes caused by changes in the fair value of underlying items	911,183	0	0	911,183
Cash flows	**71,052,180**	**0**	**-68,428,267**	**2,623,913**
Premiums received	86,797,196	0	0	86,797,196
Insurance acquisition cash flows paid	-15,745,016	0	0	-15,745,016
Claims and other insurance service expenses paid	0	0	-68,428,267	-68,428,267
Closing balance	**201,557,733**	**0**	**8,636,400**	**210,194,134**
Closing balance - insurance portfolios in asset position	-17,563,083	0	611,965	-16,951,118
Closing balance - insurance portfolios in liability position	219,120,817	0	8,024,435	227,145,252

	2023[7]

[7] Restated after error correction provided in Note 29

Insurance contracts (gross) - Movement in liabilities	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component		
Opening balance - insurance portfolios in asset position	-38,524,476	240,883	-667,001	-38,950,594
Opening balance - insurance portfolios in liability position	230,600,213	3,301	11,172,199	241,775,713
Opening balance	**192,075,737**	**244,184**	**10,505,198**	**202,825,119**
Insurance service result	**-46,884,754**	**-240,821**	**36,021,433**	**-11,104,142**
Insurance revenue	-63,150,012	0	0	-63,150,012
Expected incurred claims and other expenses for the period	-15,134,427	0	0	-15,134,427
Expected release of risk adjustment for the period	-136,311	`	0	-136,311
Contractual Service Margin for the service provided in the period	-4,946,353	0	0	-4,946,353
Recovery of insurance acquisition cash flows	-2,524,069	0	0	-2,524,069
Insurance revenue for short term contracts	-40,408,852	0	0	-40,408,852
Insurance service expenses	16,265,258	-240,821	36,021,433	52,045,870
Incurred claims and other incurred service expenses	0	0	36,984,760	36,984,760
Changes that relate to past service	0	0	-963,327	-963,327
Changes that relate to future service	0	-240,821	0	-240,821
Changes in estimates that do not adjust the CSM	0	-240,713	0	-240,713
Reversal of losses	0	-108	0	-108
Changes through underlying items that relate to future services	8,167,966	0	0	8,167,966
Amortisation of insurance acquisition cash flows	8,097,292	0	0	8,097,292
Investment components	**-28,816,862**	**0**	**28,816,862**	**0**
Insurance finance income or expenses	**10,876,609**	**0**	**14,479**	**10,891,088**
Accretion of interest	235,516	0	14,247	249,763
Interest expense/income	0	0	232	232
Changes caused by changes in the fair value of underlying items	10,641,093	0	0	10,641,093
Other effects	**-552**	0	0	**-552**
Effects from currency exchange rate differences	-552	0	0	-552
Changes recognised in OCI	**5,565,849**	**0**	**0**	**5,565,849**
Changes caused by changes in the fair value of underlying items	5,565,849	0	0	5,565,849
Cash flows	**64,872,643**	**0**	**-66,091,997**	**-1,219,354**
Premiums received	80,499,446	0	0	80,499,446
Insurance acquisition cash flows paid	-15,626,804	0	0	-15,626,804
Claims and other insurance service expenses paid	0	0	-66,091,997	-66,091,997
Closing balance	**197,688,671**	**3,363**	**9,265,975**	**206,958,009**
Closing balance - insurance portfolios in asset position	-11,608,626	0	563,905	-11,044,721
Closing balance - insurance portfolios in liability position	209,297,297	3,363	8,702,070	218,002,730

14.1.1.2. Reinsurance contracts held

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

Reinsurance contracts held - Movement in liabilities / assets	2024			
	Expected recovery (remaining coverage)		Expected recovery for incurred claims	Total
	Excluding loss-recovery component	Loss-recovery component		
Opening balance - insurance portfolios in asset position	575,603	0	213,256	788,859
Opening balance - insurance portfolios in liability position	-185,190	0	174,462	-10,728
Opening balance	**390,413**	**0**	**387,718**	**778,131**
Reinsurance service result	**-988,783**	**0**	**539,304**	**-449,479**
Reinsurance expense	-988,783	0	0	-988,783
Expected incurred claims and other expenses for the period	-361,591	0	0	-361,591
Expected release of risk adjustment for the period	-5,554	0	0	-5,554
Net cost/gain for the service received in the period	-621,639	0	0	-621,639
Reinsurance service income	0	0	539,304	539,304
Recoveries of incurred claims and other insurance service expenses	0	0	370,380	370,380
Changes that relate to past service	0	0	168,924	168,924
Insurance finance income or expenses	**108,656**	**0**	**-760**	**107,896**
Accretion of interest	-14,618	0	-19	-14,637
Interest expense/income	123,274	0	-741	122,533
Cash flows	**970,909**	**0**	**-336,014**	**634,895**
Premiums paid	970,909	0	0	970,909
Claims and other insurance service expenses reimbursed	0	0	-336,014	-336,014
Closing balance	**481,195**	**0**	**590,248**	**1,071,443**
Closing balance - insurance portfolios in asset position	555,613	0	581,347	1,136,960
Closing balance - insurance portfolios in liability position	-74,418	0	8,901	-65,517

Reinsurance contracts held - Movement in liabilities / assets	2023		
	Expected recovery (remaining coverage)	Expected recovery for incurred claims	Total

	Excluding loss-recovery component	Loss-recovery component		
Opening balance - insurance portfolios in asset position	594,326	0	413,662	1,007,988
Opening balance - insurance portfolios in liability position	0	0	0	0
Opening balance	**594,326**	**0**	**413,662**	**1,007,988**
Reinsurance service result	**-925,399**	**0**	**286,259**	**-639,140**
Reinsurance expense	-925,399	0	0	-925,399
Expected incurred claims and other expenses for the period	-373,102	0	0	-373,102
Expected release of risk adjustment for the period	-5,124	0	0	-5,124
Net cost/gain for the service received in the period	-547,173	0	0	-547,173
Reinsurance service income	0	0	286,259	286,259
Recoveries of incurred claims and other insurance service expenses	0	0	312,332	312,332
Changes that relate to past service	0	0	-26,073	-26,073
Insurance finance income or expenses	**114,091**	**0**	**129**	**114,220**
Accretion of interest	-1,311	0	-146	-1,457
Interest expense/income	115,402	0	276	115,678
Cash flows	**607,394**	**0**	**-312,332**	**295,062**
Premiums paid	607,394	0	0	607,394
Claims and other insurance service expenses reimbursed	0	0	-312,332	-312,332
Closing balance	**390,412**	**0**	**387,718**	**778,130**
Closing balance - insurance portfolios in asset position	575,603	0	213,256	788,859
Closing balance - insurance portfolios in liability position	-185,191	0	174,462	-10,729

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

14.1.2.1. Insurance contracts issued

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

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

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

Insurance contracts (gross) - Movement in components	2024			
	Estimates of the present value of the future cash flows[8]	Risk adjustment for nonfinancial risk	Contractual Service Margin	Total
Opening balance - insurance portfolios in asset position	-17,223,258	134,334	6,044,204	-11,044,721
Opening balance - insurance portfolios in liability position	195,229,343	832,242	17,895,023	213,956,608
Opening balance	**178,006,085**	**966,576**	**23,939,227**	**202,911,888**
Insurance service result	**23,963,067**	**888,286**	**1,791,578**	**26,642,931**
Changes that relate to current service	31,895,732	-141,411	-4,057,445	27,696,876
Contractual Service Margin for the service provided in the period	0	0	-4,057,445	-4,057,445
Changes in the risk adjustment	0	-140,977	0	-140,977
Experience adjustments	356,394	0	0	356,394
Incurred claims from short term contracts	31,539,339	-434	0	31,538,905
Changes that relate to future service	-7,324,250	1,028,767	5,849,023	-446,461
Contracts initially recognised in the period	-8,184,043	338,008	7,846,035	0
Changes in the estimates reflected in the Contractual Service Margin	861,539	692,375	-1,997,012	-443,098
Changes in estimates that do not adjust the Contractual Service Margin	-1,747	-1,616	0	-3,363
Changes that relate to past service	-608,415	931	0	-607,484
Changes in fulfilment cash flows relating to incurred claims	-608,415	931	0	-607,484
Insurance finance income or expenses	**9,346,690**	**3,104**	**131,028**	**9,480,822**
Accretion of interest	-82,346	3,104	131,028	51,786
Interest expense/income	2	1	0	3
Changes caused by changes in the fair value of underlying items	9,429,033	0	0	9,429,033
Changes recognised in OCI	**839,467**	**11,893**	**0**	**851,360**
Effects from changes in market variables	-71,716	11,893	0	-59.823
Changes caused by changes in the fair value of underlying items	911,183	0	0	911,183
Cash flows	**-36,536,655**	**0**	**0**	**-36,536,655**
Premiums received	42,004,990	0	0	42,004,990
Insurance acquisition cash flows paid	-10,113,378	0	0	-10,113,378
Claims and other insurance service expenses paid	-68,428,267	0	0	-68,428,267
Closing balance	**175,618,653**	**1,869,858**	**25,861,834**	**203,350,345**
Closing balance - insurance portfolios in asset position	-24,972,176	363,183	7,657,874	-16,951,118
Closing balance - insurance portfolios in liability position	200,590,829	1,506,675	18,203,960	220,301,464

8 Liability for Remaining Coverage under PAA measurement model is not included

Insurance contracts (gross) - Movement in components	2023[9]			
	Estimates of the present value of the future cash flows	Risk adjustment for nonfinancial risk	Contractual Service Margin	Total
Opening balance - insurance portfolios in asset position	-13,378,608	29,305	1,382,916	-11,966,387
Opening balance - insurance portfolios in liability position	185,514,305	1,034,362	20,362,230	206,910,897
Opening balance	**172,135,697**	**1,063,667**	**21,745,146**	**194,944,510**
Insurance service result	**21,875,476**	**-97,118**	**2,194,081**	**23,972,439**
Changes that relate to current service	30,191,298	-135,981	-4,946,353	25,108,964
Contractual Service Margin for the service provided in the period	0	0	-4,946,353	-4,946,353
Changes in the risk adjustment	0	-136,293	0	-136,293
Incurred claims from short term contracts	30,191,298	313	0	30,191,611
Changes that relate to future service	-7,849,213	38,854	7,140,435	-669,924
Contracts initially recognised in the period	-5,780,244	400,183	5,380,061	0
Changes in the estimates reflected in the Contractual Service Margin	-2,069,719	-360,747	1,760,373	-670,093
Changes in estimates that do not adjust the Contractual Service Margin	751	-582	0	169
Changes that relate to past service	-466,609	8	0	-466,601
Changes in fulfilment cash flows relating to incurred claims	-466,609	8	0	-466,601
Insurance finance income or expenses	**10,655,546**	**25**	**0**	**10,655,571**
Accretion of interest	14,227	19	0	14,246
Interest expense/income	226	6	0	232
Changes caused by changes in the fair value of underlying items	10,641,093	0	0	10,641,093
Changes recognised in OCI	**5,565,849**	**0**	**0**	**5,565,849**
Changes caused by changes in the fair value of underlying items	5,565,849	0	0	5,565,849
Cash flows	**-32,226,485**	**0**	**0**	**-32,226,485**
Premiums received	43,919,093	0	0	43,919,093
Insurance acquisition cash flows paid	-10,053,581	0	0	-10,053,581
Claims and other insurance service expenses paid	-66,091,997	0	0	-66,091,997
Closing balance	**178,006,085**	**966,576**	**23,939,227**	**202,911,888**
Closing balance - insurance portfolios in asset position	-17,223,258	134,334	6,044,204	-11,044,720
Closing balance - insurance portfolios in liability position	195,229,343	832,242	17,895,023	213,956,608

[9] Restated after error correction provided in Note 29

14.1.2.2. Reinsurance contracts held

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

Reinsurance contracts held - Movement in components		2024			
		Estimates of the present value of the future cash flows	Risk adjustment	Net cost/gain	Total
	Opening balance - insurance portfolios in asset position	-2,891,483	208,012	3,472,330	788,859
	Opening balance - insurance portfolios in liability position	-841,262	3,536	826,998	-10,728
Opening balance		**-3,732,745**	**211,548**	**4,299,328**	**778,131**
Reinsurance service result		**-1,425,591**	**-53,143**	**1,029,255**	**-449,479**
	Changes that relate to current service	8,790	-5,554	-621,639	-618,403
	Net cost/gain for the service received in the period	0	0	-621,639	-621,639
	Changes in the risk adjustment	0	-5,554	0	-5,554
	Experience adjustments	8,790	0	0	8,790
	Changes that relate to future service	-1,603,305	-47,590	1,650,895	0
	Changes in the estimates reflected in the net cost/gain	-1,603,305	-47,590	1,650,895	0
	Changes that relate to past service	168,924	0	0	168,924
	Changes in fulfilment cash flows relating to incurred claims ceded to reinsurer	168,924	0	0	168,924
Insurance finance income or expenses		**100,409**	**32,700**	**-25,214**	**107,895**
	Accretion of interest	11,572	-996	-25,214	-14,638
	Interest expense/income	88,837	33,696	0	122,533
Cash flows		**634,895**	**0**	**0**	**634,895**
	Premiums paid	970,909	0	0	970,909
	Claims and other insurance service expenses reimbursed	-336,014	0	0	-336,014
Closing balance		**-4,423,032**	**191,104**	**5,303,370**	**1,071,442**
	Closing balance - insurance portfolios in asset position	-3,092,548	183,383	4,046,124	1,136,959
	Closing balance - insurance portfolios in liability position	-1,330,484	7,721	1,257,246	-65,517

2023

Reinsurance contracts held - Movement in components		Estimates of the present value of the future cash flows	Risk adjustment	Net cost/gain	Total
	Opening balance - insurance portfolios in asset position	-2,307,634	64,944	3,250,678	1,007,988
	Opening balance - insurance portfolios in liability position	0	0	0	0
Opening balance		**-2,307,634**	**64,944**	**3,250,678**	**1,007,988**
Reinsurance service result		**-1,899,909**	**198,579**	**1,062,190**	**-639,140**
	Changes that relate to current service	-60,770	-5,124	-547,173	-613,067
	Net cost/gain for the service received in the period	0	0	-547,173	-547,173
	Changes in the risk adjustment	0	-5,124	0	-5,124
	Experience adjustments	-60,770	0	0	-60,770
	Changes that relate to future service	-1,813,066	203,703	1,609,363	0
	Changes in the estimates reflected in the net cost/gain	-1,813,066	203,703	1,609,363	0
	Changes that relate to past service	-26,073	0	0	-26,073
	Changes in fulfilment cash flows relating to incurred claims ceded to reinsurer	-26,073	0	0	-26,073
Insurance finance income or expenses		**179,735**	**-51,975**	**-13,540**	**114,220**
	Accretion of interest	12,485	-403	-13,540	-1,458
	Interest expense/income	167,250	-51,572	0	115,678
Cash flows		**295,063**	**0**	**0**	**295,063**
	Premiums paid	607,395	0	0	607,395
	Claims and other insurance service expenses reimbursed	-312,332	0	0	-312,332
Closing balance		**-3,732,745**	**211,548**	**4,299,328**	**778,131**
	Closing balance - insurance portfolios in asset position	-2,891,483	208,012	3,472,330	788,859
	Closing balance - insurance portfolios in liability position	-841,262	3,536	826,998	-10,728

14.2. Liability for remaining coverage

In the following table, we present the underwritten or acquired insurance contracts recognised in the fiscal year for the first time in which the general measurement model and the variable fee approach are predominantly used in order to explain the change in the contractual service margin. Reinsurance contracts held, which are measured under the general measurement model are initially recognised from the transition. The underwritten insurance contracts issued and recognised in the fiscal year for the first time had the following amounts.

Insurance contracts issued

2024 *In euros*	**Contracts issued**		**Total**
	Non-Onerous	**Onerous**	
Estimates of the present value of future cash inflows	**-25,982,797**	0	**-25,982,797**
Estimates of the present value of future cash outflows	**17,798,754**	**0**	**17,798,754**
Expected future claims, expenses, and investment components	**12,252,543**	**0**	**12,252,543**
Expected insurance acquisition cash flows	**5,546,212**	**0**	**5,546,212**
Risk adjustment	**338,008**	0	**338,008**
Contractual Service Margin	**7,846,035**	0	**7,846,035**
Total	**0**	**0**	**0**

2023 *In euros*	**Contracts issued**		**Total**
	Non-Onerous	**Onerous**	
Estimates of the present value of future cash inflows	**-42,434,598**	0	**-42,434,598**
Estimates of the present value of future cash outflows	**36,654,353**	**0**	**36,654,353**
Expected future claims, expenses, and investment components	**32,188,589**	**0**	**32,188,589**
Expected insurance acquisition cash flows	**4,465,764**	**0**	**4,465,764**
Risk adjustment	**400,184**	0	**400,184**
Contractual Service Margin	**5,380,061**	0	**5,380,061**
Total	**0**	**0**	**0**

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

In euros	**2024**		**2023[10]**	
	Insurance contracts issued	**Reinsurance contracts held**	**Insurance contracts issued**	**Reinsurance contracts held**
Carrying amount at 31 December - Contractual service margin	**25,861,833**	**5,303,370**	**23,939,228**	**4,299,328**
Expected amounts recognised in profit or loss				
Year 1 change	3,362,038	583,371	2,756,465	607,080
Year 2 change	2,327,565	477,303	2,426,872	530,901
Year 3 change	2,327,565	424,270	2,211,606	47,998
Year 4 change	2,068,947	371,236	2,039,560	43,454
Year 5 change	2,068,947	318,202	1,884,798	40,090
Year 6 change	1,810,328	318,202	1,742,620	369,070
Year 7 change	1,551,710	265,168	1,594,465	335,634
Year 8 change	1,551,710	212,135	1,344,055	282,829
Year 9 change	1,293,092	212,135	964,761	237,308
Year 10 change	1,034,473	159,101	783,678	203,086
Year 11 and subsequent change	6,465,458	1,962,247	6,190,347	1,601,878

[10] Restated after error correction provided in Note 29

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

	2024				2023			
In euros	**Contracts measured using the fully retro-spective approach**	**Contracts measured using the modified retrospective approach**	**Contracts measured using the fair value approach**	**Total**	**Contracts measured using the fully retro-spective approach**	**Contracts measured using the modified retrospective approach**	**Contracts measured using the fair value approach**	**Total**
Insurance revenue from insurance contracts issued	0	12,058,220	0	12,058,220	0	6,408,600	0	6,408,600
Carrying amount at 1 January – Contractual service margin from insurance contracts issued	0	24,395,756	0	24,395,756	0	19,289,728	0	19,289,728
Contractual service margin for services provided in the reporting period	0	-4,183,472	0	-4,183,472	0	-4,724,007	0	-4,724,007
Changes in estimates adjusting the contractual service margin	0	-6,572,112	0	-6,572,112	0	9,830,035	0	9,830,035
Effects of contracts initially recognised in the period	0	0	0	0	0	0	0	0
Insurance finance income or expenses	0	0	0	0	0	0	0	0
Other effects	0	0	0	0	0	0	0	0
Carrying amount at 31 December – Contractual service margin from insurance contracts issued	**0**	**13,640,173**	**0**	**13,640,173**	**0**	**24,395,756**	**0**	**24,395,756**

	2024				2023			
In euros	**Contracts measured using the fully retro-spective approach**	**Contracts measured using the modified retrospective approach**	**Contracts measured using the fair value approach**	**Total**	**Contracts measured using the fully retro-spective approach**	**Contracts measured using the modified retrospective approach**	**Contracts measured using the fair value approach**	**Total**
Allocation of reinsurance premiums from reinsurance contracts held	0	939,698	0	939,698	0	925,399	0	925,399
Carrying amount at 1 January – Contractual service margin from reinsurance contracts held	0	4,299,330	0	4,299,330	0	3,250,679	0	3,250,679
Contractual service margin for services provided in the reporting period	0	0	0	0	0	547,173	0	547,173
Changes in estimates adjusting the contractual service margin	0	1,014,569	0	1,014,569	0	501,478	0	501,478
Effects of contracts initially recognised in the period	0	0	0	0	0	0	0	0
Insurance finance income or expenses	0	0	0	0	0	0	0	0
Other effects	0	0	0	0	0	0	0	0
Carrying amount at 31 December – Contractual service margin from reinsurance contracts held	**0**	**5,313,899**	**0**	**5,313,899**	**0**	**4,299,330**	**0**	**4,299,330**

14.3. Underlying items for insurance contracts with direct participation features

The composition of underlying items for insurance contracts with direct participation features is as follows:

In EUR	**2024**	**2023**
Financial investments	**235,450,254**	**212,218,445**
Fixed income	156,363,168	155,171,449
Investments for unit-linked life insurance	79,087,086	57,046,996

Note 15. Other receivables

in EUR **As at 31 December 2024**	**2024**	**2023**
Other receivables	1,745,631	850,608
Total other financial assets	***1,745,631***	***850,608***
Deferred expenses	266,245	194,370
Prepaid taxes	329,895	359,086
Total non-financial assets	**596,140**	**553,456**
Other insurance receivables	***9,165,873***	***9,267,167***
In total	**11,507,644**	**10,671,231**

Note 16. Other intangible assets

in EUR

	Software and licences	Other intangible assets	Total intangible assets
Cost			
As at 31 December 2022	**5,954,266**	**598,567**	**6,552,833**
Purchase of software and licences	1,538,435	0	1,538,435
Addition – internally generated IT projects	146,883	0	146,883
Write off – internally generated IT projects	0	0	0
Write-off of software and licences	-21,000	0	-21,000
As at 31 December 2023	**7,618,585**	**598,567**	**8,217,152**
Purchase of software and licences	1,969,981	0	1,969,981
Addition – internally generated IT projects	151,559	0	151,559
Write off – internally generated IT projects	0	0	0
Write-off of software and licences	-37,541	0	-37,541
As at 31 December 2024	**9,702,584**	**598,567**	**10,301,151**
Accumulated amortisation			
As at 31 December 2022	**3,396,827**	**584,474**	**3,981,301**
Amortisation for the year	553,277	11,806	565,081
Write-off	-17,296	0	-17,296
As at 31 December 2023	**3,932,808**	**596,280**	**4,529,088**
Amortisation for the year	544,991	2,287	547,278
Write-off	-37,541	0	-37,541
As at 31 December 2024	4,440,258	598,567	5,038,825
Carrying amount			
As at 31 December 2022	**2,557,439**	**14,093**	**2,571,532**
As at 31 December 2023	**3,685,777**	**2,287**	**3,688,064**
As at 31 December 2024	**5,262,326**	**0**	**5,262,326**

In 2024, on a joint agreement of the Baltic States, in order to improve the efficiency of processes and compatibility between the three countries, .NET/AIS project was continued. As at 31 December 2024, the cost of fully amortised assets still in use was EUR 4,106,974 (as at 31 December 2023: EUR 4,272,022).

Note 17. Property, plant, and equipment

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

As at 31 December 2024, the cost of fully depreciated items still in use was EUR 603,252 (31 December 2023: EUR 609,910). ERGO Life Insurance SE has only such items of property and equipment that are in the Company's own use.

in EUR

Category of assets	Land	Buildings	Equipment and other items	In total
Cost				
As at 31 December 2022	**0**	**3,281,579**	**1,275,167**	**4,556,746**
Additions	0	0	55,545	55,545
Additions under IFRS 16	0	318,350	205,481	523,831
Terminations and corrections under IFRS 16	0	-4,360	0	-4,360
Sales	0	0	0	0
Write-off	0	0	-152,633	-152,633
As at 31 December 2023	**0**	**3,595,569**	**1,383,560**	**4,979,130**
Recognition of right-of-use assets on initial application of IFRS 16	0	0	0	0
Additions	0	0	12,104	12,104
Additions under IFRS 16	0	662,042	295,281	957,323
Terminations and corrections under IFRS 16	0	-77,322	-17,581	-94,903
Sales	0	0	-34,926	-34,926
Write-off	0	0	-25,994	-25,994
As at 31 December 2024	**0**	**4,180,290**	**1,612,444**	**5,792,734**
Accumulated depreciation				
As at 31 December 2022	**0**	**1,904,589**	**962,480**	**2,867,069**
Depreciation of assets recognised under IFRS 16	0	453,452	44,988	498,440
Depreciation for the year	0	0	116,295	116,295
Disposals	0	0	0	0
Write-off	0	0	-152,633	-152,633
As at 31 December 2023	**0**	**2,358,041**	**971,130**	**3,329,170**
Depreciation of assets recognised under IFRS 16	0	487,498	117,514	605,013
Depreciation for the year	0	0	85,352	85,352
Disposals	0	0	-34,926	-34,926
Write-off	0	0	-25,994	-25,994

As at 31 December 2024	**0**	**2,845,539**	**1,113,076**	**3,958,615**
Carrying amount				
As at 31 December 2022	**0**	**1,376,990**	**312,687**	**1,689,677**
As at 31 December 2023	**0**	**1,237,529**	**412,430**	**1,649,959**
As at 31 December 2024	**0**	**1,334,750**	**499,368**	**1,834,118**

Note 18. Financial liabilities from investment contracts

Financial liabilities from investment contracts are determined based on the market values of the securities linked to the investment contracts. The following table present movements in the liabilities.

As at 31 December	2024	2023
Financial liabilities from investment contracts		
Opening balance	**16,110,998**	**13,245,239**
Payments received	4,675,262	4,114,048
Fees and service charges	-515,222	-475,934
Provisions and payments made	-2,119,177	-2,051,201
Change in value, interest accrued	370,376	1,278,846
Closing balance	**18,522,237**	**16,110,998**

Note 19. Leases

The Company uses office premises, office equipment and cars under operating leases. In 2024, operating lease expenses on premises totalled EUR 16,489 (2023: EUR 26,804). These lease agreements on initial recognition and analysing new agreements of 2024 were recognised as low-value or short-term leases under IFRS 16. No operating lease expenses on other assets were incurred (in 2023, no operating lease expenses on other assets were incurred).

Leases as lessee (IFRS 16)

The Company leases office premises, office equipment, and IT equipment under operating leases. Most lease contracts for office premises are of indefinite duration. The expected contract end dates are assessed by responsible persons according to business forecasts. For some leases, contract conditions provide for an increase in the rental price according to a pre-agreed index.

IT and office equipment lease contracts have contract terms of two to four years. Information about leases for which the Company is a lessee is presented below.

Right-of-use assets and lease liabilities

Right of use assets related to leased properties that do not meet the definition of investment property are presented as property and equipment (see Note 17 “Property, plant and equipment”).

	Buildings	Equipment and other items	In total
2024			
Balance as at 1 January 2024	1,237,529	184,556	1,422,085
Depreciation for the year	-487,498	-117,514	-605,013
Additions to right-of-use assets	662,041	295,282	957,323
Disposal of right-of-use assets	-77,322	-17,581	-94,903
As at 31 December 2024	**1,334,750**	**344,743**	**1,679,493**

	Buildings	Equipment and other items	In total
2023			
Balance as at 1 January 2023	1,376,991	24,065	1,401,056
Depreciation for the year	-453,452	-44,988	-498,440
Additions to right-of-use assets	318,350	205,479	523,829
Disposal of right-of-use assets	-4,360	0	-4,360
As at 31 December 2023	**1,237,529**	**184,556**	**1,422,085**

Some office rent agreements were terminated during the year, and some new contracts were concluded.

Set out below are the carrying amounts of lease liabilities and their dynamics during the period:

in EUR	**2024**	**2023**
As at 1 January	**1,443,231**	**1,418,798**
Additions	862,421	519,471
Increase in interest	55,109	30,940
Payments	-643,637	-525,260
Write-offs and disposals	0	-718
As at 31 December 2024	**1,717,124**	**1,443,231**

Amounts recognised in profit or loss

2024 Leases under IFRS 16	**2024**
Interest on lease liabilities	55,109
Depreciation for the year	605,013
Expenses relating to short-term leases	2,758
Expenses relating to leases of low-value assets	13,731

2023 Leases under IFRS 16	**2023**
Interest on lease liabilities	37,010
Depreciation for the year	498,440
Expenses relating to short-term leases	6,279
Expenses relating to leases of low-value assets	20,525

In accordance with IFRS 16, in 2019 and in subsequent periods the Company recognises depreciation and interest costs in relation to the mentioned lease instead of recognising operating lease expenses. Interest rate used for discounting lease payments was in the range from 0.21% to 3.85% as at 31 December 2024 (2023: in the range from 0.15% to 3.85%). When measuring right-of-use assets, the Company assessed each contract separately.

Maturity analysis of lease liabilities

As at 31 December 2024				
in EUR	**Up to 1 year**	**Between 1 and 5 years**	**Over 5 years**	**In total**
Lease-related financial liabilities	571,450	967,617	178,056	1,717,123
In total	571,450	967,617	178,056	1,717,123
As at 31 December 2023				
in EUR	**Up to 1 year**	**Between 1 and 5 years**	**Over 5 years**	**In total**
Lease-related financial liabilities	416,476	798,717	228,039	1,443,232
In total	416,476	798,717	228,039	1,443,232

Note 20. Other payables and accrued expenses

in EUR **As at 31 December**	**2024**	**2023**
Trade payables	4,997,072	3,736,762
Other payables	536,749	889,125
Accrued vacation pay payable	675,378	539,184
Personal income tax payable	557,361	654,005
Personal income tax payable for additional reliefs	9,482	8,077
Social security tax payable	261,086	247,407
Mandatory payment for second pillar pension funds	5,844	4,066
Payable value added tax	272,199	161,008
Payables to employees	434,784	341,787
Other accrued items	528,635	767,643
In total	**8,278,590**	**7,349,064**

Note 21. Shareholders and issued capital

	Number of shares	Total issued capital
As at 31 December 2023	15,124	4,380,213
As at 31 December 2024	15,124	4,380,213

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

The sole shareholder of ERGO Life Insurance SE is ERGO International AG (registry number HRB 40871, address ERGO-Platz 1, 40198 Dusseldorf, Germany). The shareholder of ERGO International AG is ERGO Versicherungsgruppe AG.

The consolidated financial statements of ERGO Versicherungsgruppe AG, prepared in accordance with International Financial Reporting Standards, are available at www.ergo.de. The parent of ERGO Versicherungsgruppe AG group is Münchener Rückversicherungs-Gesellschaft AG, the shares of which are listed on German stock exchanges.

As at 31 December 2024, the authorised capital consists of 15,124 ordinary registered shares with a nominal value of EUR 290 each. The entire share capital has been paid in.

Note 22. Capital reserve

Capital reserve as at 31 December 2024 consisted of the following: share premium – EUR 15,129,289, legal reserve – EUR 450,591, and other reserves – EUR 289,621 (as at 31 December 2023: share premium – EUR 15,129,289, legal reserve – EUR 450,591, and other reserves – EUR 289,621).

The authorised capital of the Company is booked, as per Articles of Association of the Company. The amount paid, by which the sales price of the shares issued exceeds the nominal value of the shares, is booked as share premium. Share premium accounts may be used for increase of the authorised capital of the Company, as well as to cover losses.

Reserves are formed by distributing profit of the current and previous year by a decision of the General Meeting of Shareholders, in line with the legislation and legal acts of the Republic of Lithuania as well as the Articles of Association of the Company. Legal reserves are compulsory reserves formed of the profit for distribution. The Company shall transfer to the legal reserve 5% of the profit for distribution until the reserve makes up 10% of the Company's issued capital. The legal reserve may be used only for covering losses of the Company. The share of the legal reserve in excess of 10% of the issued capital may be distributed when distributing the profit for the succeeding financial year.

As at the end of 2024, the Company had fully formed its legal reserve.

Note 23. Fair value reserve

The fair value reserve comprises the net change in the fair value of financial assets measured at fair value through other comprehensive income. When a financial asset is derecognised, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

in EUR	**2024**	**2023**
As at 1 January	**-9,487,917**	**-15,290,153**
Transition effect from implementation of IFRS9	0	-1,260,077
Derecognised from equity and recognised in profit or loss in connection with sale and impairment	3,241	472
Derecognised from equity and recognised in profit or loss in connection with redemption and impairment	0	-1,693
Net change in fair value recognised in other comprehensive income or expense during the year	554,822	7,063,534
As at 31 December	**-8,929,855**	**-9,487,917**

Note 24. Insurance/Reinsurance Finance Reserve (IFIE)

The IFIE mostly arises from the adjustments to the liability for the insurance contract under the VFA, reflecting the changes in the value of the underlying items to which the policyholder has direct participation. The mirroring approach requires the insurer to adjust the insurance contract liability in response to changes in the fair value of the underlying assets, which directly impacts the amount recognized in the IFIE.

Key points regarding IFIE under VFA and the mirroring approach:

Changes in the fair value of the underlying assets: These changes are reflected in the insurer's share of the underlying items and, consequently, the IFIE. The insurer's share of the fair value of the underlying assets (e.g., investment funds or portfolios) is recognized as part of the liability.

Recognition in the statement of financial position: The IFIE represents the difference between the insurance contract liability and the amounts recognized for the policyholder's share of the underlying assets. It reflects the present value of the future cash flows associated with the contract, adjusted for changes in the fair value of the underlying items.

Impact on the Contractual Service Margin (CSM): The CSM is also impacted by changes in the fair value of the underlying items. Under the mirroring approach, adjustments to the insurance contract liability due to changes in these assets affect both the fulfillment cash flows and the IFIE, which are recognized in the statement of financial position.

As of 31.12.2024 Insurance Finance Reserve was 7,039,252 euros (2023: 7,890,613 euros). Reinsurance Finance Reserve was – 0 euros (2023: – 0 euros).

Note 25. Income tax

Corporate income tax consists of current and deferred tax.

In 2024, the company incurred a tax loss of 3,643,053 euros.

For calculation of corporate income tax in the Republic of Lithuania in 2024 and 2023, a profit tax rate of 15% was applied. For the year 2025 profit tax rate of 16 % will be applied.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax depends on the expected future use of the asset and the settlement of future liabilities and substantially enacted tax rate expected to apply.

A deferred tax asset is only recognised to the extent that it is probable that the future taxable profits will be available against which the asset can be utilised. Deferred tax asset recognised as at 31 December 2024: EUR 119,067. For calculation of deferred tax profit tax rate of 16 % was applied.

The Company's lease payments are deductible upon payment for tax purposes. In accounting for the deferred tax relating to the lease, the Company considers both the lease asset and liability separately. The Company separately accounts for the deferred taxation on the taxable temporary difference and the deductible temporary difference, which upon initial recognition are equal and offset to zero. Deferred tax is recognised on subsequent changes to the taxable and temporary differences.

in EUR

Income tax expense	2024	2023
Income tax expense	0	0
Change in deferred income tax	-4,707	22,269
Total income tax (expense) gain	-4,707	22,269

in EUR

Recognised deferred income tax asset	2024	2023
Deductible temporary differences on other liabilities: (vacation pay liabilities to employees)	119,067	123,774
Lease liabilities related to right of use asset	-146,042	69,014
Total deferred income tax asset	-26,975	192,788
Less: deferred tax liability netted with deferred income tax asset	146,042	-69,014
Deferred income tax asset, net	119,067	123,774

Recognised deferred income tax liability	**2024**	**2023**
Right of use asset	146,042	-69,014
Total deferred income tax liability	**146,042**	**-69,014**
Less: deferred tax asset netted with deferred income tax liability	**-146,042**	**69,014**
Deferred income tax liability, net	**0**	**0**

Tax losses relate to Company‘s operations in Lithuania. Those do not expire and may be used to offset taxable income in Lithuania.

in EUR

Unrecognised deferred tax asset	**2024**	**2023**
Tax losses	3,262,488	2,797,999
In total	3,262,488	**2,797,999**

in EUR

Reconciliation of profit for accounting purposes and income tax expenses	**2024**	**2023**
Profit before tax	10,463,915	12,373,857
Parent company’s domestic tax rate	1,569,587	1,856,079
Effect of tax rates in foreign jurisdictions	-1,073,526	-1,210,482
Effect of exempt income and taxable expenses	-1,028,850	-304,892
Non-deductible expenses	73,006	41,282
Transition to IFRS 17 tax impact	0	-576,137
Unrecognised deferred tax assets movement:	464,489	171,881
Recognition of previously unrecognised tax losses	0	0
Effect of income tax of previous years	0	0
Income tax expense (gain) for the year	**4,707**	**-22,269**

Note 26. Fair value of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. No transfers between levels occurred.

in EUR		Carrying amount				Fair value			
As at 31 December 2024	**Note**	**Equity and debt instruments at fair value through profit or loss**	**Debt instruments at fair value through other comprehensive income**	**Debt instruments at amortised cost**	**In total**	**Level I**	**Level II**	**Level III**	**In total**
Financial assets measured at fair value									
Units in listed equity funds	12.1	2,647,117	0	0	2,647,117	2,647,117	0	0	2,647,117
Units in listed debt funds	12.1	538,463	0	0	538,463	0	538,463	0	538,463
Units in unlisted equity and debt funds	12.1	6,084	0	0	6,084	0	6,084	0	6,084
Infrastructure debt funds	12.1	6,397,120	0	0	6,397,120	0	0	6,397,120	6,397,120
Real estate funds	12.1	8,218,602	0	0	8,218,602	0	0	8,218,602	8,218,602
Unit-linked	12.1	95,408,330	0	0	95,408,330	63,491,058	31,917,274	0	95,408,332
Government bonds	12.2	0	98,433,071	0	98,433,071	0	98,433,071	0	98,433,071
Financial institutions' bonds	12.2	0	22,042,480	0	22,042,480	0	22,042,480	0	22,042,480
Other debt securities	12.2	0	19,648,307	0	19,648,307	0	19,648,307	0	19,648,307
Financial assets not measured at fair value									
Loans	12.3	0	0	15,698,233	15,698,233	0	15,698,233	0	15,698,233
Other receivables	15	0	0	1,745,631	1,745,631	0	1,745,631	0	1,745,631
Cash	11	0	0	10,504,975	10,504,975	10,504,975	0	0	10,504,975
Financial liabilities measured at fair value									
Financial liabilities from investment contracts		18,522,237	0	0	18,522,237	0	18,522,237	0	18,522,237

in EUR As at 31 December 2023	Note	Carrying amount				Fair value			
		Equity and debt instruments at fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Debt instruments at amortised cost	In total	Level I	Level II	Level III	In total
Financial assets measured at fair value									
Units in listed equity funds	12.1	2,503,793	0	0	2,503,793	2,503,793	0	0	2,503,793
Units in listed debt funds	12.1	1,441,407	0	0	1,441,407	0	1,441,407	0	1,441,407
Units in unlisted equity and debt funds	12.1	3,601	0	0	3,601	0	3,601	0	3,601
Infrastructure debt funds	12.1	6,106,410	0	0	6,106,410	0	0	6,106,410	6,106,410
Real estate funds	12.1	7,667,305	0	0	7,667,305	0	0	7,667,305	7,667,305
Unit-linked	12.1	78,728,125	0	0	78,728,125	51,113,366	27,614,760	0	78,728,125
Government bonds	12.2	0	109,645,198	0	109,645,198	0	109,645,198	0	109,645,198
Financial institutions’ bonds	12.2	0	17,859,787	0	17,859,787	0	17,859,787	0	17,859,787
Other debt securities	12.2	0	19,501,105	0	19,501,105	0	19,501,105	0	19,501,105
Financial assets not measured at fair value									
Loans	12.3	0	0	21,709,478	21,709,478	0	21,709,478	0	21,709,478
Other receivables	15	0	0	850,608	850,608	0	850,608	0	850,608
Cash	11	0	0	5,238,615	5,238,615	5,238,615	0	0	5,238,615
Financial liabilities measured at fair value									
Financial liabilities from investment contracts		16,110,998	0	0	16,110,998	0	16,110,998	0	16,110,998

Note 27. Related party transactions

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

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

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

On 15 June 2021, the Company made first investment into MEAG alternative investment fund MEAG Infrastructure Debt Fund II (LU2182118013). As of 31.12.2024 Company has made investments into the fund in amount of 6.5 million euros (2023: EUR 6.5 million). Company's total commitment is EUR 8,000,000.

MEAG Infrastructure Debt Fund II invests in selected infrastructure projects in Germany, Europe and USA. These projects can be implemented in any segment, e.g. transport, energy supply, renewable energy, communication, or social infrastructure. MEAG, together with the experts from Munich Re, carries out a due diligence process for all projects before deciding to invest in certain assets.

Remuneration of key management personnel

Key management personnel of the Company includes director of the Company. The summary of remuneration of key management personnel for the year is as follows:

	2024	**2023**
Salary	83,301	250,047
Social security contributions	0	0
Other short-term employment benefits	0	0
Bonuses	0	0
Total remuneration of key management personnel	**83,301**	**250,047**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

The remuneration, performance bonuses and benefits provided to the members of the Board for the year totalled EUR 502,496 (2023: EUR 322,627). The chair of the Board receives remuneration only as the Company's director. The members of the Supervisory Board were not remunerated.

The remuneration of a member of the Board consists of fixed remuneration and performance benefits. Performance benefits depend on the achievement of targets and objectives that are agreed between the chair of the Supervisory Board and each member of the Board before the beginning of the financial year.

Transactions with related parties are presented below:

in EUR

As at 31 December Related parties	Receivables in 2024[1]	Receivables in 2023[1]	Payables in 2024	Payables in 2023
Parent of the group – Münchener Rück	0	0	630,193	663,300
Other group companies	15,779,296	21,772,093	344,191	231,461

in EUR

Related parties	Services purchased in 2024	Services purchased in 2023	Services sold in 2024[2]	Services sold in 2023[2]
Parent of the group – Münchener Rück	771,936	731,996	102,518	90,413
Other group companies	6,748,858	4,899,157	7,061,233	1,019,882

[1] Including a loan of EUR 15,500,000 (2023: EUR21,500,000) provided to ERGO Insurance SE.

[2] Including interest of EUR 198,233 (2023: EUR 209,478) on the loan provided to ERGO Insurance SE.

Note 28. Contingencies

As at 31 December 2024 the Company was not involved in any legal procedures which, in the opinion of Management, could have a significant influence on the separate financial statements.

The Company has remaining commitment to invest up to 1.48 million euros in the MEAG Infrastructure Debt Fund II. The capital would be called when the asset manager signs a loan agreement with another infrastructure Company.

The liability is qualified as a commitment and is not reflected in the Company’s financial statements.

Note 29. Correction of an error

In Q2 2024 Company reviewed the quality assurance processes for IFRS 17 reporting. In addition, an analysis was performed on the liability model points at the end of the year 2023, which are further used for the cash flow projections.

The Company identified that the fulfilment cash flows and the Contractual Service Margin (CSM) for the VFA (Variable Fee Approach) business as at 31 December 2023 were incorrect due to 2,500 policies not being included in the model points and fund values being understated in the model points.

Overall, the impact of these issues to the 2023 results was as follows:

- The fulfilment cash flows (FCF) in the audited YE balance sheet were understated by €11.3m.
- CSM in the audited YE balance sheet was overstated by €9.4 million.
- The CSM release in the audited YE statement of profit or loss was overstated by €1.9 million.

It's important to note that the asset balance sheet amounts are determined in accordance with IFRS 9 and are independent of IFRS 17.

For existing business related to saving products, expected future outflows exceed the inflows, meaning the FCF represents a liability. For existing business related to risk products, expected future inflows exceed the outflows, meaning the FCF are represented as assets.

Impact on equity (increase/(decrease) in equity)

	31 December 2023
Insurance contract assets	375,363
Total Assets	**375,363**
Insurance contract liabilities	1,497,547
Total liabilities	**1,497,547**
Net impact on equity	**-1,872,910**

Impact on statement of profit or loss (increase/(decrease) in profit)

	2 023
Insurance revenue	-1,881,682
Insurance service expense	8,772
Net impact on profit for the year	**-1,872,910**

Note 30. Events after the reporting date

After the end of the financial year and until the approval of the financial statements, there were no significant events, which should be disclosed in the financial statements except that in Lithuania, in year 2025, profit tax rate of 16 % will be applied.

Signatures to annual report 2024

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

Ursula Clara Deschka

Chairwoman of the Management Board .... 11 April 2025

Laimė Naruševičienė

Member of the Management Board .... 11 April 2025

Tadas Dovbyšas

Member of the Management Board .... 11 April 2025

Marek Ratnik

Member of the Management Board .... 11 April 2025

Aija Medne

Member of the Management Board .... 11 April 2025

Annex 1.

Profit allocation proposal

The management board of ERGO Life Insurance SE makes the sole shareholder ERGO International AG a proposal that:

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

(2) no transfers be made to other reserves;

(3) dividend distribution in the amount EUR 3,500,000 be made to the sole shareholder.