GP Reinsurance EAD

SOLVENCY AND FINANCIAL CONDITION REPORT

generali.com

Index

Introduction

GP Reinsurance EAD (the Company or GP Re) falls under the scope of Solvency II Directive and is required to disclose publicly the Solvency and Financial Condition Report (SFCR).

This is in accordance with the Directive 2009/138/EC ('Solvency II Directive) as well as with the Delegated Regulation 2015/35/EC ('Delegated Act') and related Guidelines.

The objective of the Solvency and Financial Condition Report (SFCR) is to increase transparency in the insurance market requiring insurance and reinsurance undertakings to disclose publicly, at least on an annual basis, a report on their solvency and financial condition.

The document has been approved by the Supervisory Board and Management Board on 07th April 2025.

The users of the SFCR addressed to are mainly the ceding companies within Generali Central Eastern European region, or the companies from which the Company accepts the risks.

SFCR specific content is defined by primary legislation and its implementing measures - which provide detailed information on the essential aspects of the businesses of the undertaking, such as a description of the economic activity and performance of the undertaking, the system of governance, risk profile, evaluation of assets and liabilities and capital management - for solvency purposes.

When disclosing the information referred to in this Regulation figures reflecting monetary amounts shall be disclosed in Bulgarian Lev (BGN) unless otherwise stated.

GP Reinsurance EAD is falling under the scope of Solvency II Directive reporting and is required to disclose publicly SFCR with reference to the financial year starting from 1/1/2024.

The Solvency and Financial Condition Report of the Company has been prepared in English language and then translated in Bulgarian.

Summary

Section	Summary
A.1. Business	GP Reinsurance is the captive reinsurer of Generali in CEE region. In 2024 the Company provides proportional and non-proportional treaty reinsurance. Due to the Group´s diversity across the Central and Eastern Europe region, the Company is able to mitigate local specifics and risks for lower cost of capital than each insurance company on its own. This provides the Group companies with a lower cost of capital, protects their balance sheets, significantly helps with meeting solvency requirements and provides a competitive advantage in the insurance market as it provides capacity to make additional room for underwriting additional risks and offer higher limits than it would otherwise be allowed.
A.2. Underwriting Performance	The Company's underwriting performance is reflecting the business performance of the primary insurers (cedants). In 2024 the reinsurance portfolio followed a stable course of development with gross written premium of BGN 2.116m (both life and non-life), gross combined ratio of 75% and gross technical result of BGN 516m. The net technical result of the company for 2024 is BGN 374m.
A.3. Investment Performance	GP Reinsurance aims at maximizing investment returns while maintaining appropriate level of risk and liquidity which is compatible with targeted returns and to achieve the Strategic Plan objectives through portfolio diversification and an accurate liability-driven investment strategy. Those objectives are incorporated in the strategy to ensure the establishment of appropriate return potential while ensuring that the Company can always meet its obligations without undue costs and in accordance with its internal and external Regulatory Capital Requirements. The Company´s investment strategy is based on the 'Prudent Person Principle'.
A.4. Performance of other activities	The Company doesn't have leasing arrangements which can be considered material.
A.5. Any other information	This section includes information on transactions with related parties, ceded reinsurance receivables, dividends paid during 2024 in relation to 2023 profit and management remunerations.
B.1. General information on the system of governance	The Company has as at 31 December 2024 a two-tier management system with Management Board (MB) and Supervisory Board (SB). Audit Committee and Risk Committees are functioning with their main goal to support the MB and SB in terms of improving the internal control and risk management system. GP Re internal control and risk management system is founded on the three lines of defence – operational functions (Risk Owners) as a first line, compliance, risk management and actuarial functions as second line and internal audit as a third line.
B.2. Fit and proper requirements	The Fit & Proper requirements set in the Internal acts (Local and Group) set out the minimum suitability requirements of the Target Population (also complementing the applicable law and regulations) and the process for assessing those requirements to be met. In particular, the Internal acts define: • The rules for identification of the personnel requested to meet the suitability requirements. A minimum scope of the Target Population is identified. • The minimum fitness and independence requirements for the Target Population, making a distinction between (i) members of the AMSB (ii) Local Relevant Personnel; The same Section includes also the process to be followed for evaluating the possession of the fitness and independence requirement. • The minimum proper requirements for the Target Population in scope as well as the process for their evaluation.

	• The role of the competent functions in the evaluation and the situations that give rise to a re-assessment of the fitness, independence and proper requirements.
B.3. Risk management system including the own risk and solvency assessment	The Risk Management system ensures that all risks, to which the Company is exposed to, are properly and effectively managed on the basis of the risk strategy defined. GP Re Risk Management process, also aligned with the Group one, is defined on the following phases – risk identification, risk measurement, risk management and control and risk reporting. The Own Risk and Solvency Assessment (ORSA process is a key component of the Risk Management system which aims at assessing the adequacy of the solvency position and the risk profile of the Company on a current and forward-looking basis. Capital Management and Risk Management are strongly integrated processes. This integration is deemed essential to ensure alignment between business and risk strategies.
B.4. Internal control system	The Internal Control System framework, whose design and structure are approved by the Management and Supervisory Boards, is defined as the system that operates to ensure that business activity complies with the law in force and with the various directives and procedures in place. It also ensures that company processes are efficient and effective where their respective objectives are concerned, and that accounting and management information is reliable and complete. Internal Control therefore comprises a set of tools that helps the business to reach its targets in line with the level of risk selected by top management. Such targets are not restricted solely to business targets but extend also to those connected with financial reporting as well as compliance with all internal and external rules and regulations and take on varying importance depending on the risk that has been identified. It follows that the relevant internal control mechanisms take on a varying nature and form too, depending on the particular process or processes under the spotlight.
B.5. Internal audit function	The Internal Audit Department is an independent, effective and objective function established to examine and evaluate the adequacy, functioning, effectiveness and efficiency of the internal control system and all other elements of the system of governance, with a view of improving the efficacy and efficiency of the internal control system of the organization and of the governance processes. The Internal Audit Department supports the Management Board in identifying the strategies and guidelines on internal control and risk management, ensuring they are appropriate and valid over time and provides the Management Board and the Audit Committee with analysis, appraisals, recommendations and information concerning the activities reviewed; it also carries out assurance and advisory activities for the benefit of the Management Board, the Supervisory Board, the Top Management and other departments.
B.6. Actuarial function	According to local legislation and Group policy Actuarial function is in place with separation of calculation and validation roles.
B.7. Outsourcing	The company has adopted Generali Group Outsourcing Policy for direct application. The policy intends to set consistent minimum mandatory outsourcing standards for all Generali Group entities, assign main outsourcing responsibilities and ensure that appropriate controls and governance structures are established within any outsourcing initiative. The Policy outlines the main principles to be followed when implementing outsourcing. In addition to the Group Outsourcing Policy, the company has adopted Internal Outsourcing Guidelines which are designed as a local supplement to the Group Outsourcing Policy and aim at providing a structured view to the managing of the outsourcing activities in the company, defining the roles and responsibilities for the administration and management of the Outsourcing activities and contracts, as well as setting the criteria based on which an outsourced activity/function shall be classified as critical or important. The Internal Guidelines also define the local regulatory framework applicable to outsourced functions and activities.
B.8. Any other information	The Management Board is obliged to revise at least once per year the internal control programs, relevant documents and policies composing the Internal control system and to amend it where necessary.

C.1. Underwriting risk	These are risks arising from: • P&C reinsurance obligations in relation to the perils covered and the processes used in the conduct of business. It includes at least the risk of underestimating the frequency and/or severity of the claims in defining pricing and reserves (respectively Pricing Risk and Reserving Risk) and the risk of losses arising from extreme or exceptional events (Catastrophe Risk). Those risks are successfully managed and mitigated mainly via external reinsurance program. • Life and health underwriting risks derived from the accepted reinsurance business in the life and health segment. They are accepted across the CEE (Central and Eastern Europe) region and refers to life business which started in 2018.
C.2. Market risk & C.3. Credit risk	The Company manages its investments in a prudent way according to the so-called 'Prudent Person Principle' and strives to optimize the return of its assets while minimizing the negative impact of short-term market fluctuations on its solvency. For the evaluation of its Market & Credit Risks, it makes use of the EIOPA Standard Formula. In line with the Strategic Asset Allocation the Company is mainly exposed to fixed income exposure, and consequently to interest rate risk.
C.4. Liquidity risk	The Liquidity Risk Management relies on projecting cash obligations and available cash resources into the future, so as to monitor that available liquid resources are at all times sufficient to cover the cash obligations that will come due in the same period. The Liquidity Metrics show stable liquidity position without relevant deviations.
C.5. Operational risk	The Company has implemented operational risk management system with the primary focus on identifying, assessing and evaluating operational risk events that may occur and evaluating the strength of the company's processes and mitigation activities to prevent or respond to such events. In 2024 no significant operational loss has occurred in GP Re.
C.6. Other material risk	This section discusses concentration risk, i.e. the risk stemming from all risk exposures with a potential loss which is large enough to threaten the solvency or the financial position of the company. Risk concentrations are significant when they could threaten the solvency or the liquidity position of the company, thus substantially impacting its risk profile.
C.7. Any other information	Other risks and their relevance to the company are discussed (emerging, reputational and contagion risks).
D.1. Assets	The section provides an overall description of the SII valuation methods for Assets.
D.2. Technical provisions	Technical provisions are adequate and reliable and they have been calculated in accordance with Articles 75 to 86 of the Solvency II Directive. The technical provisions are determined using appropriate and proportionate method considering the nature, scale and complexity of the risks, which affect the amount, timing or value of the cash in-flows and cash out-flows required to settle the insurance and reinsurance obligations.
D.3. Other liabilities	In this section, an overall description of the SII valuation methods for Liabilities other than technical provision is given, complementary to the general Valuation for Solvency Purposes (paragraph D - introduction).
D.4. Alternative methods for valuation	Assets: In respect of the official SII data valuation, there are no significant changes to valuation models used and to model inputs. In general terms, it must be noticed that the vast majority of assets portfolio owned by GP Re is recognized at IFRS fair value. The determination of the fair value is mostly done by using the market quotes. The Company does not apply any kind of alternative methods of valuation on liabilities, different from the described in the relevant chapters earlier. Liabilities: The Company does not apply any kind of the alternative methods of valuation on liabilities, different from the described in the relevant chapters above.

E.1. Own Funds	The amount of eligible own funds at YE24 reached 1.62bn BGN (after 476m BGN of foreseeable dividend to be paid during this year from last year's profit). The same items previous year were 1.71bn BGN (after 402m BGN of foreseeable dividend). The solvency ratio falls down to **196%** (last year **210**%) as a result of planned target ratio decrease. All own funds items to cover SCR (and MCR) are classified as Tier 1.
E.2. Solvency Capital Requirement and Minimum Capital Requirement	The SCR calculated according to the solvency regulation is 824m BGN, more than a half of this amount coming from non-life underwriting risks (last year 817m BGN). The MCR calculated according to solvency regulation is about 269m BGN (last year 253m BGN).
E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement	The Company does not use duration-based equity risk sub-module in the calculation of the SCR
E.4. Differences between the standard formula and any internal model used	The company does not use internal model for the calculation of regulatory SCR.
E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement	The Company has a sound solvency position with solvency ratios exceeding significantly the statutory requirements.
E.6. Any other information	This section provides information on sensitivity testing analyses, The impact of simple changes in specific risk drivers (e.g. Interest Rates, equity shocks, credit spreads and Interest Rate volatility) on the variability of the Own Funds and Solvency Ratio.

A. Business and Performance

A.1. BUSINESS

Details GP Re

GP Reinsurance EAD (the Company or GP Re) is a sole joint-stock company registered in the Commercial Register with the Registry Agency on 24 July 2008 under No 200270243. The company's seat is in Sofia, the Republic of Bulgaria. Its registration address is Sofia 1504, Oborishte Region, 68, Kniaz Alexander Dondukov Blvd., and the correspondence address is Sofia 1504, Oborishte Region, 79-81, Kniaz Alexander Dondukov Blvd, 5th floor.

The sole owner of the capital as at 31.12.2024 is Generali CEE Holding B.V. with seat in the Kingdom of the Netherlands. The ultimate parent of the Company is Assicurazioni Generali S.p.A with seat in Trieste, Italy which owns 100 % of Generali CEE Holding B.V.

The scope of activity of the Company includes non-life and life reinsurance. It was licensed under № 626-O3 dated 18 June 2008 as a joint-stock company with main scope of business in non-life reinsurance. In 2017 with Resolution № 1385-O3 from 31st October 2017 of the FSC the company was licensed for reinsurance activities in life insurance.

Details Financial Supervision Commission (BG Regulator)

The contact details of Financial Supervision Commission in Bulgaria is the following:

1000 Sofia, 16 Budapeshta str.

Call center: +3592 94 04 999

Press center: +3592 94 04 582

Fax: +3592 829 43 24

E-mail: bg_fsc@fsc.bg

Details external auditors

In 2024 the external audit has been performed by 2 auditors jointly with the following contact details:

KPMG Audit

45/A, Bulgaria Bld., 1404 Sofia Bulgaria

Tel: +359 2 9697 300

Website: https://www.kpmg.com.bg/

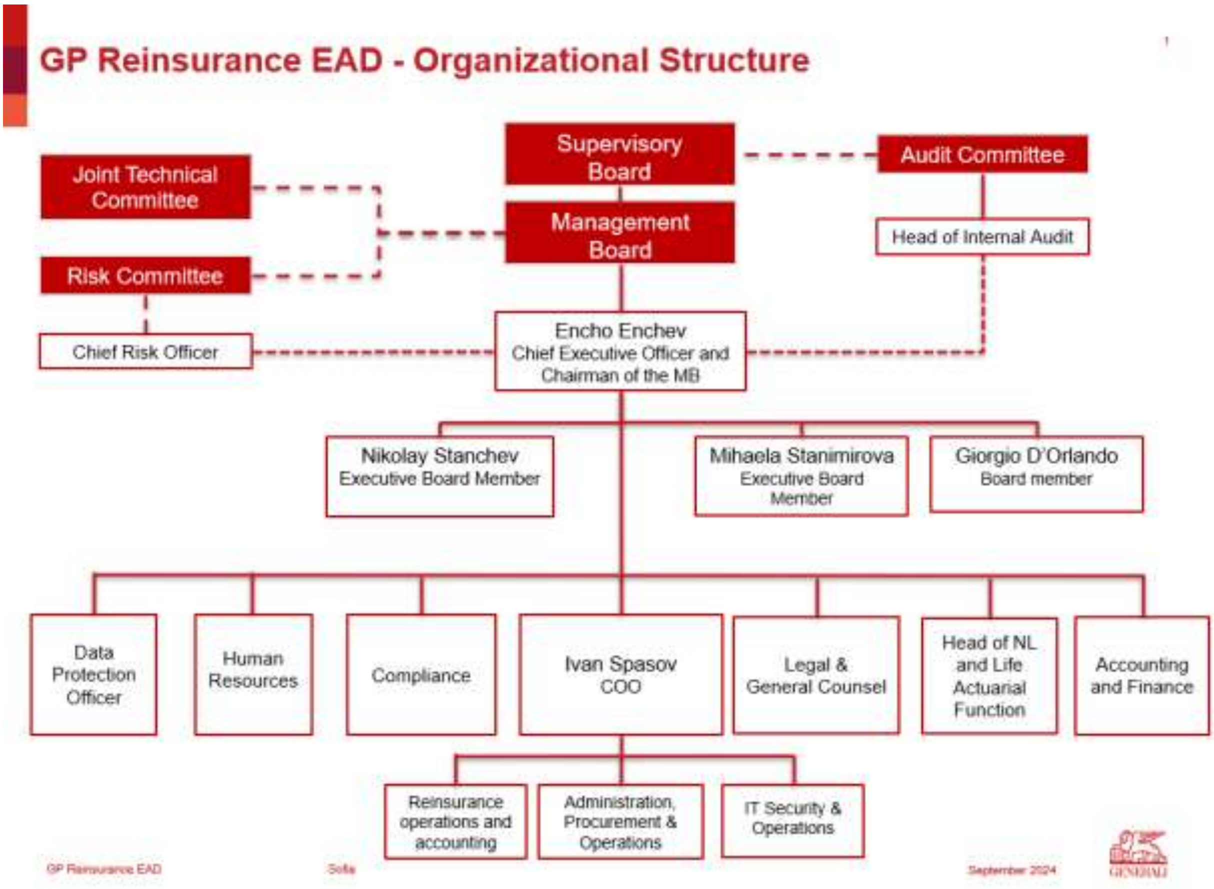
BDO AFA OOD

38, Oborishte Str., 1504 Sofia, Bulgaria

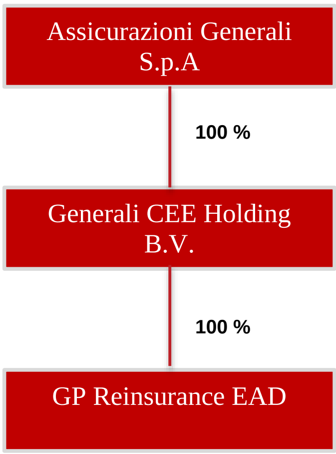
Tel: +359 2 943 37 00

Website: http://www.bdoafa.bg

Organizational structure of GP Re as at 31 December 2024



Position in the legal structure of Generali Group as at 31 December 2024



Lines of business, geographical areas and performance

The Company provides reinsurance services mainly to insurance companies from Generali CEE Holding B.V. group, covering the portfolio of companies on the territory of Bulgaria, Serbia, Montenegro, Romania, Czech Republic, Hungary, Slovakia, Croatia, Slovenia, Poland. In the last quarter of 2019, the Company concluded a reinsurance contract, accepting mainly life business from Bosna Reinsurance Company Ltd. The latter is not part of Generali Group.

GP Reinsurance EAD provides proportional coverage for the following lines of business: Property, General Third Party Liability, Professional Indemnity, Motor Third Party Liability, Motor Casco, Personal Accident, Travel Insurance, Health Insurance, Marine and Cargo, Agriculture (Crops and Livestock), Directors and Officers (D&O) Liability, Bonds and CPI.

GP Reinsurance EAD provides non-proportional coverage for several different lines of business. Those are Property, Motor Third Party Liability, General Third-Party Liability, Marine and Cargo, Travel Insurance, Personal Accident, Agriculture (Crops and Livestock), Catastrophic Events (Property and Casco), Health insurance, Bonds. The programs can be either defined as Excess of Loss (XL) or Stop Loss (SL).

The Company maintains ceded reinsurance for the purposes of reinsurance risk management. The Company reinsures part of the risk in order to decrease its exposure to losses and to preserve its capital resources. The Company enters into a combination of proportional and non-proportional reinsurance contracts in order to decrease the net exposure to risk.

Starting from 2014 the Company places almost 100% of its retroceded business to Assicurazioni Generali following the centralization reinsurance strategy of the Group.

The ceded reinsurance proportional programs are Bonds QS and Cyber QS. GP Reinsurance has ceded reinsurance non-proportional treaties for the following lines of business: Agriculture, Property, Engineering, General Third-Party Liability and Professional Indemnity, Directors and Officers Liability, Motor Third Party Liability, Marine (including Cargo) and Catastrophic Events. The main change in the external reinsurance program for 2023 is the increased capacity of the external CAT treaty from EUR 800 m in 2023 to EUR 840 m in 2024.

Life accepted portfolio is still small and any change to the volume or claim experience has no material impact on the overall result. In addition, the company has not been notified about any dramatic change of business by our cedents.

GP Reinsurance EAD profit after tax in 2024 is BGN 345 m which is a 12% decrease in comparison to 2023 (BGN 393 m). The profit of the Company was generated mainly from its reinsurance business.

A.2. UNDERWRITING PERFORMANCE

GP Reinsurance is the captive reinsurer of Generali in CEE region. Due to the Group´s diversity across the Central and Eastern Europe region, the Company is able to mitigate local specifics and risks for lower cost of capital than each insurance company on its own.

The company’s underwriting performance is ultimately reflecting the business performance of the primary insurers (cedants). In 2024 the reinsurance portfolio followed a stable course of development. The key underwriting indicators are summarized in the table below:

Key indicators (Figures in BGN/mln)	YE24	YE23	Change (%)
Gross Written Premium	2.536	2.213	15%
Ceded Reinsurance Premium	153	127	(20)%
Gross Combined Ratio	93%	81%	12bp
Net Combined Ratio	87%	83%	4bp
Gross Technical Result	181	419	(-57)%
Net Technical Result	319	363	(-12)%

The company portfolio includes all major lines of business, with the following distribution based on gross written premium:

(Figures in BGN/mln)	YE24	% of Total	YE23	% of Total
AHD	143	6%	142	6%
Casco	461	18%	438	20%
Credit and suretyship	19	1%	19	1%
Fire and Property Damage	949	37%	756	34%
MAT	57	2%	59	3%
Misc financial losses	8	-	9	-
MTPL	524	21%	467	21%
TPL	271	11%	254	11%
Assistance	10	-	8	-
Life	93	4%	62	3%
TOTAL	2.536	100%	2.213	100%

Life accepted portfolio is still small and any change to the volume or claim experience has no material impact to overall result. However, it is developed compared to 2023 (+33%) due to new Life treaty of the Polish entity in force from 2024. In addition, the company has not been notified about any dramatic change of business by our cedents.

A.3. INVESTMENT PERFORMANCE

In 2024, GP Re's portfolios continued to show profitability. Equity markets performed exceptionally well, while within the credit sector, high-yield investments outperformed those rated as investment grade. Government bonds faced challenging conditions, and fixed income markets experienced significant price volatility. In the end government bonds delivered positive returns but mostly below income from money market instruments.

All five reserve portfolios of GP Re demonstrated positive performance in 2024, though this represented a decline compared to the previous year. Risky assets showed positive returns, but the income from government bonds was comparable to that of term deposits in the same currency. The capital portfolio was the sole exception, experiencing negative performance primarily due to the weakening of the CZK. Four of the portfolios exceeded their benchmark performances, one achieved the same return. The most important internal factors influencing portfolio result were several adjustments of size of EUR, HUF and PLN portfolio, regular dividend payments and payments connected with BORIS storm.

Current income benefitted from relatively high interest rates and bond yields, along with an increased allocation to corporate bonds. However, unexpected cash withdrawals linked to BORIS reduced income. Conversely, the strong performance of equity markets boosted dividend income. ECL & impairments were influenced by the revaluation of Russian bonds, resulting in an impact that was notably less severe than in the previous year.

MARKET ENVIRONMENT

2024 proved to be another remarkable year for risky assets. Central banks in developed markets began normalizing their policies in 2024, but robust economic growth and persistent inflation led markets to revise their expectations regarding the pace of rate cuts, especially in the US. The combination of a strengthening dollar and rising yields resulted in negative returns for global investment-grade bonds throughout the year.

The strong performance of risky assets extended to fixed income markets. High-yield bonds emerged as the top-performing sector, driven by a combination of high overall yields and narrowing spreads, which boosted returns. Longer duration investment-grade credit underperformed amid rising government bond yields. European government bonds outperformed US Treasuries, as the weaker economic outlook bolstered confidence in downward interest rate movements. The first half of 2024 saw widespread disinflation, and during the summer, central banks began normalizing their policies.

Central and Eastern European (CEE) risky assets benefited from a favorable global environment and delivered positive returns. Local fixed income markets were influenced by the volatility of global bond markets and additionally reflected currency developments, political changes, and the stances of individual central banks. All CEE government bond markets performed positively, although the average return remained below that of money market instruments.

GOVERNMENT BONDS

In 2024, the global government bond markets experienced notable shifts driven by changing economic conditions and monetary policies. These changes led to a steepening of yield curves in several regions, indicating investor expectations of higher future interest rates. Central European markets did not differ too much from the rest of the world. Shorter maturities were supported by rate cuts but longer tenors followed developed peers upwards. Romanian bods suffered biggest losses due to local factors: political instability, high government budget and current account deficit.

Our investment strategy was significantly influenced several big cash outflows, both expected (related to dividend payments and quarterly rebalancing of portfolio sizes to match liabilities in each currency) and unexpected (cash calls connected with BORIS storm). Each portfolio has its specifics and maturity structure, and we again preferred natural cash flows for each cash operation. Sales of bonds we realized when the costs of such step were small enough and impact on gains and losses were in accordance with the plan.

CEE govies will follow trends from developed markets, especially longer tenors. Short end should benefit from rate cuts that we expect in all CEE countries. Any tariffs imposed by the new US administration can lead to weakening of CEE currencies and pressure on local yields. Political risks are at most present in Hungary and Romania.

FX REPOS/SWAPS

In 2024, CEE FX market experienced notable fluctuations driven by several key factors. The region faced external headwinds, including a strong US dollar and rising USD yields, which put pressure on CEE currencies and increased funding costs. Despite these challenges, domestic demand remained resilient, supporting economic growth.

Inflation rates in the CEE region showed a significant decline, dropping from an estimated 11.2% in 2023 to around 4.6% in 2024. This reduction in inflation, coupled with real growth, helped boost private consumption. However, fiscal risks, particularly in Hungary and Poland, weighed on their respective currencies. Overall, the CEE FX market in 2024 was characterized by a balancing act between external pressures and strong domestic demand, with varying impacts across different countries in the region.

OTHER DEBT INSTRUMENTS

In 2024, the global corporate bond market experienced a mixed performance, influenced by various economic factors. Higher-yielding assets, such as high-yield cash bonds, leveraged loans, and hard currency emerging market bonds, outperformed investment-grade assets for the fourth consecutive year. This trend was driven by investors seeking higher returns in a low-interest-rate environment.

Short-duration bonds outperformed long-duration bonds as global interest rates rose in most major markets. In the US, corporate floating rate notes and Treasury bills showed significant gains, while long-term Treasuries and corporates underperformed. The yield curve steepened, with intermediate and long-term yields rising, reflecting market expectations of future economic growth and inflation. Corporate bond spreads narrowed to historic lows, indicating strong investor demand and confidence in corporate credit quality. Despite this, the overall performance of investment-grade bonds was muted compared to higher-yielding assets. Overall, 2024 was a year of contrasts in the corporate bond market, with higher-yielding assets outperforming amid rising interest rates and a steepening yield curve. Our investment activity in credit area was higher measured by amount of investments than in previous year.

RUSSIAN BONDS

There was no active deal with assets related to Russia in 2024. Most of bonds remained priced at distressed levels with no improvement of their legally difficult situation of technical default. The positive move witnessed bonds of telecom operator Veon. This company effectively cut off its business in Russia and has become a non-Russian credit. Also Black Sea Trade & Development Bank remains able to meet its liabilities despite deteriorating asset quality and limited access to market.

Our primary goal in 2

25 is similar to the year 2024: by all available legal steps increase chance of receiving money from formally matured or defaulted bonds and if possible to further reduce remaining bond investments.

EQUITIES

In 2024, global equity markets experienced substantial growth, propelled by several key factors. Robust economic growth and declining inflation rates created a favorable environment for equities. Interest-rate cuts by the Federal Reserve further bolstered market optimism. The ongoing artificial intelligence boom continued to fuel significant gains in technology stocks. The communication services and technology sectors stood out as top performers, benefiting from increased demand for digital services and advertising. Growth stocks outpaced value stocks, and large-cap stocks outperformed small-cap stocks. Investor confidence was high, driven by expectations of sustained economic recovery and technological advancements. This positive sentiment was evident in the strong market performance throughout the year. The expansion of global markets was underpinned by increased outstanding notional in interest rate derivatives and appreciation in cash equities. Despite the positive trends, challenges such as regulatory changes and shorter settlement cycles persisted. Nevertheless, emerging markets benefited from the quest for liquidity, and technology and partnerships played a crucial role in navigating these changes.

Overall, 2024 was a landmark year for global equity markets, characterized by robust growth, technological progress, and strong investor confidence. The 2024 Strategic Asset Allocation (SAA) significantly increased the allocation to equities and set specific targets and boundaries for individual regions. The primary tool for managing this asset class was through ICAV funds. The new SAA for 2025, however, significantly reduces the allocation to equities in favor of credit risк.

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MONEY MARKET

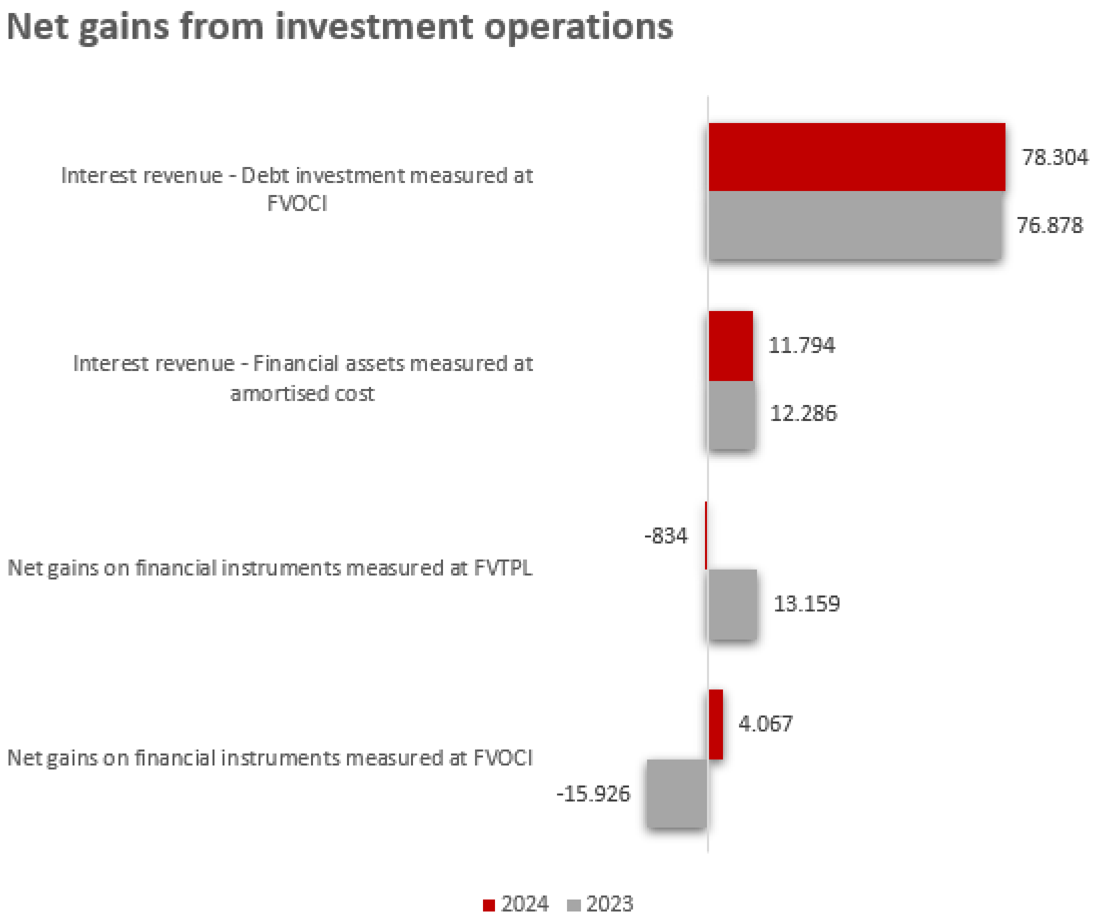
In 2024, major central banks undertook significant measures to address economic challenges. The Federal Reserve implemented a 100 basis point interest rate cut in response to cooling inflation and slowing economic growth. Similarly, the European Central Bank reduced rates by 100 basis points starting in June to counter disinflationary pressures. Central banks in Central and Eastern Europe (CEE) followed this trend. The Czech National Bank lowered rates to 4%, the National Bank of Hungary made a substantial reduction to 6.5%, and the National Bank of Romania cut its monetary policy rate to 6.5%. Due to rising inflation, the latter paused further rate cuts. These actions were intended to bolster economic growth amidst regional inflationary and fiscal challenges. Notably, the Polish central bank held its base rate steady at 5.75%.

These realized rate changes immediately impacted profits from term deposits and reverse repos. The allocation to money market instruments decreased compared to the previous year, as t

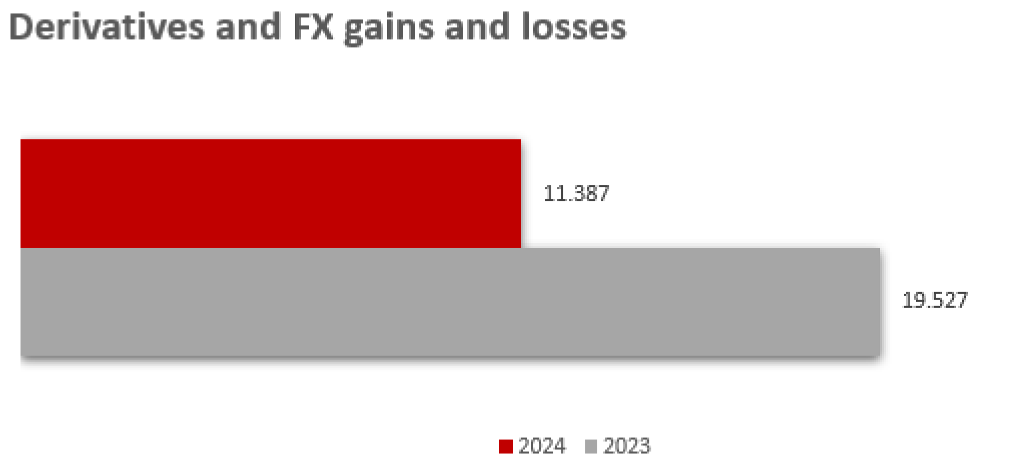
ere were no anticipated immediate cash outflows.

Looking ahead to 2025, we expect all relevant European central banks to implement additional rate cuts, which will likely lead to further reductions in income from reverse repos and term deposits.

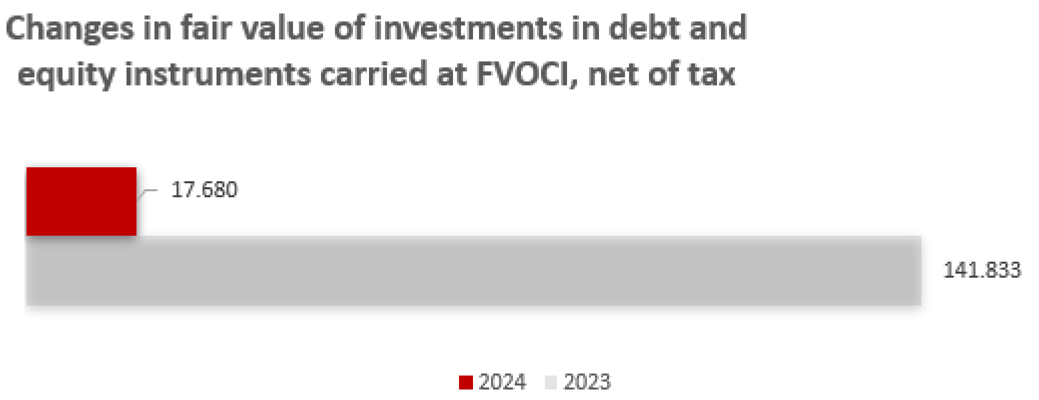
The total financial performance in accounting terms shows that the net gains from investment operations in 2024 is BGN 93 m (BGN 86 m in 2023). The overall increase of BGN 7 m is due to BGN1 increase in interest revenue, BGN 14m lower result from financial instruments measured at FVTPL , compensated by BGN 20 m higher result from financial instruments measured at FVOCI.



Other operating investment result relates to derivatives and foreign currency gains and losses, in 2024 the result is positive BGN 11,4 m vs BGN 19,5 m in 2023.



Changes in the fair value of investments in debt and equity instruments carried at fair value through other comprehensive income, net of tax, resulted in 17.680 unrealized gains compared to 141.833 unrealized gains in 2024, and compared to the market results of BGN 141.833 million of unrealized gains in 2023.



A.4. PERFORMANCE OF OTHER ACTIVITIES

The Company doesn't have leasing arrangements which can be considered material.

A.5. ANY OTHER INFORMATION

A.5.1. INTRAGROUP TRANSACTIONS

Related party transactions

The sole owner of the Company is Generali CEE Holding B.V. Netherlands which holds 100% of the Company's shares. 100% of the capital of Generali CEE Holding B.V. Netherlands are owned by Assicurazioni Generali S.P.A (registered in Italy) which is the ultimate parent.

According to the group reporting policy the related parties for GP Reinsurance EAD are the following:

- Assicurazioni Generali S.P.A.
- All ceding companies
- Generali Investment CEE

- Generali Development
- Generali Insurance EAD
- Generali Zakrila MDC EOOD
- Generali FT2 ;
- Generali Ceska Pojistovna A.S.
- Generali Versicherung A.G.
- Generali real estate investment fund a.s.
- Generali Osiguranje, Republic of Serbia
- Generali Reosiguranje, Republic of Serbia
- Lion River Investment fund
- Generali Europe Income Holding S.A.
- Generali fund Emer. Europe Bond y EUR S.A.
- Generali fund Emerging Europe y EUR DIV S.A.
- Generali Fond ropy a energetiky
- GMPSS EM CRNCY SUPERN-3Y EUR
- GENERALI NEW ECONOMIES A EUR (previous: “New Economies Fund, Generali Invest CEE plc.”;
- GENERALI FUND SFIO-GEN PROFIT PL;
- GENERALI CORPORATE BONDS B EUR;
- Generali Fond nemovitostních akcií;
- APERTURE-SHRT DUR H/Y-AY EUR.
- FASANARA INVESTMENT SA, SICAV-RAIF
- Generali Zavarovalnitsa d.d.
- Generali US Fund Class A CZK“
- Generali EM Fund Class A CZK
- Generali CEE Fund Class A CZK
- Generali WE Fund Class A CZK

The related party transactions of the Company for 2024 are presented below as follows:

- All transactions related to accepted reinsurance are with intra-group companies

- Services agreement between the Company and Generali FT2
- Services agreement between the Company and Generali CEE Holding B.V
- Services agreement between the Company and Generali Development
- Part of the accepted business has been ceded to Assicurazioni Generali S.P.A
- Transactions related with Generali Investment CEE– there is a contract between the Company and Generali Investment CEE for management of the investments
- Services agreement between the Company and Generali Versicherung A.G.
- Services agreement between the Company and Generali Insurance EAD
- Services agreement between the Company and Generali Zakrila MDC EOOD
- Services agreement between the Company and GENERALI FT2 SHARED SERVICES S.R.L
- Transaction related with purchased equity shares from Generali Real Estate Fund a.s.;
- Transactions related with a loan granted to Generali Real Estate Fund a.s.;
- Transactions related with purchased shares of Generali Osiguranje, Republic of Serbia
- Transactions related with purchased shares of Generali Reosiguranje, Republic of Serbia
- Transactions related with purchased shares of Lion River Investment fund
- Transactions related with purchased shares of Generali Europe Income Holding S.A.
- Transactions related with provided loan to Generali Europe Income Holding S.A.
- Transactions related with purchased shares of Generali fund Emer. Europe Bond y EUR S.A.
- Transactions related with purchased shares of Generali fund Emerging Europe y EUR DIV S.A.

- Transactions related with purchased shares of Generali Fond ropy a energetiky
- Transactions related with purchased shares of GMPSS EM CRNCY SUPERN-3Y EUR
- Transactions related with purchased shares of „GENERALI NEW ECONOMIES A EUR; (ex. „New Economies Fund, Generali Invest CEE plc);
- Transactions related with purchased shares of „GENERALI FUND SFIO-GEN PROFIT PL;
- Transactions related with purchased shares of „GENERALI CORPORATE BONDS B EUR;
- Transactions related with purchased shares of „Generali Fond nemovitostních akcií“;
- Transactions related with purchased shares of „APERTURE-SHRT DUR H/Y-AY EUR
- Transactions related with provided loan to Generali Zavarovalnitsa d.d.
- Transactions related with purchase shares of Fasanara Investments SA, SICAV-RAIF
- Transactions related with purchased shares of Generali US Fund Class A CZK
- Transactions related with purchased shares of Generali EM Fund Class A CZK
- Transactions related with purchased shares of Generali CEE Fund Class A CZK
- Transactions related with purchased shares of Generali WE Fund Class A CZK

1. Income / (expenses) from related parties (BGN thousand)

Mother company:	**2024**	**2023**
Generali CEE Holding B.V. - service agreement	(681)	(697)
Other related parties:	**2024**	**2023**
ASSICURAZIONI GENERALI S.P.A – premium ceded	153.297	127.055
ASSICURAZIONI GENERALI S.P.A – claims paid ceded	(178.949)	(67.227)
ASSICURAZIONI GENERALI S.P.A – changes in AIC	(104.994)	15.385
ASSICURAZIONI GENERALI S.P.A – commissions ceded	(6.622)	(6.642)
ASSICURAZIONI GENERALI S.P.A – changes in ARS	1.409	13.111
Legal entities which are controlled by the mother company – Net written premium	(2.526.587)	(2.207.301)
Legal entities which are controlled by the mother company – Claims	1.496.446	1.021.294
Legal entities which are controlled by the mother company – Acquisition commissions	735.552	648.969
Legal entities which are controlled by the mother company changes in LIC	95.690	97.316
Legal entities which are controlled by the mother company – LRC	(30.359)	(28.604)
Generali Investment CEE – management commission	(2.503)	(2.737)
Generali Versicherung A.G. – service agreement	(92)	(102)
Generali Insurance – Bulgaria – service agreement	(24)	(22)
Generali Zakrila MDC OOD - service agreement	(43)	(34)
Generali FT2 Shared Service s.r.l – service agreement	(224)	-
Generali Česká pojištovna a.s. – service agreement	(187)	(188)
GENERALI EMERGING EUROPE Y EUR DIV - dividend	3,445	-
Generali Real Estate Fund – dividend income	-	-
Generali Real Estate Fund – interest income	4.355	5.504
Generali Direct Private Debt Fund - European Direct Private Debt Fund 1	49	-
Generali Europe Income Holding S.A. – interest income	1.559	1.174
Generali Europe Income Holding S.A. – dividend income	-	1.316
Lion River Investment fund - dividend income	2.444	2.441

Generali fund GMPS SICAV EM Currencies Supranat Fd 3YH EUR- dividend income	185	161
Generali Fund “APERTURE-SHRT DUR H/Y-AY EUR” – dividend income	-	421
Generali Fund “Fasanara Investments SA, SICAV-RAIF” – dividend income	792	564
Generali Zavarovalnitsa d.d. – interest income	3.939	3.198
Generali Osiguranje Srbija	29	-

2. Payables/Receivables with related parties (BGN thousand)

Mother company:	31.12.2024	31.12.2023
Generali – CEE Holding B.V. - service agreement	339	340
Other related parties:	**31.12.2024**	**31.12.2023**
ASSICURAZIONI GENERALI S.P.A – premium ceded, reinsurance payables	(19,417)	(17,338)
ASSICURAZIONI GENERALI S.P.A – claims paid, ceded reinsurance receivables	38.354	28.742
ASSICURAZIONI GENERALI S.P.A – other receivables	1.586	1.704
ASSICURAZIONI GENERALI S.P.A – AIC	255.909	169.675
ASSICURAZIONI GENERALI S.P.A” - ”– ARC	44.723	64.361
Legal entities which are controlled by the mother company – reinsurance receivables	603.971	477.157
Legal entities which are controlled by the mother company – reinsurance payables	(475.332)	(489.635)
Legal entities which are controlled by the mother company – LIC	(1.450.999)	(1.110.004)
Legal entities which are controlled by the mother company – LRC	(39.540)	(104.885)
Payable to Generali Investment CEE	199	248
Payable to Generali Versicherung AG	9	-
Payable to Generali Zakrila MDC	19	-
Generali Real Estate Investment Fund a.s.-associate company	188.005	204.290
Generali real estate investment fund a.s. – loan	61.755	67.868
Generali Osiguranje, Republic of Serbia -	199	196
Generali Reosiguranje, Republic of Serbia - equities	1	1
Generali Europe Income Holding S.A. – unquoted equities	42.365	48.550
Generali Europe Income Holding S.A. – loan	46.399	44.535
Lion River Investment fund – equities portfolio	63.785	55.144
Generali fund „EMERGING EUROPE BOND Y EUR“;- equities	12.509	12.266
Generali fund „EMERGING EUROPE Y EUR“ – equities	12.085	11.466
Generali fund „GMPS SICAV EM Currencies Supranat Fd 3YH EUR“ – equities	3.274	3.356
Generali fund „GENERALI FUND SFIO-GEN PROFIT PL“ - equities	-	23.177
Generali fund „Fundusze SFIO - Generali Aktywny Dochodowy“	25,284	-
Generali fund „GENERALI CORPORATE BONDS B EUR“ - equities	5.611	5.378
Generali fund „Societa Di Gestione Del Risparmio“	234	-
Generali fund „Infranity SAS“	293	-
Generali fund „APERTURE-SHRT DUR H/Y-AY EUR“ - equities	-	7.461
Generali fund “Fasanara Investments SA, SICAV-RAIF” – equities	13.878	14.308
Generali Zavarovalnitsa d.d. - loan	61.614	61.052
Generali US Fund Class A CZK“	63.368	48.598

Generali EM Fund Class A CZK	24.946	16.955
Generali CEE Fund Class A CZK	25.820	26.337
Generali WE Fund Class A CZK	38.370	31.807
Generali Direct Private Debt Fund European Direct Private Debt Fund	992	459
Generali „Fondul Proprietatea SA/Fund Family“	2	-

3. Ceded reinsurance receivables and payables

As at 31 December 2024 the Company has receivables on ceded reinsurance from Assicurazioni Generali S.P.A in the amount of BGN 38.354 thousand (2023: BGN 28.742 thousand). As at 31 December 2024 the Company has payables on ceded reinsurance to Assicurazioni Generali S.P.A in the amount of BGN 19.417 thousand (2023: BGN 17.338 thousand).

In 2024 the Company has analytical accounting data on reinsurance receivables and payables split on individual contracts level and item level: premiums, losses and commissions, etc. Presented in this way, the receivables on ceded reinsurance from Assicurazioni Generali S.P.A are BGN 38.354 thousand, and the payables BGN 19.417 thousand.

4. Dividends paid

Based on a decision made at the Management Board meeting on 7 April 2024 and on the decision of the sole owner Generali CEE Holding B.V, the Company has paid dividends to the parent company for year 2023 in the amount of BGN 396.507 thousand (2023: in the amount of BGN 293.890 thousand.)

5. Management remunerations

As of 31 December 2024 the short-term management remunerations amounted to BGN 364 thousand (2023: BGN 556 thousand).

6. Collaterals and commitments

As at 31 December 2024 the Company has commitments to invest in Generali Europe Income Holding S.A. the amount of BGN 6 thousand (2023: BGN 6 thousand) and in Lion River Investment fund the amount of BGN 63.841 thousand (2023: BGN 583 thousand).

The table below presents the value of collateral liabilities held:

(BGN thousands)	**31.12.2024**	**31.12.2023**
Collateral held for derivatives	2,537	4.266
Total	**2,537**	**4.266**

A.5.2. INFORMATION ABOUT CONFLICT IN UKRAINE

Since the start of the war in Ukraine, Generali has been closely monitoring the situation and implications for operations and financial markets. As a result, it confirmed it will close its Moscow representative office; it has decided to resign from positions held on the Board of the Russian insurer Ingosstrakh, in which it holds a minority investment stake of 38.5% and on whose operations it therefore has no influence; Europ Assistance, which operates in the country, will wind down its business. Generali's minor exposure to the Russian market in terms of investments and insurance business is also under constant evaluation and fully compliant with all applicable sanctions. The Group also decided to donate € 3 million to support refugee programmes, including a donation to UNHCR, which is currently at the forefront of the humanitarian response in Ukraine. An employee donation campaign is also underway, with donations matched 1:1 by Generali, which will be given to UNICEF in support of the work that it will carry out to help impacted families.

This conflict has led to a contest of greater uncertainty and volatility and downside risk for growth forecasts. To date, the development of the conflict is unpredictable and consequently, it is not possible to estimate the effect of the crisis on the markets and on the insurance business.

Annex

Premiums, claims and expenses by line of business (1/3)

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
Premiums written									
Gross - Direct Business	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	1.791	136.496	-	524.045	461.097	54.441	703.716	237.624	19.448
Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-	-
Reinsurers' share	-	106	-	(2)	-	-	50	1.714	18.728
Net	**1.791**	**136.390**	**-**	**524.046**	**461.097**	**54.441**	**703.666**	**235.909**	**719**
Premiums earned									
Gross - Direct Business	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	1.791	136.496	-	524.045	461.097	54.441	703.689	237.278	14.094
Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-	-
Reinsurers' share	-	106	-	(2)	-	-	35	1.402	13.505
Net	**1.791**	**136.390**	**-**	**524.046**	**461.097**	**54.441**	**703.653**	**235.876**	**589**
Claims incurred									
Gross - Direct Business	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	470	46.117	-	301.146	263.091	22.411	554.897	61.409	2.530
Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-	-
Reinsurers' share	-	-	-	134	-	-	216	(4.200)	2.764
Net	**470**	**46.117**	**-**	**301.012**	**263.091**	**22.411**	**554.681**	**65.609**	**(234)**
Expenses incurred									
Administrative expenses	-	-	-	-	-	-	-	-	-
Gross - Direct Business	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	3	257	-	988	988	103	1.327	445	1
Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-	-
Reinsurers' share	-	-	-	-	-	-	-	-	-
Net	**3**	**257**	**-**	**988**	**869**	**103**	**1.327**	**445**	**1**

Investment management expenses									
Gross - Direct Business	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	2	187	-	720	634	75	967	324	1
Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-	-
Reinsurers' share	-	-	-	-	-	-	-	-	-
Net	**2**	**187**	**-**	**720**	**634**	**75**	**967**	**324**	**1**
Acquisition expenses	-	-	-	-	-	-	-	-	-
Gross - Direct Business	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	894	45.146	-	161.688	154.032	18.022	223.705	81.131	4.594
Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-	-
Reinsurers' share	**-**	**9**	**-**	**(7)**	**-**	**-**	**17**	**427**	**4.423**
Net	**894**	**45.136**	**-**	**161.695**	**154.032**	**18.022**	**223.687**	**80.704**	**171**
Balance - other technical expenses/income	-	-	-	-	-	-	-	-	-
Total technical expenses	-	-	-	-	-	-	-	-	-

Premiums, claims and expenses by line of business (2/3)

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)							Total
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
Premiums written								
Gross - Direct Business	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	9.871	8.489	-	-	-	-	2.157.016
Gross - Non-proportional reinsurance accepted	-	-	-	4.504	33.732	2.715	245.643	286.593
Reinsurers' share	-	-	9	-	8.319	2.272	122.100	153.297
Net	**-**	**9.871**	**8.480**	**4.504**	**25.413**	**443**	**123.542**	**2.290.312**
Premiums earned								
Gross - Direct Business	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	9.871	8.488	-	-	-	-	2.151.289
Gross - Non-proportional reinsurance accepted	-	-	-	4.504	33.732	2.715	245.643	286.593
Reinsurers' share	-	-	9	-	8.304	2.199	122.428	147.988
Net	-	**9.871**	**8.478**	**4.504**	**25.428**	**515**	**123.215**	**2.289.894**

Claims incurred	-							
Gross - Direct Business	-	-	-	-	-	-	-	0
Gross - Proportional reinsurance accepted	-	6.038	793	-	-	-	-	1.258.902
Gross - Non-proportional reinsurance accepted	-	-	-	276	2.911	1.564	308.973	313.724
Reinsurers' share	-	-	-	-	3.255	107	279.444	281.720
Net	-	**6.038**	**793**	**276**	**(344)**	**1.456**	**29.529**	**1.290.906**
Expenses incurred	-							
Administrative expenses	-	-	-	-	-	-	-	-
Gross - Direct Business	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	19	16	-	-	-	-	4.027
Gross - Non-proportional reinsurance accepted	-	-	-	8	48	1	232	290
Reinsurers' share	-	-	-	-	-	-	-	-
Net	-	**19**	**16**	**8**	**48**	**1**	**232**	**4.317**
Investment management expenses	-							
Gross - Direct Business	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	-	14	12	-	-	-	-	2.935
Reinsurers' share	-	-	-	6	35	1	169	211
Net	-	-	-	-	-	-	-	-
Acquisition expenses	-	14	12	6	35	1	169	3.146
Gross - Direct Business	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	-	2.963	2.963	-	-	-	-	695.136
Reinsurers' share	-	**-**	**-**	**4**	**10**	**-**	**75**	**89**
Net	-	**-**	**3**	**-**	**-**	**-**	**-**	**4.873**
Balance - other technical expenses/income	-	2.963	2.960	4	10	-	75	690.352
Total technical expenses	-	-	-	-	-	-	-	304

Premiums, claims and expenses by line of business (3/3)

	Line of Business for: life insurance obligations								
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
Premiums written									
Gross	-	-	-	-	-	-	-	92.790	92.790
Reinsurers' share	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	92.790	92.790
Premiums earned	-	-	-	-	-	-	-	-	-
Gross	-	-	-	-	-	-	-	92.790	92.790
Reinsurers' share	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	92.790	92.790
Claims incurred	-	-	-	-	-	-	-	-	-
Gross	-	-	-	-	-	-	-	29.727	29.727
Reinsurers' share	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	29.727	29.727
Expenses incurred	-	-	-	-	-	-	-	44.562	44.562
Administrative expenses	-	-	-	-	-	-	-	-	-
Gross	-	-	-	-	-	-	-	145	145
Reinsurers' share	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	145	145
Investment management expenses	-	-	-	-	-	-	-	-	-
Gross	-	-	-	-	-	-	-	105	105
Reinsurers' share	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	**105**	**105**
Claims management expenses	-	-	-	-	-	-	-	-	-
Gross	-	-	-	-	-	-	-	-	-

Reinsurers' share	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-
Acquisition expenses	-	-	-	-	-	-	-	-	-
Gross	-	-	-	-	-	-	-	44.312	44.312
Reinsurers' share	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	**44.312**	**44.312**
Total technical expenses	-	-	-	-	-	-	-	-	44.562
Total amount of surrenders	-	-	-	-	-	-	-	-	-

Premiums, claims and expenses by country (1/1)

(Thousand BGN)	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	Bulgaria (BG)	Czech Republic (CZ)	Hungary (HU)	Poland (PL)	Romania (RO)	Slovenia (SI)	
Premiums written							
Gross - Direct Business	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	1.245.293	292.053	419.380	123.660	33.929	2.114
Gross - Non-proportional reinsurance accepted	-	132.545	49.612	31.187	27.946	30.334	272
Reinsurers' share	-	-	-	-	-	-	-
Net	-	**1.378**	**342**	**451**	**152**	**64**	**2.386**
Premiums earned	-						
Gross - Direct Business	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	1.244.761	291.971	414.462	123.675	33.751	2.109
Gross - Non-proportional reinsurance accepted	-	132.545	49.612	31.187	27.946	30.334	272
Reinsurers' share	-	-	-	-	-	-	-
Net	-	**1.377.306**	**341.583**	**445.649**	**151.621**	**64.085**	**2.380**
Caims incurred	-						
Gross - Direct Business	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	688.753	123.274	273.277	99.550	16.208	1.201
Gross - Non-proportional reinsurance accepted	-	236.843	116	14.469	2.292	34.548	288
Reinsurers' share	-	-	-	-	-	-	-
Net	-	**925.596**	**123.390**	**287.746**	**101.842**	**50.756**	**1.489**
Changes in other technical provisions	-						
Gross - Direct Business	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-
Reinsurers' share	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-
Expenses incurred	-	**413.208**	**102.621**	**132.730**	**29.309**	**10.904**	**688.772**

Premiums, claims and expenses by country (1/2)

(Thousand BGN)	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	Bulgaria (BG)	Romania (RO)	Croatia (HR)	Czech Republic (CZ)	Bosnia and Herzegovina (BA)	Poland (PL)	
Premiums written							
Gross	-	26.011	21.341	12.488	8.544	16.132	84.516
Reinsurers' share	-	-	-	-	-	-	-
Net	-	**26.011**	**21.341**	**12.488**	**8.544**	**16.132**	**84.516**
Premiums earned	-						
Gross	-	26.011	21.341	12.488	8.544	16.132	84.516
Reinsurers' share	-	-	-	-	-	-	-
Net	-	**26.011**	**21.341**	**12.488**	**8.544**	**16.132**	**84.516**
Caims incurred	-						
Gross	-	8.026	5.172	4.199	3.415	5.673	26.486
Reinsurers' share	-	-	-	-	-	-	-
Net	-	**8.026**	**5.172**	**4.199**	**3.415**	**5.673**	**26.486**
Changes in other technical provisions	-	-	-	-	-	-	-
Gross	-	-	-	-	-	-	-
Reinsurers' share	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-
Expenses incurred	-	12.730	13.178	4.789	5.670	5.444	41.811
Other expenses	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	**41.811**

B. System of Governance

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

B.1.1. INFORMATION ON GENERAL GOVERNANCE: STRUCTURE OF ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODIES, DESCRIPTION OF ROLES AND RESPONSIBILITIES, DETAILS ON THE SEGREGATION OF RESPONSIBILITIES

The Company had as of 31 December 2024 a two-tier management system according to the adopted Articles of Association with Management Board and Supervisory Board. The organizational structure was approved by the Management Board and if necessary, it can be amended or supplemented.

The bodies of the Company are as follows:

1) The Sole Owner of the capital
2) The Supervisory Board
3) The Management Board.

Their powers are explicitly specified in the Articles of Association.

The Supervisory Board as at 31.12.2024 consists of the following members:

- Mr. Carlo Schiavetto – Chairman and member;
- Mrs. Beata Petrusova – member;
- Mr. Werner Moertel – independent member;
- Mrs. Anna Hegedus - independent member;
- Mrs. Zhaneta Dzhambazka – independent member.

The Management Board as at 31.12.2024 consists of the following members:

- Mr. Encho Enchev – Chairman and Chief Executive Officer;
- Mr. Nikolay Stanchev – member and Executive Officer;
- Mrs. Mihaela Stanimirova – member and Executive Officer;
- Mr. Giorgio d'Orlando – member.

All important decisions related to the Company's business are made by the Management Board, and some of them are approved by the Sole Owner of the capital and by the Supervisory Board. All resolutions are recorded and signed by the members who attended the relevant meetings. Resolutions can be passed also in absentia.

The Executive Directors are elected by the Supervisory Board according to legal procedure. Every change in the senior management is agreed with the Sole Owner of the capital. The Executive Directors are appointed by management contracts with approved business plans and personal tasks for each calendar year. The management bodies function according to established business rules.

The Company's employees become aware of their powers and responsibilities through their job descriptions, attached to their Labor Contracts. Thus, the major communication and information flows are defined (vertical and horizontal) for every position in the Company.

GP Re internal control and risk management system is founded on the three lines of defense:

- the operating functions (the "Risk Owners"), which represent the first line of defense and have ultimate responsibility for risks relating to their area of expertise.
- actuarial, compliance and risk management functions, which represent the second line of defense.
- Internal Audit, which represents the third line of defense (together with actuarial, compliance and risk management functions the "Control Functions").

The following committees have been established and are functioning in the Company:

1) Audit Committee – Mr. Martin Mancik – Chairman, and Mr. Roman Smetana and Mr. Jakub Rezek - members.
2) Risk Committee –Mr. Tomas Gubanec, Mr. Giorgio d'Orlando, Mr Encho Enchev and Mr. Ivan Spasov– members.
3) Joint Technical Committee – joint committee by Risk Management and Actuarial Function.

Below are the responsibilities of the 2 committees.

COMMITTEES	
Key role	**Description**
Audit Committee	With resolution of the Sole Shareholder and following the requirements of the Independent Financial Audit Act, an Audit Committee has been established in the company. The members and mandate of the Audit Committee members are decided by the Sole Shareholder in compliance with the Independent Financial Audit Act. The Audit Committee is established as an independent advisory body to the Supervisory Board, which observes the financial reporting processes in the company; the effectiveness and efficiency of the internal control and risk management system; observes the independent financial audit in the company; recommends to the Sole Shareholder the appointment of an auditor to perform the independent financial audit of the company; and performs a review of the independence of the registered auditor in accordance with the Law and the Ethical Code of the Professional Accountants, including the provision of non-audit (ancillary) services by the registered auditor. The Audit Committee provides recommendations to the Management and Supervisory Boards regarding the internal control and risk management system. The Audit Committee reviews and provides opinions on the Annual Audit Plan and the Annual Report of the Internal Audit Department. The Audit Committee reports on its activities to the Sole Shareholder once every year.
Risk Committee	The Risk Committee acts as an advisory body to provide support to the Company's Top Management in defining the Company's target risk and the related levels of economic capital; in monitoring the risk profile based on reports prepared by the Company's Risk Management function and in setting any corrective strategies. The Risk Committee includes top management and representatives from GCEE Holding Risk Management department to which part of the risk management activities are outsourced.
Joint Technical Committee	At the end of 2018, the Company formed a Joint Technical Committee between the Risk Management and Actuarial Functions. The Committee continues its activities also in 2024. The aim of the Committee is to integrate the activities and allow for coordinated decisions between the two functions.

B.1.2. INFORMATION ON KEY FUNCTIONS

Following the Group Directives on Internal Control and Risk Management System, the company is considering risk and controls in line with the integrated method defined across Generali Group.

The functions involved in the risk management and internal control process operate according to the Three Line of Defense approach:

1) the operational structures (Risk Owners) are the first line of defense and are responsible for the risks concerning their area
2) the Risk Management function, Actuarial function and the Compliance function are the Second Line of Defense
3) the Internal Audit Function is the third line of defense.

Key role	Description
Risk Management Function	The Risk Management is in charge of implementing and overseeing the risk management system. In particular it is responsible for providing information and suggestions to the Risk Committee and for working in close relation with the Heads of the business areas. Moreover, Risk Management is in charge of the coordination of risk management policies, the execution of risk controlling activities and the development of risk evaluation methodologies. The Chief Risk Officer (CRO) leads the Risk Management and reports to the Risk Committee and to the regional Risk Management department. Some of the Risk management activities, mainly related to credit and financial risks, investment risk limit monitoring, etc., are outsourced to Generali CEE Holding Risk management department.
Compliance Function	The Compliance function has the responsibility for identifying, evaluating and preventing risks related to failure to comply with laws and regulations; it reports to the Chief Executive Officer and the Management Board and functionally to the regional Compliance department.
Internal Audit Function	The Internal Audit function has the responsibility to ensure monitoring and evaluating the effectiveness and efficiency of the system of internal controls and the need for improvement, also through support and advice to other business functions. Based on the Solid Line reporting model, the Head of Internal Audit Department reports to the Management Board and the Audit Committee of GP Reinsurance EAD, and ultimately to the Group Chief Audit Officer, through the Head of the GCEE Audit.
Actuarial function	The Actuarial function has the responsibility to coordinate the calculation of technical provisions and, ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions, assess the sufficiency and quality of the data used in the calculation of technical provisions, compare best estimates against experience, inform the Management Board of the reliability and adequacy of the calculation of technical provisions, oversee the calculation of technical provisions in the cases where there are insufficient data or appropriate quality to apply a reliable actuarial method, express an opinion on the overall underwriting policy, express an opinion on the adequacy of reinsurance arrangements and contribute to the effective implementation of the risk management system. Part of the actuarial activities are outsourced to Generali CEE Actuarial department – e.g. – calculation of Solvency II technical provisions. The company has one person as Head of Actuarial Function for Life Non-life.

In line with the Group strategy, the risk function and Top Management are trying to engage various functions in the risk management process to raise awareness and sharpen the sense of importance of risk management processes.

Part of the Management Board members are also members of the Risk Committee at which meetings ORSA results and main risk management issues are regularly presented.

B.1.3. MATERIAL CHANGES IN THE SYSTEM OF GOVERNANCE

No important changes in the system of governance have occurred during 2024.

B.1.4. REMUNERATION POLICY

The Remuneration policy is adopted by the Supervisory Board of the Company and aims at:

- Defining clear and objective rules for remuneration structuring in the Company according to the Company business plan, goals, activities, values and long-term interests and also according to the principles and good practices for the protection of the interests of the users of reinsurance services.
- Ensuring remuneration in the Company that will allow the attraction, retention and motivation of highly qualified and loyal employees that will be working to achieve the goals of the Company in the conditions of sound and efficient risk management.

The remuneration structure consists of a combination of several components ensuring the relevant and balanced composition of the overall remuneration. The components are determined by the Supervisory Board on the basis of a reasoned proposal by the Management Board with the aim of achieving an optimal balance between fixed and variable remuneration of the employees and the length of the deferral period for variable remuneration for the relevant categories of employees according to Company's strategic development plan, the budget for the relevant year, goals, values and long-term interests.

The components forming the overall remuneration are as follows:

- Basic (permanent) remuneration. It is determined based on the job position in the management and organizational structure of the Company, the assigned responsibilities, targets and long-term interests of the Company, the individual personal characteristics and the state and conditions of the labor market;

- Additional (permanent) remuneration. It is determined with the labor conditions based on the law parameters and opportunities. The additional remuneration is permanent when paid permanently together with the basic remuneration and it is determined only on the number of years of employment;
- Additional (nonpermanent, flexible) remuneration based on the achieved results. It is determined based on the achieved results that were preliminary assigned as targets for a certain period. Variable remuneration is determined through annual plans and multi-year /deferred/ incentives linked to individual and company performance metrics that also take into account sustainability requirements in terms of the risks assumed;
- Other material motivations and benefits. They are determined based on the job position in the management and organization structure in the Company and the assigned responsibilities and are not related to achieving certain results or taking certain risks.

The conditions and the order of setting the flexible remuneration is as follows:

- The variable remuneration is related to the results and is based on a combination of the employee's performance evaluation, the department's evaluation, and the whole company's evaluation;
- The evaluation of the employee's job is based on financial (except Control Functions) and non-financial criteria;
- The evaluation of Control Functions cannot be based on financial criteria and cannot be dependent on achieved financial results of the company;
- The evaluation process is based on the long-term performance and the payment of the flexible remuneration is distributed over a time period, considering the Company's economic cycle and undertaken risks;
- The performance evaluation, used to determine flexible remuneration and its distribution, takes into consideration all undertaken and potential risks, the cost of capital and the required liquidity.

The fixed remuneration must represent a sufficiently large part of the total remuneration so as to allow the application of a flexible policy for the variable remuneration, including the possibility of non-payment, in cases where any of the following circumstances exist:

- Criteria and indicators predetermined in the Policy have not been met;
- There are signs of a serious deterioration in the Company's financial condition, particularly where this could lead to the Company ceasing activities;
- Extraordinary circumstances have occurred, leading to a significant risk to the financial stability or other long-term interests of the company.

When over the year the employee receives a variable remuneration, which amounts to more than one third of his gross annual salary, not less than 40 % of the variable remuneration and considerable part of the remuneration is paid on installments for a minimum period of three years depending on the economic cycle of the Company, the activities of the Company and the risks coming out of these activities, as well as according to the position of this employee.

The variable part including the long-term bonus based on the CEE Rules of the Regional Long Term Incentive Cash Plan and the Group Remuneration Internal Policy is by definition deferred for a period of 3 years and is the amount which represents the deferred part of the total variable remuneration.

The flexible remuneration can be paid in equal or in progressively increasing instalments. The criteria for evaluation of future results regarding the deferred part must enable its adjustments according to present and future risks.

Employees shall repay entirely or partially the flexible remuneration, paid on the basis of data that proved afterwards to be erroneous or misleading. The contracts between key employees and the Company shall include provisions that guarantee the repayment of the flexible remuneration.

The Remuneration Policy is developed by the Management Board in cooperation with Internal Audit and Human Resources, who have appropriate qualifications and functional independence for the purpose of ensuring objective judgment on the Policy, including on the consequences affecting risk and risk management. The Company's Internal Rules for disclosure and avoidance of conflict of interests shall apply in relation to the avoidance of conflicts of interest of those who develop, approve and review the Policy.

The Supervisory board of the Company is responsible for the appliance and periodical revision of the Policy. Updates in the Policy must be according to changes in the labour market and the financial status of the Company. The appliance of the Policy and the procedures for remuneration is subject to periodical and independent internal revision by Division "Internal Audit", at least once a year.

B.1.5. MATERIAL TRANSACTIONS DURING THE REPORTING PERIOD WITH SHAREHOLDERS, WITH PERSONS WHO EXERCISE A SIGNIFICANT INFLUENCE ON THE UNDERTAKING, AND WITH MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

During the reporting period no material transactions are executed with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the Management or Supervisory Boards.

B.2. FIT AND PROPER REQUIREMENTS

The Internal Fit and Proper Rules define the requirements in terms of fitness and experience of the minimum suitability requirements in terms of fitness, properness, independence and experience of the members of the management and control bodies, key company employees and other employees in scope. They are approved by the Supervisory Board of the Company.

Fitness and proper requirements for the members of the Management and Supervisory Boards are:

1) Each member of the Management Board shall at any time meet the fitness requirements under Art. 80, para. 1, It, 1 and 2, and Art. 83, para. 1 of the Insurance code (IC).
2) Each member of the Supervisory Board shall at any time meet the fitness requirements under Art. 80, para. 1, It, 1 and 2, and Art. 83, para. 2 of the IC. Independent members of the Supervisory board shall at any time meet the fitness requirements under Art. 81, para 2 of the IC as well.
3) The members of the Management Board who have been appointed to perform the Chief Executive Officer or the Executive Officer function shall at any time meet also the requirements under Art.80, para.4 of the IC.
4) The members of the Boards shall at any time meet the proper requirements under Art.80, para.1, It. 3 - 9 and para.3 of the IC.

The members of the Boards shall collectively possess at least a relevant experience and knowledge of the:

1) Bulgarian insurance market,
2) the business strategy and business models,
3) the management system,
4) the actuarial and financial analysis,
5) the regulatory framework and requirements.

There is no requirement for each individual member to possess expertise, competencies and experience in all areas of the undertaking. Nonetheless, the collective knowledge competencies and experience shall ensure a sound and prudent management of the undertaking. The fitness of the members of the Boards shall be evaluated individually /considering the contribution of each individual member to the collective decision/ and collectively.

Each member of the AMSB shall meet, among others, the expertise requirement set forth in the following provisions: theoretical knowledge - acquired through studies and training - and practical experience, gained in the course of previous or current work activities in more than one of the following areas: financial markets, regulation in the insurance, banking and financial sector, strategic planning, organizational and corporate governance structures, risk management, internal control systems and other operational mechanisms, insurance, banking and financial activities and products, statistical and actuarial science, accounting and financial reporting, computer technology. In carrying out the assessment the competent body shall consider whether the theoretical knowledge and practical experience is suitable with respect to: 1) the tasks relating to the role held by the corporate member and any specific functions or powers, including participation in committees; 2) the characteristics of the undertaking and of the group to which it may belong, in terms of, *inter alia*, size, complexity, kind of activities carried out and related risks, reference markets, countries in which it operates.

<u>Fitness and proper requirements for the personnel in charge of the units performing key functions.</u>

The personnel in charge of the units performing key functions pursuant to Art. 78, para.1 of the IC shall meet the following fit and proper requirements:

1) for the Appointed Actuary – under Art. 97, para. 2 and Art. 99, para. 1 of the IC. Within 7 days as from the decision for his appointment the Company shall send a written notice to the Deputy Chairperson of the FSC in charge of the Insurance Supervision Division and submit a declaration under Art. 99, para. 1 of the IC.
2) for the Risk Management function /the Risk Manager/ - under Art. 89, para. 2 of the IC
3) for the Compliance function /the Compliance Officer/ - under Art. 93, para. 5 of the IC. The Head of Compliance is subject to approval by the FSC as per the stipulations of the IC.
4) for the Internal Audit function – under Art. 95, para. 3 of the IC. The Head of Internal Audit is subject to approval by the FSC as per the stipulations of the IC.

Pursuant to Art. 292 of the Code on Insurance the personnel entrusted with the product distribution shall comply with the fit and proper requirements. The company, in its activity of a captive reinsurance company, has outsourced its underwriting and reinsurance program development to an external provider and is monitoring that the employees of the provider meet the fit and proper requirements.

The Fit and Proper (and Independence when required) assessment shall be conducted on a single occasion when the personnel take up their duties, and periodically at least once a year. The assessment can be conducted ad hoc and at the discretion of the competent body.

The evaluation of the fit and proper requirement shall be conducted as follows:

1) for the members of the Boards - by the Bodies themselves;
2) for the Audit Committee – by the Supervisory Board;

3) for the head of the Unit performing the Internal Audit function /the Head of the Internal Audit Department/ - by the Management and Supervisory Board;
4) for the Appointed Actuary, for the Head of the Risk Management function /the Risk Manager/ and for the Head of the Compliance function /the Head of the Compliance Office/ - by the Management Board;
5) for the rest of the personnel subject to these guidelines – by the appointing Body.

The HR Department shall request a written self-declaration at a minimum on an annual basis from all relevant employees, by means of which each of them shall confirm his adherence to the IC applicable requirements and to the Generali Group Fit and Proper Policy, by declaring his commitment to give immediate notice to the HR Department of any significant facts and events relevant to the declared circumstances or changing them.

B.3. RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

B.3.1. RISK MANAGEMENT SYSTEM

The purpose of the Risk Management system is to ensure that all risks to which the Company is exposed to are properly and effectively managed based on the risk strategy defined, following a set of processes and procedures and based on clear governance provisions.

The principles defining the Risk Management system, including strategies, processes and reporting procedures, are provided in the Generali Group Risk Management Policy which is the cornerstone of all risk-related policies and guidelines. The Risk Management Policy covers all risks the Company is exposed to, on a current basis or on forward-looking basis.

GP Re Risk Management process is defined on the following phases:

1. Risk identification

The purpose of the Risk identification is to ensure that all material risks to which the Company is exposed to are properly identified. For that purpose, the Risk Management Function interacts with the main Business Functions in order to identify the main risks, assess their importance and ensure that adequate measures are taken to mitigate them according to a sound governance process. Within this process, Emerging Risks are also taken into consideration.

Based on Solvency II risk categories and for the purpose of Solvency Capital Requirement (SCR) calculation, risks are categorized according to the following Group Risk Map:

Risk Map

Risks covered by Partial Internal Model					Non quantifiable risks
Internal Model				Standard Formula	
Financial Risks	**Credit Risks**	**Insurance Risks Non-Life**	**Insurance Risks Life & Health**	**Operational Risks**	
Interest Rate yields	Spread widening	Pricing	Mortality CAT		Liquidity
Interest Rate volatility	Credit Default	Reserving	Mortality no CAT		Strategic
Equity Price	Counterparty Default	CAT	Longevity		Reputational
Equity volatility		Non-Life Lapse	Morbidity/Disability		Emerging
Property			Life Lapse		Contagion
Currency			Expense		
Concentration			Health CAT		
			Health Claim		

The Company has also developed an effective Risk Management system for those risks which are not included in the SCR calculation, such as Liquidity Risk and Other Risks (so called 'non-quantifiable risks', i.e. Reputational Risk, Contagion Risk and Emerging Risks).

Please see sections C.4 Liquidity Risk and C.6 Other Material Risk.

2. Risk measurement

Identified risks can be measured through their contributions to the SCR, eventually complemented by other modelling techniques deemed appropriate and proportionate to better reflect the Company risk profile. Using the same metric for measuring the risks and the SCR ensures that each risk is covered by an adequate amount of capital which could absorb the loss incurred if the risk materializes. For SCR calculation purposes 1 in 200 years events are considered.

In compliance with Solvency II regulation, the SCR is calculated based on the EIOPA Standard Formula.

Risks not included in the SCR calculation, such as Liquidity Risk and the Other Risks are evaluated based on quantitative and qualitative techniques and models.

3. Risk Management and control

As part of Generali Group, the Company operates under a sound Risk Management system in line with the processes and the strategy set by Generali Group. To ensure that the risks are managed according to the risk strategy, the Company follows the governance defined in the Group Risk Appetite Framework (RAF). RAF governance provides a framework for risk management embedding in day-to-day and extraordinary business operations, control mechanisms as well as escalation and reporting processes.

The purpose of the RAF is to set the desired level of risk exposure (in terms of Risk Appetite and Risk Preferences) and limit excessive risk-taking. Tolerance Levels based on capital and liquidity metrics are set accordingly. Should an indicator approach or breach the defined Tolerance Levels, escalation mechanisms are then activated.

4. Risk reporting

Risk monitoring and reporting is a key Risk Management process which allows to maintain Business Functions, Top Management, Management Board, Supervisory Board and Supervisory Authority aware and informed on the risk profile development, risk trends and breaches of Risk Tolerances.

The Own Risk and Solvency Assessment (ORSA) is the main risk reporting process, coordinated by the Risk Management Function. Its purpose is to provide an assessment of risks and of the overall solvency needs on a current and forward-looking basis. The ORSA process ensures ongoing assessment of the solvency position in line with the Strategic Plan and Capital Management Plan, followed by a regular communication of ORSA Results to the Supervisory Authority after Management Board approval. More details are provided in section B.3.2.

5. Risk governance

The above Risk Management process is ensured by the Risk Management Function, which in compliance with Solvency II and the principles set in the Risk Policies, supports the Management Board (MB) and Top Management in ensuring the effectiveness of the Risk Management system.

The Risk Management Function is responsible for reporting to the MB the most significant risks identified and for coordinating the ORSA process. The Risk Management Function has the responsibility to:

- Assist the MB and other functions in the effective operation of the Risk Management system;
- Monitor the Risk Management system and the implementation of the Risk Management Policy;
- Monitor the general risk profile of the Company and coordinate the risk reporting, including the reporting in case of tolerances breaches;
- Advise MB and support main business decision-making processes.

In terms of risk governance, a description of how the Risk Management Function is implemented and integrated into the organisational structure and decision-taking processes is provided in section **B.1. General Information on System of Governance**.

B.3.2. ORSA PROCESS

The ORSA process is a key component of the Risk Management system which aims at assessing the adequacy of the solvency position and the risk profile on a current and forward-looking basis.

The ORSA process documents and properly assesses the main risks the Company is exposed to or might be exposed on the basis of its Strategic Plan. It includes the assessment of the risks in scope of the SCR calculation, but also the Other Risks not included in SCR calculation. In terms of risk assessment techniques, stress test and sensitivity analysis are also performed with the purpose to assess the resilience of the solvency position and risk profile to changed market conditions or specific risk factors.

The ORSA Report is produced on an annual basis. In addition to the annual ORSA Report, non-regular ORSA Reports may be produced when the risk profile has changed significantly.

All results are properly documented in the ORSA Report and discussed during the Company Risk Committee. After discussion and approval by the MB, the Report is submitted to the Supervisory Authority. As a general rule, the information included in the ORSA Report is sufficiently detailed in order to ensure that the relevant results can be used in the decision-making process and in the business planning process.

The results of the local ORSA are also reported to the Parent Company as an input to the ORSA process of Generali Group. For this reason, the Company follows the principles set in the Group Risk Management Policy and additional operating procedures. These are issued by Head Office to grant consistency of the ORSA process across the Companies of Generali Group.

B.3.3. RISK EMBEDDING IN CAPITAL MANAGEMENT PROCESS

Capital Management and Risk Management are strongly integrated processes. This integration is deemed essential in order to align capital and business management processes.

By means of the ORSA process the projection of capital position and the forward-looking risk profile assessment contribute to the Strategic Planning and Capital Management process.

The ORSA Report relies on the Capital Management Plan to verify the adequacy, including the quality, of the Eligible Own Funds to cover the overall solvency needs during the planning period.

To ensure the risk and business strategies on-going alignment, the Risk Management supports actively the strategic planning process.

B.4. INTERNAL CONTROL SYSTEM

Generali Group Internal Control Policy sets out the basic principles of the internal control system that should govern the activities of the Company. The aim of this policy is to guarantee that all processes are designed in the most suitable manner and puts an emphasis on having in place effective and proper internal control measures, which will ensure reliable protection against and mitigation of the risks to which the Company is exposed to. The Company aims at maintaining the highest standards of business integrity and impeccable reputation, and therefore requires from its managers and employees to be fully acquainted with the internal control framework, the best practice standards and to always observe these regulations. Showing integrity and adhering to ethical values should be first and foremost part of the business conduct of top management, therefore one of the basic values in the Compliance Policy is the principle of “Leading by example”.

Internal control framework makes use of several tools which help the Company to achieve its objectives in accordance with its risk appetite. These objectives are not limited to the revenue and expenses, as well as the profit, but also encompass areas such as financial reporting, the fulfillment of internal and external regulations and procedures requirements, etc. All these are assigned different priorities depending on their inherent risk. The internal company control mechanisms are also of a different nature and are set taking into consideration the specifics of the given process to which they relate.

One of the main aspects of the internal control framework is that high moral values are sustained and encouraged throughout the Company. The Generali Group Code of Conduct is approved by the Company, and it sets standards that must be followed by all Group employees, including members of the administrative management and supervisory bodies. In addition, all third parties (consultants, suppliers, intermediaries, etc.) which perform activities on behalf of the Group Companies are required to follow the principles set out in the Code.

The Code of Conduct gives the minimum standards, which should be observed by all and provides for special rules for conduct in relation to the following areas: diversity and inclusion, assets and business data protection, conflicts of interest, anti-bribery and anti-corruption, insider dealing, anti-money laundering, anti-terrorism financing and international sanctions.

The communication to employees of the company rules for honest and ethical behavior is done during their first day in the company when they are acquainted with the Code of Conduct. There are annual training courses on these principles, Compliance Week sessions and other thematic training courses.

The effectiveness of the above control mechanisms is guaranteed not only by means of monitoring and established controls throughout the whole organizational structure, but also through appropriate channels for breach reporting.

The internal control culture is also maintained by a high level of awareness of each employee of their roles and responsibilities and therefore their rights and applicable hierarchical reporting system.

The control activities are performed based on the three levels of defense model. The first level of defense are all employees who observe the internal and legal regulations and professional standards. The second level of defense is performed by the Compliance function and all other control functions within the company (e.g. Risk Management). The third level of defense is the Internal Audit function, which reviews given activities and controls their adequate performance, reviews the controls in place, their efficiency and level of security.

The control activities include periodic review of business areas (control on performance), automated controls being in place during the activities (the latter being preferred due to the limited risk of human error and intervention) and physical controls on assets (measures for asset protection, inventory checks, audits). Segregation of duties is a basic principle in place. The division of responsibilities aims to reduce the possibilities for making or covering a mistake or fraud during the normal course of business.

The internal control is maintained at all times by dedicated units and activities.

The Compliance department provides the function under Art. 93 and Art. 94 of the Insurance code which is a part of the Internal control system of the Company and local compliance unit as per the Group Compliance policy. The Compliance function is an independent structural unit in the Company, reporting directly to the Management Board of the Company and to the Chief Executive Officer. Controls put in place by the Compliance Function are preventive, current and ex-post. To assure that the intended outcomes are achieved, the Compliance Function adopts a systemic and disciplined approach of evaluation and improvement of the effectiveness of noncompliance risk management processes, ensuring continuous compliance of all Company activities with the applicable legal framework, involving in the process the Management bodies, the key functions and the employees of the Company, without regard to their job or structural position. They are all required to comply with the applicable legal framework relevant to their functions in the Company and to adhere to it in their day-to-day business activity.

B.5. INTERNAL AUDIT FUNCTION

In GP Reinsurance EAD the internal audit activities are performed by the Internal Audit Department in line with the Audit Group Policy approved by the Board of Directors of Assicurazioni Generali S.p.A. (“AG”, the Ultimate Parent Company of Generali Group) and the Local Audit Policy approved by the Management Board of GP Reinsurance EAD which implements the Audit Group Policy.

The Audit Policy establishes the Mandate of the Internal Audit Function in GP Reinsurance EAD and sets out the principles to comply with, in line with Italian regulation, the Institute of Internal Auditors’ International Professional Practice Framework (IPPF), and with further applicable regulations. All requirements deriving from the new set of Global Internal Audit Standards issued by the Institute of Internal Auditors in 2024 have been included in the Audit Policy and the Group Audit Methodology and implemented in Audit operations.

The Internal Audit Department is an independent and objective function established by the Management Board to examine and evaluate the adequacy, effectiveness and efficiency of the internal control system and all other elements of the system of governance, through assurance and advisory activities for the benefit of the Management Board, Audit Committee, Supervisory Board, the Senior Management and other stakeholders. It supports the local AMSB in identifying the strategies on internal control and risk management, also in a long-term perspective, providing analyses, appraisals, recommendations and information concerning the activities reviewed.

The purpose of the Internal Audit Function is to protect the reputation of GP Reinsurance EAD and of Generali Group and their credibility with all stakeholders. It enhances the organisation’s successful achievement of its objectives, governance, risk management, and control processes, decision-making and oversight, and the ability to serve the public interest. Moreover, Internal Audit aims at strengthening the organisation's ability to create, protect and sustain value by providing the Management Board, Audit Committee, Supervisory Board and Senior Management with independent, risk-based and objective assurance, advice, insight, and foresight.

The Management Board is responsible for ensuring that the Internal Audit Function has sufficient authority and resources to fulfil its duties. Senior Management supports the Internal Audit Function in fulfilling its Mandate and supports its recognition throughout the organisation. Any relevant organisational unit within GP Reinsurance EAD shall promptly inform Internal Audit of any facts or circumstances which may be relevant for the performance of its duties.

The Chief Audit Officer reports directly to the Management Board and the Audit Committee, has free and unrestricted access to it and is appointed and dismissed by it. This enables Internal Audit services and responsibilities to be performed without interference from management or undue limitations, provides the organisational authority and status to bring matters directly to Senior Management and escalate matters to the Management Board, where necessary. The Chief Audit Officer meets the external requirements defined by the European Solvency II Directive and local regulation as well as Fit & Proper requirements. He/She does not assume responsibility for any other operational function and has an open, constructive and cooperative relationship with Supervisory Authorities.

The Internal Audit Function is provided with appropriate human, technical and financial resources, and collectively possesses and obtains the knowledge, skills and competencies needed to perform its responsibilities effectively and efficiently, including all necessary technical skills such as digital knowledge and the ability to perform audit activities with the support of data analytics techniques.

All personnel of the Internal Audit Function comply with specific Fit & Proper requirements. Internal Auditors are expected to avoid, to the maximum extent possible, activities that could create conflicts of interest or be perceived as such. In cases in which this cannot be avoided, suitable mitigation measures are put in place. To prevent any conflict of interest, the Chief Audit Officer allocates tasks to promote rotation of duties and responsibilities within the team. Internal Auditors do not have direct operational responsibility or authority over any of the activities audited. Accordingly, they are not involved in operational organisation of the undertaking or in developing, introducing or implementing organisational or internal control measures. This organisational independence does not prevent them from being informed and giving their professional advice to stakeholders.

The activity of the Internal Audit Function remains free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to ensure the necessary independence and objectivity. The Internal Audit Function has full, free, unrestricted and timely access to all the organisation's records and data, physical properties, IT systems and personnel pertinent to carry out audit engagements, with strict accountability for confidentiality and safeguarding records and information. The Internal Audit Function is not a part of, nor responsible for, the second line Key Functions, but collaborates and periodically liaises with them as well as with the External Auditor. Here, the target is to identify and discuss emerging or actual risks and the status of controls, to highlight gaps in the coverage of key risks and discuss related mitigation plans, so to continuously foster the efficiency and effectiveness of the Internal Control System.

The Internal Audit Function identifies the Audit Universe for GP Reinsurance EAD in terms of business processes, which are used as the basis for the audit activities and performs an annual Audit Risk Assessment.

The Audit Risk Assessment is based on professional judgement and comprises a Bottom-up and a Top-down approach, considering updated information on risks, changes in external regulation, the strategic objectives of the organisation, information obtained from management, the second line Key Functions the External Auditor and Supervisory Authorities, as well as weaknesses identified in previous audit activities. The Internal Audit Function assesses the riskiness of the relevant business processes and consequently identifies the processes to be covered by audit engagements according to the coverage rules defined in the Group Audit Methodology, leading to the definition of the risk-based Audit Plan.

The Audit Plan, which is proposed annually by the Chief Audit Officer to the Management Board and to the Audit Committee for approval, includes at least the proposed audit engagements, the criteria for their selection, their timing, the overall Internal Audit budget and human resource requirements for the following calendar year, the program for the development of the Function and any further relevant information.

The approved Audit Plan is reviewed and adjusted on a regular basis during the year by the Chief Audit Officer in response to changes in the organisation's business, risks, operations, programs, systems, controls and audit findings. Any significant change from the approved Plan is submitted to the Management Board and Audit Committee for approval through the periodic reporting process. If necessary, the Internal Audit Function may carry out audit engagements which are not included in the approved Audit Plan, disclosing them to the local AMSB on a timely basis and submitting them for formal approval through the periodic reporting process.

During the year, the Internal Audit Function executes the Audit engagements included in the Audit Plan, assessing the design and effectiveness of the audited processes and related controls. The weaknesses emerged are then structured into formal issues raised and categorized by their severity and potential impact on the organisation. At the conclusion of each Audit engagement, the Internal Audit Function prepares a written Audit Report and issues it on a timely basis to the audited area and to Senior Management. Such report, which is assigned an overall grading based on the results of the audit activities, indicates the issues raised including their gradings, the proposals for corrective actions, their owners and implementation deadlines. To ensure that the owners of the respective corrective actions properly implement them within the requested timelines, the Internal Audit Function closely follows up on them.

The Chief Audit Officer provides the Management Board and the Audit Committee with a periodic report on the activities performed at least on a semi-annual basis. The report includes a summary of the audit engagements performed, their results and potentially common themes identified, the issues raised, their gradings and the proposals for the corrective actions, owners and implementation deadlines. The Management Board and the Audit Committee approve the results and determine the corrective actions, owners and implementation deadlines. The periodic report also includes the results of the follow-up activities on audit issues raised in the past and their resolution. In the event of any particularly serious situation arising between the normal reporting cycle, the Chief Audit Officer promptly informs the Management Board, the Audit Committee, the relevant Senior Management and the Group Chief Audit Officer.

Based on the activities performed, the Chief Audit Officer assesses the level of adequacy of the Internal Control System of GP Reinsurance EAD at least annually in accordance with the Group Audit Methodology and submits a formal attestation on it to the Management Board and the Audit Committee.

The Internal Audit Function maintains a Quality Assurance and Continuous Improvement Program, with both internal and external assessments in line with the requirements of the new professional standards and the aim to identify opportunities for improvement on a continuous basis. Internal Quality Assessments are composed of ongoing monitoring and periodic assessments, and of Quality Assurance activities such as Closed File Reviews. The external assessment is performed at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Chief Audit Officer develops a plan for the Quality Assurance and Continuous Improvement Program, discusses it and shares its results with the Management Board and the Audit Committee. This also includes an annual self-assessment of the audit activity's conformance with the International Professional Practices Framework, the Group Audit Policy and the Group Audit Methodology.

The internal governance of the Audit Functions in Generali ("Group Audit") follows the organisation of Generali Group, which operates as a diversified financial group in the "Insurance", "Asset Management" and "Banking" Business Areas. In the Insurance Business Area, Group Audit is organised according to a regional principle that aims at mirroring the organisational and managerial structure of the Group into Business Units which steer the Companies in their areas of responsibility.

In line with the Group governance model and in compliance with external regulation and general corporate governance rules, a managerial solid reporting line is in place between the Chief Audit Officer of GP Reinsurance EAD and the Group Chief Audit Officer. This means that the Chief Audit Officer reports hierarchically to the Management Board and the Audit Committee, whilst the managerial solid reporting line guides key decisions on functional, budget and human resources issues and ensures coordination, proper information flows and alignment on day-by-day activities.

In line with Italian regulation and the Mandate granted by the AG BoD, the Internal Audit Function of AG as the Ultimate Parent Company of Generali Group oversees and coordinates the Internal Audit activities across the Group and develops the global Group Audit Function, aiming at operational effectiveness and efficiency as well as continuous quality improvement, also through the implementation and enhancement of digital tools. Moreover, various functional communities, talent initiatives and upskilling programs are in place, aimed at reinforcing and sharing knowledge in all relevant areas and at strengthening collaboration across the world-wide Group Audit Community.

B.6. ACTUARIAL FUNCTION

The main responsibilities of GP Reinsurance EAD Actuarial Function, as required by the Solvency II principles (article 48 of Directive 2009/138/EC), are the following:

- coordinate the calculation and validate the technical provisions;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- inform the Management Board of the Company on the reliability and adequacy of the calculation of the Technical Provisions;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of the reinsurance arrangements;
- contribute to the effective implementation of the risk-management system.

Since 2018 the Actuarial Function has been divided between Life and Non-Life and located under the CEO area to ensure an effective coordination for the calculation of technical provisions. In addition, to preserve independence in carrying out his activities, the heads of Actuarial Function functionally reports to the Management Board, to which they have independent and direct access.

Within this framework and as required by the Solvency II regulation, the heads of the actuarial function for life and non-life produce written reports to be submitted to the Management Board at least annually. This report provides with the opinions on the reliability and adequacy of the calculation of technical provisions, on the overall underwriting policy and on the adequacy of reinsurance arrangements and documents all tasks that have been undertaken by the actuarial function and their results, reports possible remarks and suggested remediation actions.

In terms of resources, the Actuarial Function currently consists of several people. All hold an actuarial qualification and a degree in actuarial science, statistics or mathematics, or at least a postgraduate qualification in finance/insurance.

In addition to the head of the function, three other staff members are responsible for calculations and coordination of the activities (methodology, reporting, processes): two persons in non-life and one person in life insurance, while two more staff members are specifically dedicated to the independent validation of the technical provisions in Solvency II, separately for non-life and life insurance. Calculation validation activities are outsourced to Actuarial teams in Generali CEE Holding while validation activities are performed by the Head of the Actuarial function who is performed by internal resources (Appointed Actuary).

GP Reinsurance EAD acts in line with Group Outsourcing Policy, where all rules and obligation are specified for proper set up and management of outsourcing relationship intra group and extra group, criteria for classification of outsourcing significance, roles and responsibilities, contracts content, internal process, evidence, monitoring of outsourcing.

B.7. OUTSOURCING

B.7.1. INFORMATION ON OUTSOURCING POLICY

The company has adopted Generali Group Outsourcing Policy for direct application. The policy intends to set consistent minimum mandatory outsourcing standards for all Generali Group entities, assign main outsourcing responsibilities and ensure that appropriate controls and governance structures are established within any outsourcing initiative. The Policy outlines the main principles to be followed when implementing outsourcing.

The Policy introduces a risk-based approach, adopting a proportionality principle to apply requirements according to the risk profile (distinguishing between critical and not critical outsourcing), the materiality of each outsourcing agreement and the extent to which the company controls the service providers.

The Policy requires the appointment, for each outsourcing agreement, of a specific business referent. The business referent is responsible for the overall execution of the outsourcing lifecycle, from the risk assessment to the final management of the agreement and subsequent monitoring activities of the Service Level Agreements defined in each contract.

In addition to the Group Outsourcing Policy, the company has adopted Internal Outsourcing Guidelines which are designed as a local supplement to the Group Outsourcing Policy and aim at providing a structured view to the managing of the outsourcing activities in the company, defining the roles and responsibilities for the administration and management of the Outsourcing activities and contracts, as well as setting the criteria based on which an outsourced activity/function shall be classified as critical or important. The Internal Guidelines also define the local regulatory framework applicable to outsourced functions and activities.

The company has in place outsourcing agreements for critical and important activities and functions. The outsourcing providers are resident of the Czech Republic. The company outsources part of the activities related to the Actuarial and Risk Management functions. Part of Reinsurance activities are also outsourced – mainly related to underwriting. The agreement also covers Asset and Liability Management services. For the management of the majority of its assets, the company uses the professional services of an asset management company.

B.8. ANY OTHER INFORMATION

The Company implemented the Group Directives on internal control and risk management system and the local regulatory requirements in terms of system of governance and the current set-up is considered adequate to the nature, scale and complexity of the risks inherent in the business of GP Re.

The Company Articles of Association foresees that the Management Board reviews at least on an annual basis the documents, program and policies comprising the company system of governance and in case of need to initiate their update. For this activity, each responsible function within the company makes an annual review of the system of governance within their area and issues reports on the results to the Management Board.

C. Risk Profile

C.1. UNDERWRITING RISK

C.1.1. LIFE UNDERWRITING RISK

RISK EXPOSURE AND ASSESSMENT

Life and health underwriting risks derive from the accepted reinsurance business in the life and health segment. It is accepted across the CEE region and refers to life business which started in 2018 and some specialized Health insurance classified as SLT. New Life treaty was signed in 2024 bringing long cash flows into portfolio (i.e. not PAA eligible according to IFRS17 rules).

Life and health underwriting risks can be distinguished in biometric and operating risks embedded in the life and health insurance policies. Biometric risks derive from the uncertainty in the assumptions regarding mortality, longevity, health, morbidity and disability rates taken into account in the insurance liability valuations. Operating risks derive from the uncertainty regarding the amount of expenses and the adverse exercise of contractual options by policyholders. Policy lapse is the main contractual option held by the policyholders, together with the possibility to reduce, suspend or partially surrender the insurance coverage.

Life and health underwriting risks are:

- mortality risk, defined as the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in mortality rates, where an increase in mortality rates leads to an increase in the value of insurance liabilities. Mortality risk also includes mortality catastrophe risk, resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events
- longevity risk like mortality, is defined as the risk resulting from changes in mortality rates, where a decrease in mortality rates leads to an increase in the value of insurance liabilities
- disability and morbidity risks derive from changes in the disability, sickness, morbidity and recovery rate
- lapse risk is linked to the loss or adverse change in liabilities due to a change in the expected exercise rates of policyholder options. The relevant options are all legal or contractual policyholder rights to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse. Mass lapse events are also considered
- expense risk results from changes in the expenses incurred in servicing insurance or reinsurance contracts
- health risk results from changes in health claims and also includes health catastrophe risk.
- Revision risk is the risk of loss, or of adverse change in the value of liabilities, resulting from fluctuations in the level, trend, or volatility of revision rates applied to annuities

The approach underlying the life underwriting risk measurement is based on the calculation of the loss resulting from unexpected changes in biometric and/or operating assumptions. Capital requirements for life underwriting risks are calculated on the basis of the difference between the Solvency II technical provisions before and after the application of the stress.

Life underwriting risks are measured by means of standard formula.

RISK MANAGEMENT AND MITIGATION

Life underwriting risk management is based on two main processes:

- accurate pricing
- ex-ante selection of risks through underwriting.

Both these are appropriately performed on the cedents' level according to Generali Group UW guidelines.

Life products accepted by the company consist mainly of protection business (Accident riders, CPI and Mortgage insurance). Moreover, annuities coming from NL business are reported within Life business (due to S2 reporting requirements as Life risks dominates).

Life and health underwriting risks form just small part in comparison to NL portfolio. These risks are fully retained within Company. No transfers of life underwriting risks to reinsurers or SPVs are reported at YE2024 (also annuities are reported in Life only on gross part – ceded part stays in NL due to calculation issues).

C.1.2. NON-LIFE UNDERWRITING RISK

RISK EXPOSURE AND ASSESSMENT

P&C Underwriting Risk is the risk arising from P&C insurance obligations, in relation to the perils covered and the processes used in the conduct of business. It includes at least the risk of underestimating the frequency and/or severity of the claims in defining pricing and reserves (respectively Pricing Risk and Reserving Risk) and the risk of losses arising from extreme or exceptional events (Catastrophe Risk).

The Company cannot avoid exposure to potential losses stemming from the risks intrinsically related to the nature of its core businesses. However, properly defining standards and recognizing, measuring, setting limits to these risks is of critical importance to ensure the Company's resilience under adverse circumstances and to align P&C underwriting activities with the Company Risk Appetite.

The Company, in line with Generali Group risk strategy, accepts risks that are known and understood, where the available information and the transparency of exposure enables the businesses to achieve a high level of professional underwriting, with consistent development. Moreover, risks are underwritten with quality standards in the underwriting procedures in order to secure profitability and limit moral hazard.

In 2024 GP Reinsurance EAD has continued its main reinsurance activities within the region. The Company provides reinsurance services mainly to companies from Generali CEE Holding B.V. on the territory of Bulgaria, Serbia, Montenegro, Romania, Czech Republic, Hungary, Slovakia, Croatia, Slovenia and Poland.

Most of the external reinsurance treaties are retroceded directly to Assicurazioni Generali S.p.A

The exposures of the Company to the underwritten risks are described in the other corresponding sections of this documentation, related to the Technical Provisions and the Market Value Balance Sheet.

The SCR for Non-Life Underwriting Risks is measured through standard formula. The P&C Underwriting Risks are measured through a quantitative model aimed at determining the SCR, based on the methodology and parameters defined in the Standard Formula approach. The risk measurement derives from the application of a pre-defined stress to the best estimate with a probability of occurrence equal to 0,5%.

Moreover, in addition to capital metrics, the Risk Management Function defines risk indicators, such as relevant exposures, risk concentration and other metrics to monitor the development of the P&C Underwriting Risks. This ensures on-going alignment with the Risk Appetite Framework.

The Risk Management Function also checks the appropriateness of the parameters used in the SCR calculation by performing sensitivity analysis. For the assessment of P&C Underwriting risks in terms of SCR, please refer to chapter E.

The key risk measures have not been changed from the previous year.

The reinsurance treaties of GP Reinsurance EAD can be subdivided into three basic categories:

- The reinsurance contracts, under which the reinsurance coverage is fully taken by GP Reinsurance EAD. In this case the results from the reinsurance operations remain in the portfolio of the Company.
- The reinsurance contracts under which part of the risk remains with GP Reinsurance EAD and the rest is retro-ceded. According to them the ceded part is related to risks, which exceed the pre-defined limits, and the Company pays certain insurance premium in return.
- The reinsurance contracts, under which the coverage is fully retro-ceded. In this case the reinsurance coverage of all transferred insurance policies is ceded and does not affect the result of GP Reinsurance EAD, which only administrates the contracts and retro-cedes premiums, claims and reserves.

RISK MANAGEMENT AND MITIGATION

P&C Risk selection starts with an overall proposal in terms of underwriting strategy and corresponding business selection criteria in agreement with Group Head Office. The underwriting strategy is formulated consistently with the Risk Preferences defined by the Management Board within the Risk Appetite Framework.

During the Strategic Planning process, targets are established and translated into underwriting limits with the objective to ensure business is underwritten according to the plan. Underwriting limits define the maximum size of risks and classes of business the Company shall be allowed to write without seeking any additional or prior approval. The limits may be set based on value limits, risk type, product exposure or class of occupancy. The purpose of these limits is to attain a coherent and profitable book of business that is founded on the expertise of the Company.

The company has stated its main underwriting (i.e. accepting) limits within Operational Limit Handbook (OLH) which is regularly updated according to the Strategic Planning process, reported at Risk Committee and approved by AMSB.

Reinsurance is the key risk mitigation technique for the P&C portfolio. It aims at optimizing the use of risk capital by ceding part of the Underwriting Risk to selected counterparties simultaneously minimizing the Credit Risk associated with such operation.

The Company places the treaty reinsurance to the Head Office mainly through CAT XL treaty.

The Property Catastrophe Reinsurance Program for 2024 was designed as follows:

- Protection aims to cover single occurrence losses up to a return period of at least 250 years;
- Protection proved capable in all recent major cat losses;
- Substantial risk capital saved by means of the protection;

The Company has historically preferred traditional reinsurance as a tool for mitigating Catastrophe Risk resulting from its P&C portfolio, and has shown no appetite for other mitigating techniques.

Risk Management Function confirms the adequacy of the risk mitigation techniques on annual basis. In addition, independent opinion on reinsurance (i.e. ceded) strategy is provided by CRO function.

C.2. MARKET RISK

The Company invests the collected premiums in a wide variety of financial assets, with the purpose of honoring future promises to cedants and generating value for the shareholder.

The Company might then be exposed to the following Market and Credit Risks, that:

- Invested assets do not perform as expected because of falling or volatile market prices;
- Cash of maturing bonds are reinvested at unfavorable market conditions, typically lower interest rates.
- Invested assets do not perform as expected because of perceived or actual deterioration of the credit worthiness of the issuer;
- Derivative or reinsurance contracts do not perform as expected because of perceived or actual deterioration of the credit worthiness of the counterparty.

The Company holds its assets until they are needed to redeem the promises to cedants, the Company is relatively immune to short-term decrease and fluctuations in the market value of its assets.

Nonetheless, the Company is required by the Solvency II regulation to hold a capital buffer, with the purpose of maintaining a sound solvency position even in the circumstances of adverse market movements. Please refer to section E.2 for more details.

For this purpose, the Company manages its investments in a prudent way according to the so-called 'Prudent Person Principle[1], and strives to optimize the return of its assets while minimizing the negative impact of short-term market fluctuations on its solvency.

The Company invests the premiums collected in financial instruments ensuring that benefits to cedants can be timely paid. If the value of the financial investments sufficiently decreases at the moment when benefits to cedants need to be paid, the Company may fail to maintain its promises to cedants. Therefore, the Company must ensure that the value of the financial investments backing the insurance contracts.

[1] The 'Prudent Person Principle' set out in Article 132 of Directive 2009/138/EC requires the Company to only invest in assets and instruments whose risk can be identified, measured, monitored, control and reported as well as taken into account in the Company overall solvency needs. The adoption of this principle is ruled in the Group Investment Governance Policy (GIGP).

Asset allocation*	Market value (thousand BGN) 2024	Market value (thousand BGN) 2023
Government bonds	1.504.549	1.582.336
Corporate bonds	334.559	404.530
Investment funds	226.664	201.572
Equity	302.016	314.101
Structured notes	95.729	46.466
Cash and deposits	66.937	34.532
Mortgages and loans	164.250	173.316
Reverse REPO	38.844	91.776
Derivatives	(2.538)	(2.847)
Total	**2.731.010**	**2.845.783**

*Before look-through of investment funds and SPV

The Company's total assets decreased compared to YE 2023 due to dividend payment (over 100% pay-out ratio) and reinsurance payment for BORIS floods. In the relative asset allocation, we can see a decrease in Reverse Repo (dividend payment) in favor of increasing Cash and deposits and Investment funds (increasing NAV of ICAV funds). In relative terms other asset classes are stable compared to YE 2023.

RISK EXPOSURE AND ASSESSMENT

The Market Risks included in the Company Risk Map are:

- Equity Risk: the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the level of equity market prices which can lead to financial losses.
- Interest Rate Risk: the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the level of interest rates in the market. The Company is mostly exposed to upward changes in interest rates as higher interest rates decrease the present value of the promises made to policyholders less than the value of the assets backing those promises.
- Concentration Risk: the risk of incurring in significant financial losses because the asset portfolio is concentrated to a small number of counterparties, thus increasing the possibility that a negative event hitting only a small number or even a single counterparty can produce large losses.
- Currency Risk: the possibility of adverse changes in the market value of the assets or the value of liabilities due to changes in exchange rates.
- Property Risk: the possibility of adverse changes in the market value of the assets or the value of liabilities due to changes in the level of property market prices.
- Spread Risk: the risk of adverse changes in the market value of the assets due to changes in the market value of non-defaulted credit assets. The market value of an asset can decrease either because the market's assessment of the creditworthiness of the specific obligor decreases, which is typically accompanied by a credit rating downgrade, or because there is a market-wide systemic reduction in the price of credit assets.

The current allocation to Market Risks is the following:

Exposure to risk type*	Market value (thousand BGN) 2024	Market value (thousand BGN) 2023
Concentration risk	2.722.518	2.802.990
Property risk	266.820	299.531
Equity risk	229.014	181.602
Interest rate risk	2.120.611	2.273.808
Currency risk*	678.890	620.118
Spread risk	2.226.684	2.321.858

*After look-through of investment funds and SPV

The driver of decreasing risk exposure to the risk modules Spread, Concentration and Interest rate risk is a decreasing fixed income exposure (government bonds and reverse repo).

For the evaluation of its Market Risks, the Company makes use of the EIOPA Standard Formula, as ruled by the Solvency II Directive, complemented by additional measurement techniques deemed appropriate and proportionate.

Market Risk concentration is explicitly modelled by the Standard Formula. Based on the results of the model and on the composition of the balance sheet the Company has no material risk concentrations.

RISK MANAGEMENT AND MITIGATION

The 'Prudent Person Principle' is the main cornerstone of the Company investment management process. To ensure a comprehensive management of Market Risks impacts on assets and liabilities, the Company Strategic Asset Allocation (SAA) process needs to be liability-driven and strongly inter-dependent with reinsurance-specific targets and constraints. The Company, following the Generali Group approach, has integrated Strategic Asset Allocation (SAA) and Asset Liability Management (ALM) within the same process.

One of the main risk mitigation techniques used by the Company consists in liability driven management of the assets, which aims at granting a comprehensive management of assets taking into account the Company liabilities structure.

The asset portfolio is invested and rebalanced according to the asset class and duration weights defined through the Investment Management process and based on the 'Prudent Person Principle'. The aim is not just to eliminate the risk but to define an optimal risk-return profile satisfying the return target and the Risk Appetite of the Company over the Business Planning period.

The Company also uses derivatives with the aim to mitigate the risk present in the asset or/and liability portfolios. The derivatives help the Company to improve the quality, liquidity and profitability of the portfolio, according to the Business Planning targets.

ALM&SAA activities aim at ensuring that the Company holds sufficient and adequate assets in order to reach defined targets and meet liability obligations. This implies detailed analyses of asset-liability relationship under a range of market scenarios and expected/stressed investment conditions.

The ALM&SAA process relies on a close interaction between Investment, Finance, Actuarial, Treasury and Risk Management Functions. The inputs and targets received from these Functions guarantee that the ALM&SAA process is consistent with the Risk Appetite Framework, Strategic Planning and Capital Allocation processes.

The aim of the Strategic Asset Allocation process is to define the most efficient combination of asset classes which, according to 'Prudent Person Principle' and related relevant implementation measures, maximizes the investment contribution to value creation, considering solvency, actuarial and accounting indicators.

The annual SAA proposal:

- Defines target exposure and limits, in term of minimum and maximum exposure allowed, for each relevant asset class;
- Embeds the deliberate ALM mismatches permitted and potential mitigation actions that can be enabled on the investment side.

Regarding specific asset classes (Private Equity, Alternative Fixed Income, etc.), the Group has centralized their management and monitoring. This kind of investments is subject to accurate due diligence aiming at assessing the quality of the investments, the level of risk related to the investment, its consistency with the approved liability-driven SAA;

In addition to risk tolerance limits set on the Company solvency position defined within the RAF, the current risk monitoring process of the Company is also integrated by the adoption of the Generali Investment Risk Group Guideline (IRGG) provided by Head Office. The IRGG includes general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions.

Furthermore, the Company is also actively implementing Market Risk mitigation strategies :

Currency risk

The Company is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies. As the functional currency of the Company is CZK, movements in the exchange rates between foreign currencies and CZK affect the Company's financial statements.

The Company implemented the risk management strategy for foreign currency (FX) risk management of the company's investment portfolios. The Company holds its reinsurance liabilities in foreign currencies based on the currency of the reinsurance treaty. The net technical liabilities are covered by investment portfolios on the asset side, and there is an additional investment portfolio covering part of the Company's own capital. Individual assets within the investment portfolios are generally denominated in the currency corresponding to the currency of liabilities. For cases where the asset is not denominated in the same currency as liabilities, the Company concludes FX derivatives to hedge the asset against movements in the asset's currency against the liabilities' currency. The above-described portfolios therefore represent the economic hedging also in relation to the functional currency of the Company (CZK). The assets' FX position is dynamically adjusted using FX derivatives and spot operations on a money market and capital market to ensure the required hedged position.

The Company has decided to voluntarily discontinue hedge accounting by reversing the designation of the hedging relationship. A significant portion of the hedged instruments have been sold and therefore hedge accounting need not be applied. As a result of the adoption of IFRS 9, there is no longer a hedging relationship between the hedged items and the hedging instruments, as changes in fair value resulting from foreign currency revaluations of both the hedged instruments and the hedging instrument results are presented in the same way in the income statement, this being a natural hedge. At the same time, it should be noted that FX hedging relates to IFRS technical provisions. The more S2 technical provisions differs from IFRS ones the higher FX risk for the purpose of S2 appears.

C.3. CREDIT RISK

For general information on the Market and Credit Risk Context, see previous section on the Market Risk .

RISK EXPOSURE AND ASSESSMENT

The Credit Risk included in the Company Risk Map is:

Counterparty Default Risk: reflects possible losses due to unexpected default, or deterioration in the credit standing of the counterparties and debtors of insurance and reinsurance undertakings over the following 12 months.

The current allocation to Credit Risk is the following:

Exposure to risk type*	Market value (thousand BGN) 2024	Market value (thousand BGN) 2023
Counterparty default risk	1.290.166	1.096.674

*After look-through of investment funds and SPV

The increasing exposure to the Counterparty Default Risk module is due to the rising reinsurance receivables and recoverable caused by BORIS floods.

In order to ensure that the level of Credit Risks deriving from the invested assets are adequate to the business run by the Company and to the obligations taken with the cedants, the investment activity is performed in a sound and prudent manner in accordance with the 'Prudent Person Principle' set out in Article 132 of Directive 2009/138/EC, as ruled in the Group Investment Governance Policy (GIGP), that has been approved by Head Office and subsequently approved by the Company.

The 'Prudent Person Principle' is applied independently of the fact that assets are subject to Market Risks, Credit Risks or both.

Common risk measurement methodologies (both qualitative and quantitative) are applied in order to provide an integrated measurement of the risks borne by the Company.

For the evaluation of its Credit Risks, the Company makes use of the EIOPA Standard Formula, as ruled by the Solvency II Directive, complemented by additional measurement techniques deemed appropriate and proportionate.

The methodology used to evaluate the Credit Risks is unchanged with respect to the previous reporting period.

RISK MANAGEMENT AND MITIGATION

The Credit Risks borne by the Company are managed in many concurrent ways.

The Company has adopted guidelines to limit the credit risk of the investments. These favour the purchase of investment grade debt instruments. These are debt instruments with little risk of default by the counterpart or secured by a reliable guarantee.

The asset portfolio is invested and rebalanced according to the asset class and duration weights defined through the Investment Management process described above and based on the 'Prudent Person Principle'. The aim is not just to eliminate the risk but to define an optimal risk-return profile satisfying the return target and the Risk Appetite of the Company over the Business Planning period.

Moreover, the application of the standard formula produces a set of quantitative Risk Metrics that allows the definition of risk tolerance levels and to perform sensitivities analysis on selected risk scenarios.

In addition to the framework illustrated above, the current risk monitoring process of the Company is also integrated by the adoption of the Investment Risk Group Guideline (IRGG) and The System of Investment Risk Limits. These include general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions.

C.4. LIQUIDITY RISK

RISK EXPOSURE AND ASSESSMENT

Liquidity Risk is defined as the uncertainty emanating from business operations, investments, or financing activities, over the ability of the insurer to meet payment obligations in a full and timely manner, in a current or stressed environment. This could include meeting commitments only through credit market access at unfavorable conditions or through the sale of financial assets incurring additional costs due to illiquidity of (or difficulties in liquidating) the assets.

The Company is exposed to Liquidity Risk because of its insurance operating activity, depending on the cash-flow profile of the expected new business, due to the potential mismatches between the cash inflows and the cash outflows deriving from the business. Liquidity Risk can additionally stem from investing activity, due to potential liquidity gaps deriving from the management of the Company's assets portfolio as well as from a potentially insufficient level of liquidity (i.e. capacity of being sold at a fair price in adequate amounts and within a reasonable timeframe) in case of disposal. Finally, the Company can be exposed to liquidity outflows related to issued guarantees, commitments, derivative contract margin calls, or regulatory constraints regarding Insurance Provisions Coverage Ratio and capital position.

The Company's Liquidity Risk Management relies on projecting cash obligations and available cash resources into the future, to monitor that available liquid resources are at all times sufficient to cover the cash obligations that will come due in the same period.

For this purpose, a set of Liquidity Risk Metrics is defined and used to regularly monitor the liquidity situation.

The metrics are calculated both under the base scenario, in which the values of cash-flows, assets and liabilities are consistent with the strategic plan, and under a set of stress scenarios, in which the projected cash inflows and outflows and market price of assets are recalculated to consider unlikely but plausible circumstances that would adversely impact the Company's liquidity.

Liquidity Risk limits are defined in terms of values of the above-mentioned metrics that the Company cannot exceed. The limit framework is designed to ensure that the Company holds a 'buffer' of liquidity in excess of the amount required to withstand the adverse circumstances depicted in the stress scenarios. Liquidity Risk limits are defined within Risk Appetite Framework (RAF).

C.4.1. EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

The Expected Profit Included in Future Premiums (EPIFP) represents the expected present value of future cash-flows which results from the inclusion in Technical Provisions of premiums relating to existing insurance and reinsurance contracts. These are expected to be received in the future, but that may not be received for any reason, other than because the insured event has occurred, regardless of the legal or contractual rights of the cedent to discontinue the Policy.

The amount of EPIFP for the Life business written by the Company has been calculated in accordance with article 260(2) of the Delegated Acts and amounts to 76.287 thousand BGN at year-end 2024. The increase compared to last year (2023: 41.943 thousand BGN) is driven by portfolio development.

The amount of EPIFP for the Nonlife business written by the Company has been calculated in accordance with article 260(2) of the Delegated Acts and amounts to 483.143 thousand BGN at year-end 2024. The increase of the profit compared to the last year (2023: 423.508 thousand BGN) is driven by premium increase mainly due to inflation.

C.5. OPERATIONAL RISK

RISK EXPOSURE AND ASSESSMENT

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. The definition includes the compliance risk and financial reporting risk and excludes the strategic and reputational risks.

RISK MEASUREMENT

Operational risks are measured following the standard formula approach.

The SCR for operational risks amounts to 78 m BGN (equal to 8.9% of total SCR before diversification and 9.4% of total SCR after diversification).

There are no substantial changes to be reported over the reporting period.

RISK MANAGEMENT AND MITIGATION

Although ultimate responsibility for managing risk +sits in the first line, the so-called risk owners, the Risk Management Function with its methodologies and processes ensures an early identification of the most severe threats across the company. In doing so, it provides management at all levels with a holistic view of the broad operational risk spectrum that is essential for prioritizing actions and allocating resources in most risk related critical areas.

The target is achieved by adopting methodologies and tools in line with industry best practices and by establishing a strong dialogue with the first line of defence.

Furthermore, since 2015, the Group has been exchanging operational risk data, properly anonymized, through the Operational Risk data eXchange Association (ORX), a global association of operational risk practitioners where main industry players also participate. The aim is to use the data to improve the risk management and to anticipate emerging trends. In addition, since losses are collected by the first line, the process contributes to create awareness among the risk owners upon risks that actually impact the Group. In this sense, a primary role is played by Group-wide forward-looking assessments that aim to estimate the evolution of the operational risk exposure in a given time horizon, supporting in the anticipation of potential threats, in the efficient allocation of resources and related initiatives.

MAIN ACTIVITIES WITHIN THE OPERATIONAL RISK MANAGEMENT FRAMEWORK

Following best industry practices, Generali's framework for Operational Risk Management includes as main activities the Loss Data Collection (LDC), risk assessment and scenario analysis.

The Loss Data Collection is the process of collection of losses suffered as result of the occurrence of Operational Risk event and provides a backward-looking view of the historical losses suffered due to Operational Risk events.

Risk assessment and scenarios analysis provide a forward-looking view on the risks that expose Generali and require an analysis of the risks performed jointly with the business owners:

- Risk assessment provides a high-level evaluation of the forward-looking inherent and residual risk exposure of each relevant Company and, consequently, of the Group. The outcomes of the assessment drive the execution of the scenario analysis;
- Scenario analysis is a recurring process that, considering the risk assessment results, provides a detailed evaluation of the Group Operational Risk exposure through the selection and the evaluation of specific risk scenarios.

During 2024, the company was monitoring and collecting loss data and performed Overall Risk Assessment, which was a joint activity between Operational Risk and Compliance.

MAIN COMPANY RISKS

Based on the last assessments, the most relevant scenarios at company level are related to Tax risk. The Tax risk is positioned within the low area with mainly adequate control environment. Main rational for the control environment is related to the expected adoption of a minimum additional tax, and the new legislation that has is having significant impact. That change will lead to the need of more training of the team regarding this topic.

Compared to 2023, Cyber Attack and Assets and Business Data Protection have been moved to the Low area. The company has adequate resources with the necessary capabilities regarding these risks. The company also started to use new models of antivirus systems and has integrated new IT systems which helped the company to have a better performance on the risks. Some other risks have been moved to the Adequate control system because of the completed migration to Cloud. By the end of the last year GPRe has been working mainly on the Cloud and the server is used as backup.

The overall impact of the risks has been therefore lowered to acceptable levels.

The company has established an ongoing Loss Data Collection process according to the Group methodology. In 2024 no significant operational loss has occurred in the company.

C.6. OTHER MATERIAL RISKS

C.6.1. CONCENTRATION RISK

Concentration risk is the risk stemming from all risk exposures with a potential loss which is large enough to threaten the solvency or the financial position of the company. Risk concentrations are significant when they could threaten the solvency or the liquidity position of the company, thus substantially impacting its risk profile.

On Generali Group level, there are three categories of exposures identified in terms of main sources of concentration risk for the Group and consequently also for GPRe:

- Investment exposures stemming from investment activity;
- Exposures to reinsurance counterparty default risk stemming from ceded reinsurance; and
- Non-life underwriting exposures, specifically natural disasters or man-made catastrophes.

The annual assessment has outlined no significant risk concentrations at year-end that could undermine the solvency or liquidity situation of the Company.

C.7. ANY OTHER INFORMATION

C.7.1. OTHER RISKS

As part of the qualitative Risk Management framework, also the following risk categories are considered, even though they do not take part of SCR calculations:

- Emerging Risks arising from new trends or risks difficult to perceive and quantify, although typically systemic. These usually include internal or external environmental changes, social trends, regulatory developments, technological achievements, etc. For the assessment of these risks, the Company relies on the information set provided by Head Office and ensures a proper discussion with all main Business Functions
- Reputational Risk referring to potential losses arising from deterioration or a negative perception of the Company or among its customers, counterparties and Supervisory Authority. The processes in place in order to manage this risk are: communication and media monitoring activities, corporate and social responsibility, ethics and compliance. Overall, due to the nature of GP Reinsurance EAD operations, i.e. a captive reinsurer for Generali insurance companies in the CEE region, the exposure to reputational risk is limited.
- Contagion risk refers to potential negative implications that events occurring within one Group company may negatively affect also GP Re.
- IT and Cyber risks are considered with high attention by the Company. Cyber-attacks cannot be controlled and can occur at any time. They are difficult to foresee. Even though mitigations are put in place, the area of cyber security requires constant proactive management.
- Geopolitical risks aiming to oversee regional and world conflicts.
- Sustainability risks including climate change risks.

C.7.2. INFORMATION ON SENSITIVITIES

The Company is testing the sensitivity of its solvency position on various detrimental scenarios. Results are included in the section E.6

C.7.3. MAJOR DEVELOPMENT

Russian invasion of Ukraine, led to an unprecedented wave of sanctions imposed on Russia, their main political figures and most of their economic pillars including formally private economic subjects. Sanctions had an immediate adverse impact on all traded financial instruments connected directly or indirectly with Russia and causing significant losses. The new situation meant two main objectives for GP Re:

- to minimize negative economic effects on GP Re portfolios,
- to avoid any violation of all in-force measures and sanctions imposed on Russia.

The group decided to sell all investments with direct exposure to Russia in dependence on offered price and legality of such transaction.

The situation has been stable during 2024.

The conflict between Israel and Palestine has no direct impact on the risk profile of GPRe. However, geopolitical tensions have increased, which could lead to a new world war.

D. Valuation for Solvency Purposes

The valuation of Assets and Non-Technical liabilities (resp. D1 and D3) is based on the SII regulatory framework that standardizes valuations and measurements of MVBS[2] assets and liabilities, coherently with the Directive 2009/138/EC, which largely reflects the IFRS principles adopted by the European Commission (with some exceptions hereafter reported).

For the sake of clarity, common relevant regulatory reference and disclosure notes have been described both in Assets and Other liabilities, while specific regulatory statements to be applied only on asset or other liability items have been disclosed in the appropriate valuation and measurement section of sub-chapter D.1. and D.3.

In order to define the MVBS at Solo level, all assets and liabilities on the balance sheet must be stated at fair value in accordance with Art 75 of Directive 2009/138/EC (L1 – Dir).

The primary objective for valuation as set out in Article 75 of L1 - Dir requires an economic, market-consistent approach to the valuation of assets and liabilities. According to the approach of Solvency II, when valuing balance sheet items on an economic basis, undertakings need to consider the risks that arise from a particular balance sheet item, using assumptions that market participants would use in valuing the same asset or liability.

This approach leads insurance and reinsurance undertakings to value assets and liabilities at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction; in addition, in case of liabilities valuation, parties shouldn't make any adjustment to take account of the change of the own credit standing of the insurance or reinsurance undertaking occurred from the recognition of the liability to the valuation date.

According to the Commission delegated regulation (L2-DR) insurance and reinsurance undertakings shall value assets, unless otherwise clearly stated in the regulation, in conformity with:

1) International accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002 provided that those standards include valuation methods that are consistent with the valuation approach set out in Article 75 of Directive 2009/138/EC;
   If those standards allow for the use of more than one valuation method, insurance and reinsurance undertakings shall only use valuation methods that are consistent with Article 75 of Directive 2009/138/EC;
2) other valuation methods that are deemed to be consistent with Article 75 of Directive 2009/138/EC, when the valuation methods included in international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002 are either temporarily or permanently not consistent with the valuation approach set out in Article 75 of Directive 2009/138/EC.

By way of derogation from points above *#1* and *#2*, insurance and reinsurance undertakings may value an asset or a liability using an alternative valuation method which is proportionate to the nature, scale and complexity of the risks inherent in the business of the undertaking, provided that:

1) the valuation method is:

- consistent with Article 75 of Directive 2009/138/EC; and
- proportionate with respect to the nature, scale and complexity inherent in the business of the undertaking;

2) the undertaking does not value that asset or liability using international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002 in its financial statements;
3) valuing assets and liability using international accounting standards would impose costs on the undertaking that would be disproportionate with respect to the total administrative expenses.

The IFRSs' accounting bases, such as the definitions of assets and liability and the recognition / derecognition criteria, are applicable as the default accounting framework, unless otherwise stated. IFRSs also refer to a few basic presumptions, which are equally applicable:

- going concern assumption.
- individual assets and liability are valued separately.
- the application of materiality, whereby the omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the Solvency II balance sheet. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

[2] MVBS – market value balance sheet. The term is used within Generali Group to refer to Solvency II balance sheet.

Fair value hierarchy

In Tech Spec (V6) it is clearly indicated the fair value hierarchy to be adopted in valuating assets and other liabilities than technical provision. On this basis, the undertaking applied the following hierarchy of high-level principles for valuation of assets and liabilities:

I. use of quoted market prices in active markets for the same assets and liability

II. where the use of quoted market prices for the same assets or liability is not possible, use of quoted market prices in active markets for similar assets or liability with adjustments to reflect differences

III. if there are no quoted market prices in active markets available, use of mark-to-model techniques. Those alternative valuation techniques must be benchmarked, extrapolated or otherwise calculated as far as possible from a market input

IV. maximum use of relevant observable inputs and market inputs is recommended, while use of undertaking-specific inputs and unobservable inputs should be minimize

V. valuing liabilities at IFRS fair value, the adjustment to take account of the own credit standing as required by IFRS 13 Fair Value Measurement must be eliminated. In addition, when valuing financial liabilities subsequently after initial recognition, the adjustment to take account of the own credit standing as required by IFRS 13 Fair Value Measurement and as defined by IFRS 7 Financial Instruments: Disclosures, has to be eliminated.

The definition of fair value in IFRS 13 is based on an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement. Being basic concept from IFRS13 imported into SII environment, inputs used in valuation techniques are classified into three levels, giving the highest priority to (unadjusted) quoted prices in active markets for identical asset or liabilities and the lowest priority to unobservable inputs[3].

Level 1 inputs

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions.

If an entity holds a position in a single asset or liability and the asset or liability is traded in an active market, the fair value of the asset or liability is measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity, even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Level 2 inputs

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly.

They include:

- quoted prices for similar assets or liabilities in active markets.
- quoted prices for identical or similar assets or liability in markets that are not active.
- inputs other than quoted prices that are observable for the asset or liability, for example:
    - interest rates and yield curves observable at commonly quoted intervals
    - implied volatilities
    - credit spreads.
- inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs').

Level 3 inputs

Level 3 inputs are unobservable inputs for the asset.

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

[2] If the inputs used to measure fair value are classified at different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement (based on the application of judgment).

Fair value measurement approach

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

A fair value measurement requires an entity to determine all of the following:

- the particular asset or liability that is the subject of the measurement (consistently with its unit of account)
- for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use)
- the principal (or most advantageous) market for the asset or for the liability
- the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or the liability and the level of the fair value hierarchy within which the inputs are categorized.

Guidance on measurement

IFRS 13 provides the guidance on the measurement of fair value, including the following:

- an entity takes into account the characteristics of the asset or the liability being measured that a market participant would take into account when pricing the asset or the liability at measurement date (e.g. the condition and location of the asset and any restrictions on the sale and use of the asset);
- fair value measurement assumes an orderly transaction between market participants at the measurement date under current market conditions;
- fair value measurement assumes a transaction taking place in the principal market for the asset or the liability, or in the absence of a principal market, the most advantageous market for the asset or the liability;
- a fair value measurement of a non-financial asset considers its highest and best use;
- a fair value measurement of a financial or non-financial liability or an entity's own equity instruments assumes it is transferred to a market participant at the measurement date, without settlement, extinguishment, or cancellation at the measurement date;
- the fair value of a liability reflects non-performance risk (the risk the entity will not fulfil an obligation), including an entity's own credit risk and assuming the same non-performance risk before and after the transfer of the liability;
- an optional exception applies for certain financial assets with offsetting positions in market risks or counterparty credit risk, provided conditions are met (additional disclosure is required).

Valuation techniques

An entity uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset would take place between market participants and the measurement date under current market conditions. Three used valuation techniques are:

- market approach – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets/liability or a group of assets/liabilities (e.g. a business);
- cost approach – reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost);
- income approach – converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts.

In some cases, a single valuation technique will be appropriate, whereas in others multiple valuation techniques will be appropriate.

SII legislation clearly states the similarity of the approach, with particular regards to *Article 10 L2-DR Valuation methodology – valuation hierarchy.*

D.1. ASSETS

Solvency II regulation clarifies the relation between the SII valuation of assets and liabilities and the international accounting standards (IFRS) adopted by the European Commission in accordance with Regulation (EC) No 1606/2002 provided that those standard include valuation methods consistent with the requirement of Art 75 – L1 Dir. The primary objective for valuation as set out Solvency II regulation requires an economic, market-consistent approach to the valuation of assets and liabilities. According to the approach defined by Solvency II, when valuing balance sheet items on an economic basis, undertakings need to consider the risks that arise from a particular balance sheet item, using assumptions that market participants would use in valuing the asset or the liability.

According to this approach assets and liabilities are valued as follows:

I. Assets should be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction;

II. Liabilities should be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

When valuing liabilities under point (ii) no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made.

In Solvency II environment, fair valuation should be generally determined in accordance with IFRS principles statement. Only for some specific items, exceptions are required or IFRS valuation methods are excluded.

In particular, the exceptions refer to:

- Goodwill and intangible assets;
- Participations (or related undertakings);
- Deferred taxes.

Additional information on the presentation of assets and liabilities under Solvency II and the assets and liabilities under IFRS as adopted by EU can be found in the Annex – BS QRTs.

GOODWILL, DAC AND INTANGIBLE ASSETS

According to L2-DR Article 12 (Valuation methods for goodwill and intangible assets), insurance and reinsurance undertakings shall value at zero goodwill, deferred acquisition costs and intangible assets other than goodwill, unless the intangible asset can be sold separately and the insurance and reinsurance undertaking can demonstrate that there is a quoted market price for the same or similar assets. Computer software tailored to the needs of the undertaking and "off the shelf" software licenses that cannot be sold to another user shall be valued at zero.

All intangible assets and DAC are valued at zero in MVBS balance sheet. The Company does not have any goodwill as at 31.12.2024.

DEFERRED TAXES

Although recalling the IAS 12 principles in the current SII regulatory framework, in order to avoid any possible misunderstanding about IAS 12 interpretation and application, SII legislation clarifies explicitly that all the reference amounts on which determination of deferred taxes is based on should be calculated in accordance with SII valuation instead of IFRS rules.

Solvency II regulatory framework states that in the MVBS deferred tax assets, representing the amounts of income taxes recoverable in future periods, shall be recognized in respect of:

- deductible temporary differences[4];
- the carry-forward of unused tax losses; and
- the carry-forward of unused tax credits.

and determined on the basis of the differences between the values ascribed to assets and liabilities (recognized and valued in accordance with Articles 75-86 of L1 -Dir) and the values ascribed to assets and liabilities as recognized and valued for tax purposes.

Undertakings ascribe a positive value to deferred tax assets when it is probable that future taxable profit will be available against which the deferred tax asset can be utilized, taking into account any legal or regulatory requirements on the time limits relating to the carry-forward of unused tax losses or the carry-forward of unused tax credits.

Furthermore, IAS 12 provides that the enterprise shall recognize a deferred tax asset with respect to the carry forward of unused tax losses and tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. In evaluating the probability that future taxable profits will be realized against which unused tax losses and unused tax credits can be utilized, IAS 12 points out that the existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, when a group entity has a history of recent losses, the entity recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity.

While a DTL can be recognized in the balance sheet without further justification, the recognition of a DTA is subject to a recoverability test, which aims at showing that sufficient profits will be available in the future to absorb the tax credit, since a DTA can only be recognized "to the extent that it is probable that future taxable profit will be available against which the DTA can be utilized". In case the deferred taxes after shock (= initial deferred taxes + adjustment) result in a situation of DTA, a recoverability test will be needed to verify if the whole tax can be recognized. In order to test this recoverability, it is necessary not only to take into account any sources of future profits,

[4] [4] A temporary difference is a difference between the carrying amount of an asset or liability in the balance sheet and its tax base.

including the ones which are not already recognized in the balance sheet, but also “any legal or regulatory requirements on the time limits relating to the carry forward of unused tax losses / credits”.

IAS 12 prohibits discounting of DTA and DTL to reflect the time value of money due to its impracticability or complexity in scheduling the timing of reversal of each temporary difference.

The carrying amount of a deferred tax asset should be reviewed at each balance sheet date. An enterprise should reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction should be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

In this respect, IAS 12.28 explains that taxable temporary differences relating to the same taxation authority and the same taxable entity as the deductible temporary differences are one source of evidence that taxable profits will be available. If these compatible taxable temporary differences will reverse in the same periods as the deductible temporary differences or in periods into which tax losses may be carried back or forward, deferred tax assets should be recognized (IAS 12.28 and 36).

In other words, deferred tax assets should be recognized, at a minimum, to the extent of existing taxable temporary differences that are likely to offset the effects of any deductible temporary differences, unused tax losses or unused tax credits.

Deferred tax assets arising from available tax losses are recognized if the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available (IAS 12.35). Entities may therefore look forward for several future accounting periods to determine whether they will have sufficient taxable profit to justify the recognition of a deferred tax asset. In these circumstances, there is no specific restriction on how many years the entity may look forward (‘the lookout period’), unless there is a date at which the availability of the tax losses expires.

The uncertainties of the future mean that the evidence supporting future profits in later periods will generally not be as convincing as that for earlier periods, but there is no rule as to the duration of the lookout period. This depends on the facts and circumstances of the situation in question. The unavailability of detailed profit forecasts does not necessarily jeopardize the assumption that profits for later years are available to support a deferred tax asset. If there are detailed forecasts showing profits for the next three years, it may be unlikely that profits will reduce to nil in year four.

The key condition is that the profits are probable and that there is convincing evidence to support the management’s assumptions.

An entity’s projections should be, generally, consistent with the assumptions made about projection periods in other areas of financial reporting. For example, assumptions used in value in use impairment testing calculations would be expected to be consistent with assumptions used in determining whether a deferred tax asset is recoverable.

The recoverability of deferred taxes should be reassessed at the end of each reporting period using the criteria set out in IAS 12.36.

The table below presents deferred tax assets and liability recognized by the Company in the economic balance sheet.

SII BS item (Thousand BGN)	DTA	DTL
Other investments	-	(1.968)
Receivables, payables	48	(1)
Land and buildings (investment properties, self-used, property inventories and held for sale)	-	(4)
Insurance provisions and amount ceded to reinsurers from insurance provisions	558	(50.495)
Other provisions	257	-
Netting	(863)	863
Total	-	**(51.605)**

Deferred tax liabilities arise mostly from the difference between technical provision tax value and technical provision calculated according to SII.

Deferred tax liability on receivables and payables relates mainly to the difference on reinsurance payables, which are for the SII purposes adjusted to be consistent with the insurance provisions calculated according to the SII principles.

There are no unused losses from the current or preceding period to which deferred tax relates.

The probability of future taxable profits is supported by the business plans, which are prepared for three years horizon and approved by the parent company.

The major part of DTA and DTL arise from the SII valuation of financial instruments and properties as well as technical provisions compared to their tax base and IFRS valuation.

Net Deferred Taxes

	Expiry Date				
(Thousand BGN)	Total	Up to 1 year	Between 1 and 5 years	More than 5 years	Unlimited
Net Deferred Taxes	**(51.605)**	-	**(51.605)**	-	-
		-		-	-
Deferred Tax Assets	**863**	-	**863**	-	-
DAC & Intangible assets	-	-	-	-	-
Investments (including Real Estate self-used)		-		-	-
Net Insurance Provision and Reinsurance Deposits	558	-	558	-	-
Financial Liabilities	-	-	-	-	-
Other Items	305	-	305	-	-
Deferred Tax Liabilities	**(52.468)**	-	**(52.468)**	-	-
DAC & Intangible assets	-	-	-	-	-
Investment (including Real Estate self-used)	(1.968)	-	(1.968)	-	-
Net Insurance Provision and Reinsurance Deposits	(50.495)	-	(50.495)	-	-
Financial Liabilities	-	-	-	-	-
Other Items	(5)	-	(5)	-	-

INVESTMENTS – HOLDINGS IN RELATED UNDERTAKINGS

A participation is constituted by the share ownership or by the full use of a dominant or significant influence over another undertaking[5]. In this respect the IFRS concept of control and significant influence applies and as a result, holdings are not limited to equity instruments.

When classifying a participation based on share ownership, directly or by way of control, the participating undertaking has to identify:

I. its holding percentage of voting rights and whether this represents at least 20% of the potential related undertaking's voting rights (paid-in ordinary share capital); **and**

II. its holding percentage of all classes of share capital issued by the related undertaking and whether this represents at least 20% of the potential related undertaking's issued share capital (paid-in ordinary share capital and paid-in preference shares).

Where the participating undertaking's holding represents at least 20% in either case its investment should be treated as a participation.

<u>**Valuation**</u>

In the L2 –DA, Article 13 provides a hierarchy that shall be used to value holdings in related undertakings for Solvency purposes:

[5] L3 Guidelines states that when identifying a related undertaking pursuant to Article 212 (2) of Directive 2009/138/EC on the basis that the participating undertaking can exert a dominant or significant influence over another undertaking, supervisory authorities should consider the following:

- current shareholdings and potential increases due to the holding of options, warrants or similar instruments.
- membership rights of a mutual or mutual-type undertaking and potential increases in such rights
- representation on the administrative, management or supervisory board of the potential related undertaking
- involvement in policy-making processes, including decision making about dividends or other distributions.
- material transactions between the participating undertaking and potential related undertaking
- interchange of managerial personnel
- provision of essential technical information
- uniform management.

- Quoted market price
- Adjusted equity method (if no active market)
- IFRS equity method (if non-insurance)
- Alternative techniques (if associates or joint controlled entities).

Measurement principles in IAS 27, IAS 28 and IAS 31 do not apply for the Solvency balance sheet, since they do not reflect the economic valuation required by Solvency II Directive (Article 75).

The economic value of holdings shall correspond to the quoted market price in an active market, if available. When exists an active market for the instrument, which constitutes the insurer's holding in a related undertaking, it is assumed that the holding can be disposed for a price equal to the quoted price on that market[6].

Many related undertakings are not listed on securities markets. This is in particular the case for subsidiary and joint venture undertakings. If there is no observable quoted price from an active market available, the adjusted equity method (representing insurer's or reinsurer's share of the excess of assets over liabilities valued in accordance with articles 75 – Dir) should be applied to insurance and reinsurance related undertakings.

In case of non-insurance related undertakings, alternatively the Adjusted IFRS equity method - equity method as prescribed in IFRS with the deduction of the value of goodwill and intangible assets - could be applied.

For associates it is also allowed, where an adjusted equity method/adjusted IFRS equity method is not possible, to use an alternative valuation method provided that this method is consistent with the valuation approach set out in article 75. The general approach for associated entities is the following:

a) if the associated undertaking is valued at cost for Generali Group IFRS purposes an alternative method is adopted (IFRS book value);

b) if the associated undertaking is valued at Equity for Group IFRS purposes, entity is valuated using:

1. Adjusted IFRS equity method (default approach); or
2. Adjusted Equity method. This option is applicable only for some types of undertakings (i.e. not for SII sectoral entities).

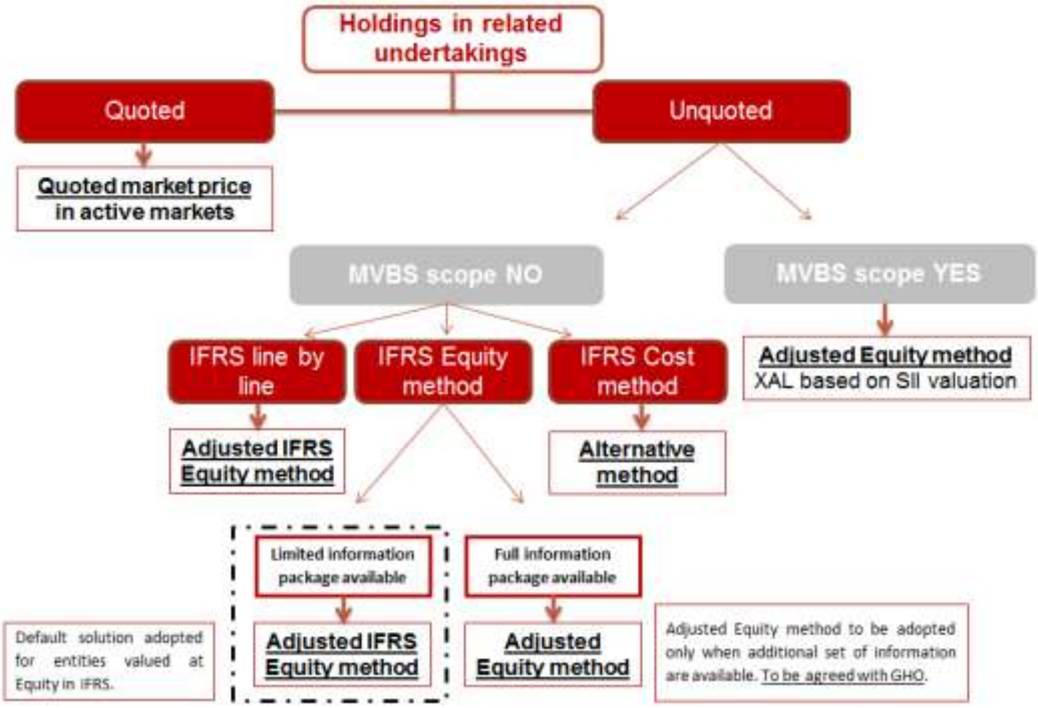
In general terms, using the Adjusted IFRS equity method instead of the adjusted equity method based on Solvency II valuation principles may not lead to a proper economic value because, in many cases, not all balance items will be measured at fair value. However, this method is introduced to facilitate and harmonize the valuation in cases where it is difficult to revalue the complete balance sheet of the related undertaking based on Solvency II principles. Therefore, it only can be applied when the same method has been applied in the financial statements – meaning that the information is available already. To have consistency with the adjusted equity method based on Solvency II principles, goodwill and intangible assets shall be deducted.

Normally it will be possible for the insurer or reinsurer to recognize and value the individual assets and liabilities in the related undertakings in accordance with the Solvency II approaches applied on its directly owned assets and liabilities. In some cases, however, when the related undertaking is not controlled by the insurer or reinsurer (i.e. the related undertaking is not a subsidiary) the parent undertaking may not have sufficient knowledge of the individual assets and liabilities in the related undertaking to apply an economic valuation on them. In such cases the insurer or reinsurer can apply an alternative valuation.

As far as adjusted equity method and adjusted IFRS equity method are concerned, it has to be highlighted that negative SII generated by the application of one of the two methods above mentioned are not floor to zero. The only peculiarity that differs related undertaking with negative SII value from the general participations having a positive SII value is the MVBS classification: related undertaking with negative SII value are not classified as participation asset, but on liability side as provisions other than technical provisions.

The following decisional tree reports drivers and triggers adopted to properly associate different alternative method to each related undertaking.

[6] The quoted price will include market participants assessment of elements in the related undertaking that otherwise would not be included in a Solvency II balance sheet, e.g. goodwill and intangible assets. However, the fact that the equity instruments have a quoted price in an active market and presumably could be sold on that market justifies this valuation.



Finally, it has to be worthwhile mentioning that the fair value of all group participations is determined centrally using the wide range of data gathered by Group that allows the Head Office functions to determine the SII value of related undertakings in compliance with the decisional tree above reported for all the local parent company.

INVESTMENTS – EQUITIES

The SII valuation method for equity is in line with IFRS measurement. Therefore, no difference arises between statutory accounts and SII value.

INVESTMENTS – GOVERNMENT BONDS

According to SII regulation, all bonds are recognized at IFRS fair value; while, for statutory accounts a part of bond portfolio, specifically the IFRS categories of loans and held to maturity, is recognized at IAS/IFRS amortized cost. This difference determines the change in values.

INVESTMENTS – BONDS (CORPORATE, STRUCTURED NOTES, COLLATERALISED SECURITIES)

According to SII regulation, all bonds are recognized at IFRS fair value; while, for statutory accounts a part of bond portfolio, specifically the IFRS categories of loans and held to maturity, is recognized at IAS/IFRS amortized cost. This difference determines the change in values.

COLLECTIVE INVESTMENTS UNDERTAKINGS

No difference between statutory accounts and SII value (both of them recognized at fair value). The item includes also hedge funds

DERIVATIVES

No difference between statutory accounts and SII value (both of them recognized at fair value).

DEPOSITS OTHER THAN CASH EQUIVALENTS

Generally, no relevant change to SII value moving from statutory to MVBS accounts due to close duration and maturity.

OTHER INVESTMENTS

Residual class of investments items.

LOANS AND MORTGAGES

According to IFRS valuation, loans are measured at amortized cost rather than at fair value. This implies a different valuation moving from IFRS to MVBS metrics: loans and mortgages are recognized at IAS/IFRS amortized cost for IFRS statutory accounts, while at fair value for SII purpose.

DEPOSITS TO CEDANTS

The change to SII value is due to the different accounting approach: deposits to cedants are recognized at IAS/IFRS amortized cost for statutory accounts, while SII value recognized them at fair value. In dependence on the reinsurance agreement (if for instance the return of the deposit is the variable risk free return) the cost could represent an acceptable proxy of the fair value of the cash deposits; in some cases more enhanced models are used, based on cash flows related to the deposit and regulated by the reinsurance agreement itself.

RECEIVABLES (INSURANCE, REINSURANCE, TRADE NOT INSURANCE)

Due to short duration and maturity and to the absence of expected interest cash-flows, receivables do not present relevant change to SII value moving from statutory to SII values as the IFRS values is considered a good approximation of fair value and therefore receivables are classified within level 3 of the fair value hierarchy. If appropriate, receivables are valued at market value, considering observable inputs.

CASH AND CASH EQUIVALENTS

Due to short duration and maturity, cash and cash equivalents are not subject to relevant change for SII purposes.

ANY OTHER ASSETS, NOT ELSEWHERE SHOWN

All other assets are recorded at fair value under Solvency II, but by default the IFRS value is kept. This class of assets mainly include prepaid interest, deferrals, and other accrued income.

D.2. TECHNICAL PROVISIONS

LIFE TECHNICAL PROVISIONS

SII Group life technical provisions: overview and details by component

The Solvency II Life Technical Provisions at the end of 2024 have been calculated according to articles 77 to 83 of the Solvency II Directive 2009/138/EC. In line with Solvency II rules and the policy conditions, contract boundaries are determined by the length of reinsurance contract for CPI protection business and accidental riders which is set as one year.

The following table shows the amount of Solvency II Group Technical Provisions as of 31 December 2024 and as of 31 December 2023, broken down by main components: best estimate of liabilities, risk margin and reinsurance recoverables net of the counterparty default adjustment.

(SII Life technical provisions)

(BGN thousand)	31/12/2024	31/12/2023
Best estimate of liabilities - gross of reinsurance	72.231	115.316
Risk margin	11.675	5.812
Technical provisions - gross of reinsurance	**83.906**	**121.128**
Reinsurance recoverables	-	-
Technical provisions - net of reinsurance	**83.906**	**121.128**
Transitional measures	-	-
Technical Provision – net of reinsurance and transitional measures	**83.906**	**121.128**

The Best Estimate of liabilities is composed of four parts with opposite impact. Accepted claim reserves which are not revaluated (not modelled business), accepted CPI business, accepted long term protection business and accepted annuities stemming from nonlife from

CEE entities. The Technical provision related to CPI and long term protection products generates negative liability, as this segment is very profitable. The technical provisions related to nonlife annuities generate positive liability. BEL for unmodelled business is equal to the claim reserve (positive part of BEL).

The main driver of the change in the BEL as at YE24 is new treaty (long term protection) that was not presented in the YE23 and has significant value of BEL. Risk Margin reflects these changes.

SII Group life technical provisions: details by line of business

The following table reports the amount of Solvency II Group life technical provisions (and of its main components) at 31 December 2024 with breakdown by main lines of business.

SII Life technical provisions at 31.12.2023

(BGN thousand)	BEL gross of reins.	Risk margin	SII TP gross of reins.
Life insurance other than index and unit linked	72.231	11.675	83.906
Index and unit linked	-	-	-
Health insurance similar to life	-	-	-
Total	**72.231**	**11.675**	**83.906**

Life Technical provisions of GPRe are composed only of Life insurance other than index and unit linked.

SII Group life technical provisions: comparison with statutory reserves

Starting from 2024 the IFRS17 is adopted as a Local GAAP. In this manner the PVFCF according to the standard is reported as a statutory reserves. There is a difference between IFRS17 and SII TP, which are clearly explained between reconciliation phase.

	S2 BEL (after transitional)/ IFRS 17 PVFCF (inc. PVFCF on LIC)
S2 "official" amount reported in LAMP	72.231
Impact due to IFRS 17 Life Segment (NLA. Decessso,…)	(139.557)
Impact due to business measured under PAA	107.413
IFRS 17 PVFCF/PVFP	40.088
Payables for claims/ Sums to be paid considered in IFRS 17	40.637
Receivebles considered in IFRS 17 (refer to Rec guideline)	(63.431)
IFRS 17 PVFCF and other comp.inc. PAA/IFRS 17 VIF bencmark	17.294

The difference between statutory reserves and Solvency II life technical provisions is due to the substantial methodological differences between their respective valuation approaches. The nonlife annuities are reported in IFRS 17 in nonlife but in life under Solvency II. The CPI products are in Solvency valuation based of future cash flows performed using best estimate operating assumptions and discounting using the current interest rate term structure. Under IFRS 17 are classified as PAA portfolio. Accident riders are as delta perimeter reported in life for IFRS17.

SII Group life technical provisions: source of uncertainty

In addition to methods, models and data used, the valuation of Solvency II life technical provisions depends on the assumptions made on a number of operating and economic factors whose future realization might differ from the expectations at the valuation date, regardless of how accurate these might be.

Given the nature of the portfolio, in terms of operating assumptions, the most relevant is the impact of mortality sensitivity (+/-12,9% in +/-10% scenario).

NON-LIFE TECHNICAL PROVISIONS

The P&C technical provisions, both related to

- outstanding claims reported or not and occurred before the evaluation date, whose costs and related expenses have not been completely paid by that date (outstanding claims reserve)

- future claims of contracts that are either in force at the valuation date or for which a legal obligation to provide coverage exists (premiums reserve)

are calculated as the sum of the discounted best estimate of liabilities (BEL) and the risk margin (RM)

TP = BEL + RM

The discounted best estimate of liabilities (BEL) is calculated applying the methods and assumptions that are briefly described in the following paragraphs, separately for outstanding claims reserve and premiums reserve.

Outstanding Claims Reserve

Undiscounted UBEL for outstanding claims is being calculated by ceding companies. GP Re then sets its UBEL for outstanding claims by overtaking the amounts from the cedants. Separately for current year and previous year claims reserves.

Claims and Grouping

Each mirrored portfolio is selected to identify homogeneous groups of risks, type of coverage and other specificities, such as the length and the variability of the claims run-off. The minimum level of granularity adopted considers the split between types (direct business, proportional accepted business, non-proportional accepted business) and, in each category, identifies twelve lines of business (workers compensation; medical expense; income protection; motor vehicle liability; other motor; marine, aviation and transport; fire and other damage to property; general liability; credit and suretyship; legal expenses; assistance; miscellaneous financial loss). In addition the corporate and non-corporate businesses are analyzed separately

Expenses

The reserve for expenses directly arising from a particular compensation case (Allocated Loss Adjustment Expenses (ALAE)) is accepted as a part of data claims coming from QS RI treaties.

The reserve for expenses not directly arising from a particular compensation case constitutes the reserve for Unallocated Loss Adjustment Expenses (ULAE). The company doesn’t have ULAE.

Inflation

The inflation was considered by all cedants in their UBEL OC calculation. These assumptions were overtaken by GP Re when the amounts were mirrored.

Net Evaluation

Almost all business is covered by XL treaties. Quota share covers only a negligible part of the portfolio (mainly Bonds).

For each homogeneous group of risks, the UBEL net of reinsurance is calculated adopting the following simplified approach:

$$UBEL_{net}^{OC} = UBEL_{gross}^{OC} \cdot \%NG$$

where %NG indicates the percentage of IFRS net outstanding claims reserve on IFRS gross outstanding claims reserve.

The valuation of the best estimate net of reinsurance is performed considering an adjustment for the expected losses due to default of the reinsurance counterparties (counterparty default risk adjustment).

Premiums Reserve

For contracts with premiums already written, the UBEL of the premium provisions is defined as the sum of the following two components (considering gross and net inputs to obtain gross and net results):

- claims related component: the amount of the unearned premium provisions derived from IFRS is multiplied by a specific measure of the current year loss ratio, aiming to take out the effect of the adequacy of the estimated UBEL of the outstanding claims reserve (OCR);
- administration expenses related component: the amount of the unearned premium provisions derived from IFRS is multiplied by a specific measure of the administration expense ratio to represent the expected part due to expenses stemming from existing contracts.

For un-incepted (instalments included) and multi-year contracts, the UBEL of the premium reserve is defined as the sum of the following cash flows:

- cash in-flows arising from future premiums.
- cash out-flows arising from future claims, net of salvage and subrogation, including allocated and unallocated claims.

- cash outflows arising from administration expenses in respect of claims occurring after the valuation date as well as costs arising from on-going administration of in-force policies and acquisition costs, insofar related to the considered portfolio.

Like the outstanding claims reserve, the net premiums reserve is also adjusted to consider the default risk of the counterparties.

Discounting

The discounted Best Estimate of Liabilities (BEL), both related to outstanding claims reserve and premiums reserve, is derived by discounting the expected future payments of the UBEL by different reference basic risk-free rate curves according to currency of liabilities.

Risk Margin

The risk margin is added to the BEL to derive a market-consistent value of liabilities. It captures the economic value of non-hedgeable risks (reserving, pricing, catastrophe, counterparty default and operational) to ensure that the value of technical provisions is equivalent to the amount that an insurance company would be expected to require to take over and meet the insurance obligations. The risk margin is calculated with a cost of capital (CoC) approach at the line of business level taking the diversification benefits between risk types and lines of businesses into account.

Overview of Technical Provisions

SII Non-life technical provisions - Claims provisions

(BGN thousand)	12/31/2024	12/31/2023
Best estimate of liabilities - gross of reinsurance	1.226.300	1.095.037
Risk margin	47.184	45.918
Technical provisions - gross of reinsurance	**1.273.484**	**1.140.955**
Reinsurance recoverables	(258.914)	(153.120)
Technical provisions - net of reinsurance	**1.014.571**	**987.835**

SII Non-life technical provisions - Premium provisions

(BGN thousand)	12/31/2024	12/31/2023
Best estimate of liabilities - gross of reinsurance	(466.875)	(407.381)
Risk margin	49.428	50.812
Technical provisions - gross of reinsurance	**(417.447)**	**(356.569)**
Reinsurance recoverables	31.098	5.157
Technical provisions - net of reinsurance	**(386.349)**	**(351.411)**

Following events had impact on the movement of best estimate, reinsurance recoverables and risk margin of claims provisions:

- Gross/Ceded BEL increase driven by large claims occurring in 2024 (Boris, Bambi), both claims already reached external treaty XL limit therefore the outstanding reserve is fully retroceded. Impact visible on Property and Casco LoBs
- Risk margin remains stable

Following events had impact on the movement of best estimate, reinsurance recoverables and risk margin of premium provisions:

- Large amount of un-incepted business cause that the liabilities of premium provisions are negative;
- Increasing premium (mainly due to inflation) of accepted business caused BEL decrease;
- Risk margin remains stable.

Details by Line of Business

The claims provisions are allocated mainly to motor line of business. Large amount of un-incepted business cause that the liabilities of premium provisions are negative. The split of risk margin to SII LoBs is proportionate to the split of best estimate of liabilities. The part of BEL related to the investment management expenses is reported under simplified approach.

SII Non-life technical provisions - Claims provisions at 31/12/2024

(BGN thousand)	BEL net of reins. after CDA	Risk margin	SII TP net of reins.
Total	**967.387**	**47.184**	**1.014.571**
Direct and accepted proportional	**902.276**	**29.773**	**932.048**
Non-life motor	400.930	15.745	416.674
Non-life non motor excl. AHD	443.401	13.097	456.499
Accident, Health and Disability	57.945	930	58.875
Accepted non-proportional	**57.557**	**17.411**	**74.968**
Non-life motor	13.869	11.695	25.564
Non-life non motor excl. AHD	42.106	5.683	47.789
Accident, Health and Disability	1.582	34	1.616
Simplified approach	**7.554**	**-**	**7.554**

SII Non-life technical provisions - Premium provisions at 31/12/2024

(BGN thousand)	BEL net of reins. after CDA	Risk margin	SII TP net of reins.
Total	**(435.777)**	**49.428**	**(386.349)**
Direct and accepted proportional	**(381.105)**	**34.220**	**(346.885)**
Non-life motor	(97.634)	13.400	(84.234)
Non-life non motor excl. AHD	(275.828)	19.808	(256.020)
Accident, Health and Disability	(7.643)	1.012	(6.632)
Accepted non-proportional	**(54.672)**	**15.208**	**(39.463)**
Non-life motor	(20.936)	7.892	(13.044)
Non-life non motor excl. AHD	(31.279)	7.142	(24.137)
Accident, Health and Disability	(2.457)	174	(2.282)

Use of Long-term Guarantee Measures

Neither transitional measures nor matching adjustments were applied during the calculation of the best estimates of technical provisions. A volatility adjustment was not applied by the Company.

Source of Uncertainty and Sensitivity Analyses

Two kinds of sources of uncertainty are embedded in the technical provisions. The first emanates from the substance of the insurance business and is represented by the randomness of the process of claims occurrence and reporting. This is monitored by actuaries through the construction of stochastic scenarios resulting in distribution of possible claims run-off results. The highest uncertainty is experienced in the lines of business with long lasting settlement process. IFRS reserves are currently set on the level so that the Company was able to cover deviation from undiscounted BEL with return period higher that 1-in-20 years.

The second type of uncertainty is represented by external factors such as claims inflation, interest rates and changes in legislation. These factors are not driven by the Company, but their impact can be reduced by the ongoing monitoring of the market and legal environment and early identification or even anticipation of possible changes. Sensitivity analyses of external factors are performed by the Company. A decrease of the risk-free rate by 50 basis points would result in an increase of BEL by 3,3%.

The company reduces the risk of volatility by diversification and reinsurance. Providing reinsurance cover to many different companies and lines of businesses mitigates the relative impact of negative development results coming from run-off in individual sectors. Properly chosen structure of external reinsurance programs helps to limit the absolute impact of potential negative run-off**.**

D.3. OTHER LIABILITIES

In this chapter, an overall description of the SII valuation methods for Liabilities other than technical provision is given, complementary to the general Valuation for Solvency Purposes (paragraph D - introduction).

L2-DR, in accepting valuation methods defined in IFRS, anticipates that there are cases where IFRS valuation methods are not consistent with Art 75 requirements.

L2-DR states the exclusion of specific valuation methods such as cost or amortized cost and models where value is determined at the lower of the carrying amount and fair value less costs to sell.

This chapter outlines SII valuation methods for the main classes of liabilities other than technical provisions, reporting the following information:

- description of the valuation basis, methods and main assumptions used for solvency purposes
- quantitative and qualitative explanation of any material differences in the valuation basis, methods and main assumptions used by the undertaking for solvency purposes and those used in financial statement valuations.

A description of the SII valuation methods for the most relevant classes of liabilities other than technical provisions is given, complementary to the general valuation for Solvency purposes and the balance sheet template illustrated in the introduction.

CONTINGENT LIABILITIES

For the definition of contingent liabilities, Solvency II regulation (L2-DR Article 11) refers to IAS 37 § 10. A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; **or**
- a present obligation that arises from past events but is not recognized because:
    - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
    - the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities include present obligations, where the “contingency” implies uncertainty about the amounts and timing.

As far as Solvency II regulation is concerned, Article 75 L1-Dir and the L2 –DA, state that:

- Insurance and reinsurance undertakings shall recognize as liabilities the contingent liabilities, as defined in international accounting standards, and as endorsed by the Commission in accordance with Regulation (EC) No 1606/2002, that are material.
- Contingent liabilities are material if information about the current or potential size or nature of that liability could influence the decision-making or judgment of the intended user of that information.
- contingent liabilities shall be evaluated based on the expected present value of future cash-flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate term structure. Moreover, when valuing liabilities, no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be applied.

Valuation

The recognition criteria for contingent liabilities on the Solvency II balance sheet are determined by the definition in IAS 37 for contingent liabilities.

While under IAS 37 an entity should not recognize a contingent liability but only disclose it under Solvency II if these contingent liabilities are material and the possibility of an outflow of resources embodying economic benefits is not remote, they have to be recognized on the Solvency II balance sheet.

Contingent liabilities are material if information about the current or potential size, or nature, of that liability could influence the decision-making or judgment of the intended user of that information[7].

The Company does not have any contingent liabilities as at 31.12.2024.

[7] An exception to the requirement to recognize material contingent liabilities in the Solvency II balance sheet is where the contingent liability arises, for accounting purposes, as a result of no reliable estimate being possible for the valuation of a liability. In such instances, since the value of the contingent liability cannot be reliably measured, only a disclosure is required.

PROVISIONS OTHER THAN TECHNICAL PROVISIONS

IAS 37 is regulating provision other than technical ones and it is deemed to be compliant with Art 75 L1 – Dir. For this reason, there are no differences on this item between IFRS statutory account and MVBS value being the valuation models adopted the same in both frameworks.

The amount recognized as provision represents the amount that an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time (best estimate approach). In reaching the best estimate of a non-technical provision, the following elements are considered:

- circumstances to be considered for the calculation of the amount to be recognized as a provision.
- risks surrounding many events related to the obligation are included in the valuation model.
- uncertainties as well as period of incurrence of the obligation and different expected cash-flows are estimated based on model assumptions.
- discount rate used to determine the best estimate of provisions other than technical provisions (before tax impact) reflects market conditions of the time value of money and the risks specific to the liability at valuation date and does not include risks for which future cash flow estimates have been already adjusted.

No significant difference arises between IFRS statutory accounts and SII value being the valuation models adopted the same in both the frameworks.

Other current liabilities, retirement benefit obligations, reinsurance deferral and reinsurance contracts payables

Other current liabilities (BGN thousand)

	31.12.2024	**31.12.2023**
Corporate income tax liabilities	28.096	22.604
Payables to suppliers and to related parties	115	150
Payables to social security and other government authorities	23	92
Cash collateral under a contract	586	-
Other accruals	3.609	3.751
Total	**32.429**	**26.597**

The fair value is close to the carrying amount of the other current liabilities due to their short-term nature.

PENSION BENEFIT OBLIGATIONS

Retirement provisions (BGN thousand)

	2024	2023
Amount recognized in the balance sheet:		
Present value of the liability	28	26
Carrying amount of the liability	**28**	**26**
Liability movements for the year		
At the beginning of the year	**26**	**38**
Income/Expense through the statement of comprehensive income	2	(12)
At the end of the year	**28**	**26**
Actuarial assumptions		
Discount rate (%)	3%	3%
Salaries increase	-	-

DEFERRED TAX LIABILITIES

Deferred taxes recognized on liability side follows the same assumptions of deferred taxes recognized on assets side. Consequently, the same consideration provided in D.1. Assets could be reapplied for liabilities purposes.

Although the IAS 12 principles are accepted in the current SII regulatory framework, in order to avoid any possible misunderstanding about IAS 12 interpretation and application, SII legislation clarifies explicitly that all the reference amounts on which determination of deferred taxes is based on should be calculated in accordance with SII valuation instead of IFRS rules.

Solvency II regulatory framework states that MVBS deferred tax liabilities, representing the amounts of income taxes payable in future periods in respect of taxable temporary differences, are recognized in respect of deductible temporary differences[8] and determined on the basis of the difference between the values ascribed to assets and liabilities (recognized and valued in accordance with Articles 75-86 of L1 -Dir) and the values ascribed to assets and liabilities as recognized and valued for tax purposes.

As the tax for local purposes is being calculated annually, we do assume that the expiration period is by the next year-end of 2024 year.

In the following table a detailed split by nature of taxes is shown by balance sheet item which is the source of deferred tax:

SII BS item (Thousand BGN)	DTA	DTL
Other investments	-	(1.968)
Land and buildings (investment properties, self-used, property inventries and held for sale)	-	(4)
Receivables, payables	48	(1)
Insurance provisions and amount ceded to reinsurers from insurance provisions	558	(50.495)
Deferred acquisition costs	-	-
Other provisions	257	-
Any other assets, liabilities, not elsewhere shown	-	-
Netting	(863)	863
Total	**-**	**(51.605)**

[8] A temporary difference is a difference between the carrying amount of an asset or liability in the balance sheet and its tax base.

In the MVBS, deferred tax liabilities arise on differences between:

- the value ascribed to an asset or a liability for tax purposes, **and**
- its value in accordance to the Solvency II principles.

For calculating the amount of deferred taxes, any mismatch between the MVBS value of assets /liabilities under analysis and their related carrying value for tax purposes should be considered.

A deferred tax liability (DTL) is the recognition of a tax debt to be paid later because of a future profit which is already anticipated in the economic balance sheet. A DTL will be recognized for unrealized taxable gains such as an increase of financial asset value, or a decrease of the value of technical provisions when shifting from book value to market value.

With reference to taxable temporary differences, IAS 12 provides that the entity shall recognize a deferred tax liability for all taxable temporary differences with some exceptions.

With reference to investments in group subsidiaries, associated companies, joint ventures, and investment vehicles and in accordance with IAS 12, para. 39, group entities recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venture company can control the timing of the reversal of the temporary difference; **and**
- it is probable that the temporary difference will not reverse in foreseeable future.

Indeed, as a parent controls the dividend policy of its subsidiary, it can control the timing of the reversal of temporary differences associated with that investment (including the temporary differences arising not only from undistributed accounting profits but also from any foreign exchange translation differences). Furthermore, it would often be impracticable to determine the amount of income taxes that would be payable when the temporary difference reverses. Therefore, when the parent determines that those profits will not be distributed in the foreseeable future, the parent does not recognize a deferred tax liability in MVBS scenario.

In other words, group insurance and reinsurance undertakings generally do not recognize any deferred tax liability associated with investments in group entities if the participating entity deems that unrealized gains on group participations will not be realized in the foreseeable future9. This approach is generally adopted for all the group investments (subsidiaries, associated entities, and joint ventures).

FINANCIAL LIABILITIES (INCLUDING SUBORDINATED LIABILTIES)

The recognition and valuation of financial liabilities of GP Re in SII is according to the following IFRS:

IFRS 9, Financial Instruments: stipulates that financial liabilities shall be given the meaning in paragraph 11 of IAS 32, Financial Instruments: Presentation, when it is defined that the financial liability is:

- a contractual obligation:
    - to deliver cash or another financial asset to another entity; or
    - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity.
- a contract that will or may be settled in the entity's own equity instruments and is:
    - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
    - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

The following paragraphs refer also to IFRS 9 – Financial Instruments that states the up-to-date principles to follow for the determination of the fair value of financial liabilities.

Valuation

To ensure compliance with Solvency II principles, L1 -Dir requires to evaluate the liabilities, including financial liabilities, at fair value without any adjustment for change in own credit standing of the insurance/reinsurance undertaking.

As far as the Fair value requirement of L1 valuation principle, to be consistent with IFRS 13, the valuation methodology of the Fair Value of an asset or liability shall be based on the following approaches:

- mark to market approach (default approach): this approach is based on readily available prices in orderly transactions that are sourced independently (quoted market prices in active markets);

[9] The same conclusions also apply to investments in branches.

- mark to model Approach is any valuation technique which has to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input (maximize market inputs, minimize unobservable inputs).

As far as the liabilities are concerned, Solvency II introduces an additional requirement to adopt a fair value valuation without any adjustment for change in own credit standing of the insurance/reinsurance undertaking.

According to IFRS 9, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability[10] should be determined either:

- as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk;
- using an alternative method which according to the entity reflects more truthfully the amount of change in the liabilities' fair value (attributable to the changes in its credit risk).

The financial liabilities valued at amortized cost according to IFRS 9 shall be valued at Fair Value for the Solvency II balance sheet according to art. 75 (1) of L1 - Dir.

For financial liabilities valuation purposes, IFRS 9 Fair Value definition is consistent with Solvency II principle taking into account that:

- the fair value measurement approach in IFRS 9 at recognition is a good representation of the economic value at recognition in the Solvency II balance sheet.
- the fair value measurement approach in IAS 39 for subsequent measurements is a good representation of the economic value for Solvency II purposes if, and only if, changes in own credit standing have not been taken into account. **While changes in own credit standing influence the value under IFRS 9, they shall be eliminated in the Solvency II valuation.**

GP Re has classified the currency SWAPs and forwards as financial liabilities as at 31.12.2024. The table below represents derivatives for hedging at fair value (thousand BGN).

	2024			2023		
	Asset	**Liability**	**Nominal Value**	**Asset**	**Liability**	**Nominal Value**
Currency short term swaps	1,598	(4.135)	654.943	709	(3.557)	1,598
Currency short term forward	265	-	117.524	-	-	-
Total	**1.863**	**(4.135)**	**772.467**	**709**	**(3.557)**	**1.863**

GP Re uses derivative financial instruments designated as hedging instruments for the unexpected movements in the FX rates, in which they are denominated.

PAYABLES (INSURANCE, REINSURANCE, TRADE NOT INSURANCE)

As noted in Section D RECEIVABLES (INSURANCE, REINSURANCE, TRADE NOT INSURANCE), as at 31.12.2024 for Solvency II the Company presents its receivables and payables on proportional reinsurance contracts on net basis, which differs from the gross basis presentation as part of LIC/LRC in the 2024 IFRS Report.

Due to short duration and maturity and to the absence of expected interest cash-flows, reinsurance payables do not present relevant change to SII value from statutory to Solvency II accounts. As general assumption, the IFRS amortized cost is used for the SII valuation.

Reinsurance contracts payables (BGN thousand)
Reinsurance payables for Solvency II purposes are as follows:

	31.12.2024	31.12.2023
Accepted reinsurance liabilities	46.558	69.415
Ceded reinsurance liabilities	18.213	12.741
Reinsurance brokerage liabilities	68	304
Total	**64.839**	**82.460**

[10] In accordance with IFRS 9 paragraph B5.7.16 and following.

The fair value is close to the carrying amount of the reinsurance payables due to their short-term nature.

D.4. ALTERNATIVE METHODS FOR VALUATION

D.4.1. ASSETS

In respect of the official SII data valuation, there are no significant changes to valuation models used and to model inputs. In general terms, it has to be noticed that the vast majority of assets portfolio owned by GP Re is recognized at IFRS fair value. The determination of the fair value is mostly done by using the market quotes.

The Company does not apply any kind of alternative methods of valuation on assets, different from the described in the relevant chapters earlier.

D.4.2. LIABILITIES

The Company does not apply any kind of alternative methods of valuation on liabilities, different from the described in the relevant chapters above.

D.5. ANY OTHER INFORMATION

No other information to be disclosed in this section.

Annex

QRT TEMPLATES VALID FOR SOLO LOCAL PURPOSES (BGN THOUSAND)

Balance sheet – Assets

(Thousand BGN)	Solvency II value
Assets	
Intangible assets	-
Deferred tax assets	-
Pension benefit surplus	-
Property, plant & equipment held for own use	129
Investments (other than assets held for index-linked and unit-linked contracts)	**2.470.525**
Property (other than for own use)	-
Holdings in related undertakings, including participations	340.508
Equities	116.872
Equities - listed	7.660
Equities - unlisted	109.212
Bonds	1.934.837
Government Bonds	1.504.549
Corporate Bonds	334.559
Structured notes	95.729
Collateralised securities	-
Collective Investments Undertakings	74.161
Derivatives	1.863
Deposits other than cash equivalents	2.284
Other investments	-
Assets held for index-linked and unit-linked contracts	-
Loans and mortgages	**203.094**
Loans on policies	-
Loans and mortgages to individuals	-
Other loans and mortgages	203.094
Reinsurance recoverables from:	**227.815**
Non-life and health similar to non-life	227.815
Non-life excluding health	227.815
Health similar to non-life	-
Life and health similar to life, excluding health and index-linked and unit-linked	-
Health similar to life	-
Life excluding health and index-linked and unit-linked	-
Life index-linked and unit-linked	-
Deposits to cedants	
Insurance and intermediaries receivables	175.239
Reinsurance receivables	38.855
Receivables (trade, not insurance)	4.207
Own shares (held directly)	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
Cash and cash equivalents	64.653
Any other assets, not elsewhere shown	52
Total assets	**3.184.569**

Balance sheet – Liabilities

(Thousand BGN)	Solvency II value
Liabilities	
Technical provisions - non-life	**856.037**
Technical provisions - non-life (excluding health)	**804.355**
TP calculated as a whole	-
Best estimate	709.893
Risk margin	94.462
Technical provisions - health (similar to non-life)	**51.683**
TP calculated as a whole	-
Best estimate	49.532
Risk margin	2.151
TP - life (excluding index-linked and unit-linked)	**83.906**
Technical provisions - health (similar to life)	**-**
TP calculated as a whole	-
Best estimate	-
Risk margin	-
TP - life (excluding health and index-linked and unit-linked)	**83.906**
TP calculated as a whole	-.
Best estimate	72.231
Risk margin	11.675
TP - index-linked and unit-linked	**-**
TP calculated as a whole	-
Best estimate	-
Risk margin	-
Contingent liabilities	-
Provisions other than technical provisions	-
Pension benefit obligations	-
Deposits from reinsurers	-
Deferred tax liabilities	51.605
Derivatives	4.135
Debts owed to credit institutions	1
Financial liabilities other than debts owed to credit institutions	14
Insurance payables & intermediaries payables	46.588
Reinsurance payables	18.213
Payables (trade, not insurance)	32.429
Subordinated liabilities	-
Subordinated liabilities not in BOF	-
Subordinated liabilities in BOF	-
Any other liabilities, not elsewhere shown	68
Total liabilities	**1.092.998**
Excess of assets over liabilities	**2.091.571**

Balance Sheet – Assets under Solvency II and IFRS

(Thousand BGN)	Solvency II value	IFRS value
Assets		
Intangible assets	-	-
Deferred tax assets	-	
Pension benefit surplus	-	-
Property, plant & equipment held for own use	129	129
Investments (other than assets held for index-linked and unit-linked contracts)	**2.470.525**	**2.467.663**
Property (other than for own use)	-	-
Holdings in related undertakings, including participations	340.508	340.508
Equities	116.872	114.010
Equities - listed	7.660	7.660
Equities - unlisted	109.212	106.351
Bonds	1.934.837	1.934.837
Government Bonds	1.504.549	1.504.549
Corporate Bonds	334.559	334.559
Structured notes	95.729	95.729
Collateralised securities	-	-
Collective Investments Undertakings	74.161	74.161
Derivatives	1.863	1.863
Deposits other than cash equivalents	2.284	2.284
Other investments	-	-
Assets held for index-linked and unit-linked contracts	-	-
Loans and mortgages	**203.094**	**206.045**
Loans on policies	-	-
Loans and mortgages to individuals	-	-
Other loans and mortgages	203.094	206.045
Reinsurance recoverables from:	**227.815**	**336.904**
Non-life and health similar to non-life	227.815	336.904
Non-life excluding health	227.815	336.904
Health similar to non-life	-	-
Life and health similar to life, excluding health and index-linked and unit-linked	-	-
Health similar to life	-	-
Life excluding health and index-linked and unit-linked	-	-
Life index-linked and unit-linked	-	-
Deposits to cedants	-	-
Insurance and intermediaries receivables	175.239	-
Reinsurance receivables	38.855	-
Receivables (trade, not insurance)	4.207	3.621
Own shares (held directly)	-	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	-	-
Cash and cash equivalents	64.653	64.653
Any other assets, not elsewhere shown	52	52
Total assets	**3.184.569**	**3.079.067**

Balance Sheet – Liabilities under Solvency II and IFRS

(Thousand BGN)	Solvency II value	IFRS value
Liabilities		
Technical provisions - non-life	**856.037**	**1.348.550**
Technical provisions - non-life (excluding health)	**804.355**	**1.299.820**
TP calculated as a whole	-	-
Best estimate	709.893	-
Risk margin	94.462	-
Technical provisions - health (similar to non-life)	**51.683**	**48.729**
TP calculated as a whole	-	-
Best estimate	49.532	-
Risk margin	2.151	-
TP - life (excluding index-linked and unit-linked)	**83.906**	**14.890**
Technical provisions - health (similar to life)	**-**	**-**
TP calculated as a whole	-	-
Best estimate	-	-
Risk margin	-	-
TP - life (excluding health and index-linked and unit-linked)	**83.906**	**.**
TP calculated as a whole	-	-
Best estimate	72.231	-
Risk margin	11.675	-
TP - index-linked and unit-linked	-	-
TP calculated as a whole	-	-
Best estimate	-	-
Risk margin	-	-
Contingent liabilities	-	-
Provisions other than technical provisions	-	-
Pension benefit obligations	-	-
Deposits from reinsurers	-	-
Deferred tax liabilities	51.605	8.527
Derivatives	4.135	4.135
Debts owed to credit institutions	1	1
Financial liabilities other than debts owed to credit institutions	14	14
(Insurance payables & intermediaries payables	46.588	-
Reinsurance payables	18.213	-
Payables (trade, not insurance)	32.429	31.844
Subordinated liabilities	-	-
Subordinated liabilities not in BOF	-	-
Subordinated liabilities in BOF	-	-
Any other liabilities, not elsewhere shown	68	68
Total liabilities	**1.092.998**	**1.408.029**
Excess of assets over liabilities	**2.091.571**	**1.671.038**

**The IFRS value presented in the tables above is as per the information included in the Balance Sheet QRT as at 31.12.2024*

Non-life Technical Provisions (1/2)

(Thousand BGN)	Direct business and accepted proportional reinsurance								
	Medical expense insurance	Income protection insurance	Workers' compensa tion insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
Technical provisions calculated as a whole	-	-	-	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	-	-	-	-	-	-	-	-	-
Technical Provisions calculated as a sum of BE and RM	-	-	-	-	-	-	-	-	-
Best estimate	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Premium provisions									
Gross - Total	433.446	(8.076.774)	-	(43.544.898)	(54.089.714)	(14.255.264)	(183.641.631)	(74.323.486)	15.411.114
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	(610)	-	-	(439.717)	(1.446.658)	15.399.578
Net Best Estimate of Premium Provisions	**433.446**	**(8.076.774)**	**-**	**(43.544.288)**	**(54.089.714)**	**(14.255.264)**	**(183.185.083)**	**(72.876.827)**	**75.137**
Claims provisions									
Gross - Total	84.367	57.962.119	-	344.391.554	61.494.897	19.097.124	269.269.401	194.850.847	10.270.813
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	174.849	-	155.265	39.521.100	3.075.849	10.573.645
Net Best Estimate of Claims Provisions	**84.367**	**57.962.119**	**-**	**344.216.705**	**61.494.897**	**18.941.859**	**229.748.301**	**191.774.998**	**(302.832)**
Total Best estimate – gross	**517.813**	**49.885.344**	**-**	**300.846.656**	**7.405.183**	**4.841.860**	**85.627.771**	**120.527.361**	**25.681.928**
Total Best estimate – net	**517.813**	**49.885.344**	**-**	**300.672.416**	**7.405.183**	**4.686.595**	**46.563.218**	**118.898.171**	**(227.695)**
Risk margin	**11.062**	**1.931.175**	**-**	**23.816.333**	**5.328.151**	**2.281.341**	**13.511.206**	**13.668.833**	**2.150.468**
Amount of the transitional on Technical Provisions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TP as a whole	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Best estimate	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Risk margin	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Technical provisions – total									
Technical provisions – total	528.875	51.816.519	-	324.662.988	12.733.334	7.123.201	99.138.977	134.196.195	27.832.396
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	-	-	-	174.240	-	155.265	39.064.553	1.629.191	25.909.623
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	528.875	51.816.519	-	324.488.749	12.733.334	6.967.936	60.074.424	132.567.004	1.922.773

Non-life Technical Provisions (2/2)

(Thousand BGN)	Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance:				Total Non-Life obligations
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
Technical provisions calculated as a whole	-	-	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	-	-	-	-	-	-	-	-
Technical Provisions calculated as a sum of BE and RM	-	-	-	-	-	-	-	-
Best estimate	-	-	-	-	-	-	-	-
Premium provisions	-	-	-	-	-	-	-	-
Gross - Total	-	(2.175.828)	(3.410.093)	(2.456.859)	(15.853.822)	(1.661.017)	(79.230.100)	(466.874.926)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	(163)	-	(3.253.039)	(277.052)	(40.999.982)	(31.098.074)
Net Best Estimate of Premium Provisions	**-**	**(2.175.828)**	**(3.409.930)**	**(2.456.859)**	**(12.600.783)**	**(1.383.965)**	**(38.230.118)**	**(435.776.852)**
Claims provisions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gross - Total	-	1.746.409	3.799.766	1.585.791	25.659.121	.784.854	235.303.070	1.226.300.134
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	-	20.839.457	-	184.573.374	258.913.539
Net Best Estimate of Claims Provisions	**-**	**1.746.409**	**3.799.766**	**1.585.791**	**4.819.664**	**784.854**	**50.729.696**	**967.386.595**
Total Best estimate - gross	**-**	**(429.420)**	**389.673**	**(.871.069)**	**9.805.299**	**(876.163)**	**156.072.971**	**759.425.207**
Total Best estimate - net	**-**	**(429.420)**	**389.836**	**(.871.069)**	**(7.781.119)**	**(599.111)**	**12.499.578**	**531.609.743**
Risk margin	**-**	**140.559**	**1.153.156**	**208.315**	**18.374.973**	**106.433**	**13.930.148**	**96.612.153**
Amount of the transitional on Technical Provisions	-	-	-	-	-	-	-	-
TP as a whole	-	-	-	-	-	-	-	-
Best estimate	-	-	-	-	-	-	-	-
Risk margin	-	-	-	-	-	-	-	-
Technical provisions - total	-	-	-	-	-	-	-	-
Technical provisions - total	-	(288.861)	1.542.829	(662.754)	28.180.272	(769.730)	170.003.119	856.037.360
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	-	-	(163)	-	17.586.418	(277.052)	143.573.393	227.815.464
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	-	(288.861)	1.542.992	(662.754)	10.593.854	(492.678)	26.429.726	628.221.896

Life Technical Provisions

(Thousand BGN)	Accepted reinsurance					
	Accepted reinsurance	Insurance with profit participation on Accepted reinsurance (Gross)	Index-linked and unit-linked insurance on Accepted reinsurance (Gross)	Other life insurance on Accepted reinsurance (Gross)	Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health insurance obligations (Gross)	**Total (Life other than health insurance, incl. Unit-Linked)**
Technical provisions calculated as a whole	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM	-	-	-	-	-	-
Best Estimate	-	-	-	-	-	-
Gross Best Estimate	**72.231.493**	**-**	**-**	**(64.965.068)**	**137.196.561**	**72.231.493**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	-	-	-
Best estimate minus recoverables from reinsurance/SPV and Finite Re	72.231.493	-	-	-	-	72.231.493
Risk Margin	**11.674.908**	**-**	**-**	**9.483.908**	**2.191.000**	**11.674.908**
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	-	-	-	-	-	-
Best estimate	-	-	-	-	-	-
Risk margin	-	-	-	-	-	-
Technical provisions - total	**83.906.401**	**-**	**-**	**-**	**-**	**83.906.401**

Gross Claims Paid (non-cumulative) (thousands BGN)

(Thousand BGN)	Development year (absolute amount)											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior											5.429	5.429	3.514.702
2015	357.472	160.175	38.662	22.255	17.375	8.794	400	6.261	2.428	256		256	614.079
2016	383.947	166.306	43.120	25.145	13.928	4.704	3.490	1.886	1.005			1.005	643.531
2017	399.886	192.311	53.740	39.246	21.759	4.962	3.765	33.078				33.078	748.748
2018	427.268	255.478	87.676	20.340	18.487	7.838	1.951					1.951	819.039
2019	477.705	207.462	39.920	22.624	10.259	6.846						6.846	764.816
2020	484.010	164.394	33.276	19.446	10.331							10.331	711.458
2021	622.728	352.779	106.880	64.013								64.013	1.146.399
2022	552.341	223.317	55.805									55.805	831.463
2023	592.575	282.655										282.655	875.230
2024	1.009.136											1.009.136	1.009.136
Total												**1.470.504**	**11.678.599**

Gross undiscounted Best Estimate Claims Provisions (thousands BGN)

(Thousand BGN)	Development year (absolute amount)											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											-	-
2015								-	-	-		-
2016							-	-	-			-
2017						-	202.256	-				-
2018					-	41.714	164.467					136.704
2019				-	60.817	55.377						45.830
2020			-	69.501	52.979							44.016
2021		-	154.445	99.303								85.837
2022	-	192.649	114.633									98.000
2023	517.575	205.351										177.759
2024	713.544											638.153
Total												**1.226.300**

E. Capital Management

E.1. OWN FUNDS

E.1.1. POLICIES AND PROCESSES RELATED TO OWN FUNDS MANAGEMENT, INFORMATION ON THE TIME HORIZON USED FOR BUSINESS PLANNING AND ON ANY MATERIAL CHANGES OVER THE REPORTING PERIOD

The Group and Local Capital Management Policy define principles for Capital Management activities the Assicurazioni Generali S.p.A. and the Group Legal Entities in scope must adhere.

Capital management activities refer to Own Funds management and control and in particular to procedures to:

- classify and periodically review Own Funds in order to guarantee that Own Funds items meet the requirements of the applicable capital regime both at issuance and subsequently
- regulate issuance of Own Funds according to the medium-term Capital Management Plan and Strategic Plan also to guarantee that Own Funds are not encumbered, that all actions required or permitted related to the governance of the Own Funds are timely completed, that ancillary Own Funds are timely called, that terms and conditions are clear and unambiguous, including instances in which distributions on an Own Funds item are expected to be deferred or cancelled
- ensure that any policy or statement in respect of ordinary share dividends is taken into account when analyzing the capital position
- establish driving principles and common standards to carry out these activities efficiently, in compliance with the relevant regulatory requirements and legislative frameworks at Group and Local level, and in line with the stated risk appetite and strategy of the Generali Group.

The Group Capital Management Policy after being approved by the Board of Directors of Assicurazioni Generali S.p.A. is applicable also for the Company once approved by the Management Board.

The Capital Management Plan (CMP) represents a part of overall three-year Strategic Plan and this ensures the consistency of the CMP with three-year Strategic Plan assumptions, which include inter alia:

- financial scenarios
- strategic asset allocation
- business mix. and includes a detailed description of the development of Own Funds and Regulatory Solvency Ratio from the latest available actual figures to the last plan year figures.

The Capital Management Plan includes a detailed description of the development of Own Funds and Regulatory Solvency Ratio from the latest available actual figures to the last plan year figures.

CEO is responsible to produce CMP and to submit it to the Management Board.

If extraordinary operations (i.e. M&A, Own Funds issuance) are foreseen in the plan period, their impact is explicitly included in the Own Funds and Regulatory Solvency Ratio development and further details are included in the relevant documentation. Own Funds issuances are explicitly included in the CMP with a detailed description of the rationale.

The description of the development of Own Funds explicitly includes the issuance, redemption or repayment (earlier or at maturity) of Own Funds items and their impacts on the limits on tiers. Any variation in the valuation of Own Funds items is also indicated, with additional qualitative details in terms of limits on tiers when needed.

The CMP is defined considering limits and tolerances set in the Risk Appetite Framework.

In case the three-year Strategic Plan needs to be resubmitted to the Head Office due to a significant variation of Own Funds or SCR also the CMP must be updated accordingly and sent to the GSPC&IR function.

E.1.2. AMOUNT AND QUALITY OF ELIGIBLE OWN FUNDS

The Company regularly evaluates its Own Funds, analyses their value and composition. Own Funds of the Company consist of Share Capital, Reconciliation Reserve and Foreseeable Dividend. All mentioned components are part of Tier 1 which represents the highest quality of the capital.

The difference between Company's IFRS equity and MVBS Own Funds is based on the revaluation of Technical Provisions, Intangible assets, Participations and Other items. Revaluations represent differences between the valuation according to IFRS accounting standards and valuation in accordance with the Solvency II Directive.

Technical Provisions valued for solvency purposes are equal to the sum of a best estimate, risk margin and counterparty default adjustment. The best estimate corresponds to the probability-weighted average of future cash-flows, taking account the time value of money, using the relevant risk-free interest rate term structure. The risk margin is based mainly on the assumption that the whole portfolio of insurance and reinsurance obligations is taken over by another insurance or reinsurance undertaking. The counterparty default adjustment takes into account the expected losses due to the default of a reinsurance counterparty.

Intangible assets are revaluated to zero for the market value balance sheet purposes. Valuation of participations is based on the adjusted equity method of the undertakings in MVBS. The remaining part of the difference consists of the deferred taxes related to the revaluations mentioned above and other minor differences between the valuation for accounting and solvency purposes.

More details about valuation methods under Solvency II is described in Chapter D.

The Company has no restrictions in terms of the transferability of Own Funds.

ELIGIBLE OWN FUNDS TO MEET SCR

Available Own Funds to meet SCR are sum of all basic own fund items and Ancillary Own Fund items that meet the tier 1, tier 2 and tier 3 criteria and that are therefore available to meet SCR. The following table contains year to year comparison of the Available Own Funds split by Tiers.

Available Own funds by tiering

(BGN thousand)	Total available own funds to meet the SCR	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Current Year	1.615.972	1.615.972	-	-	-
Previous Year	1.714.759	1.714.759	-	-	-
Change	**(98.787)**	**(98.787)**	**-**	**-**	**-**

Available Own Funds decreased as a result of planned solvency ratio target decrease. The solvency ratio is kept according to Capital management and Risk Appetite Framework target.

Eligible Own Funds to meet SCR are equal to the total amount of Available Own Funds that are eligible to cover the SCR. As all capital items are Tier 1 there is no eligibility restriction.

Eligible Own funds by tiering

(BGN thousand)	Total eligible own funds to meet the SCR	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Current Year	1.615.972	1.615.972	-	-	-
Previous Year	1.714.759	1.714.759	-	-	-
Change	**(98.787)**	**(98.787)**	**-**	**-**	**-**

Change of the Eligible Own Funds has the same drivers as the change of Available Own Funds.

At this stage, since eligibility filters are dependent from SCR, it is necessary to disclose it in terms of ratio.

Solvency Ratio

(BGN thousand)	Current year	Previous year	Change
Own Funds	1.615.972	1.714.759	-98.787
Solvency Capital Requirement	824.475	816.552	7.923
Solvency Ratio	**196,0%**	**210,0%**	**-14,0%**

BASIC OWN FUNDS

The tables below contain a comparison of the Basic Own Funds in the current and previous year together with a split of Basic Own Funds by the tiers.

Own funds by Tiers

(BGN thousand)	Total	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	53.400	53.400	-	-	-
Share premium account related to ordinary share capital	-	-	-	-	-
Surplus funds	-	-	-	-	-
Preference shares	-	-	-	-	-
Share premium account related to preference shares	-	-	-	-	-
Reconciliation reserve (see below table)	1.562.572	1.562.572	-	-	-
Subordinated liabilities	-	-	-	-	-
An amount equal to the value of net deferred tax assets	-	-	-	-	-
Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	-	-	-	-	-
Deductions for participations in financial and credit institutions	-	-	-	-	-
Total basic own funds after deductions	**1.615.972**	**1.615.972**	-	-	-

Reconciliation reserve

(BGN thousand)	**Current year**	**Previous year**	**Change**
Assets – Liabilities	2.091.571	2.111.266	(19.695)
Own shares	-	-	-
Foreseeable dividends and distributions	475.599	396.507	79.093
Other basic own fund items	53.400	53.400	-
Restricted own fund items due to ring fencing	-	-	-
Reconciliation Reserve	**1.562.572**	**1.661.359**	**(98.787)**

E.1.3. ELIGIBLE OWN FUNDS TO MEET THE MINIMUM CAPITAL REQUIREMENT

Eligible Own Funds to meet MCR are equal to the total amount of Own Funds that are eligible to cover the MCR. In case of the Company, they are equal to Eligible Own Funds to meet SCR because the whole amount of the capital is classified into Tier 1.

Eligible Own funds by tiering

(BGN thousand)	Total eligible own funds to meet the MCR	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2
Current Year	1.615.972	1.615.972	-	-
Previous Year	1.714.759	1.714.759	-	-
Change	**(98.787)**	**(98.787)**	-	-

Year to year difference of Eligible Own Funds is consistent with the one provided in the section devoted to Eligible Own Funds to meet SCR.

E.1.4. EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

The amount of EPIFP written by the Company has been calculated in accordance with article 260(2) of the Delegated Acts.

(BGN thousand)	Current Year	Previous year	Change
Expected Profit included in future premiums (EPIFP) - Life Business	76.288	41.944	34.344
Expected Profit included in future premiums (EPIFP) - Non-Life Business	483.143	423.508	59.636
Total Expected Profit included in future premiums (EPIFP)	**559.431**	**465.452**	**93.979**

E.1.5. RECONCILIATION BETWEEN STATUTORY SHAREHOLDER FUNDS AS PER IFRS GROUP VIEW AND OWN FUNDS FOR SOLVENCY PURPOSES

The main difference between IFRS statutory Equity and Eligible Own Funds is due to revaluation of net technical liabilities (more details are in Chapter D).

Reconciliation between Statutory Equity as per IFRS Group view and Excess of Assets over Liabilities

(BGN thousand)	Current year	Previous year
Statutory Equity as per IFRS Group view	**1.650.914**	**1.682.839**
Adjustment on Intangible	-	-
Adjustment on Investment	27.274	33.997
Adjustment on Net Technical Provision	463.701	443.517
Adjustment on Financial and Subordinated debt	-	-
Adjustment on Other Items	(4.233)	(4.648)
Adjustment on Deferred Taxes	(46.085)	(44.439)
Excess of Assets over Liabilities	**2.091.571**	**2.111.266**
Subordinated Liabilities	-	-
Foreseeable Dividend	(475.599)	(396.507)
Other deduction	-	-
Basic Own Funds	**1.615.972**	**1.714.759**
Ancillary Own Funds	-	-
Available Own Funds	**1.615.972**	**1.714.759**
Eligible Own Funds	**1.615.972**	**1.714.759**

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. SCR AND MCR VALUES

Solvency Capital Requirement is calculated based on Standard Formula. Minimum Capital Requirement is calculated according to the relevant legislation and its value is significantly lower than the amount of Solvency Capital Requirement. Detailed inputs for MCR calculation are part of the annex to this chapter.

SCR Values

(BGN thousand)	Total
Current Year	824.475
Previous Year	816.552
Change	7.923

MCR Values

(BGN thousand)	Total
Current Year	268.719
Previous Year	253.099
Change	15.620

E.2.2. SCR BREAKDOWN

As far as the Company operates as NL reinsurer it is straightforward that the most important risk relates to NL UW business. The detailed results are presented in the following table.

Total SCR split by Risk before and after diversification

(BGN thousand)	Before Diversification 2024		Before Diversification 2023	
	Total	Impact (%)	Total	Impact (%)
nSCR before Diversification	**1.164.402**	**100%**	**1.061.807**	**100%**
Market Risks	276.071	24%	265.758	25%
Counterparty Default Risks	134.971	12%	121.656	11%
Life Underwriting Risks	44.539	4%	28.167	3%
Health Underwriting Risks	43.117	4%	39.956	4%
Non-Life Underwriting Risks	665.704	57%	606.270	57%
Diversification benefit	292.173		262.044	
nBSCR after Diversification	**872.230**		**799.763**	
Operational Risk	77.768		66.018	
Notional SCR arising from RFF	-		-	
Total SCR before Taxes	**949.997**		**865.782**	
Tax absorption	125.522		49.230	
Total SCR	**824.475**		**816.552**	

E.3. USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The Company does not use duration-based equity risk sub-module in the calculation of the SCR.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The company does not use internal model for the calculation of regulatory SCR.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

The Company has a sound solvency position. No inconsistencies were found related to the compliance with the Minimum Capital Requirements or the Solvency Capital Requirement.

E.6. ANY OTHER INFORMATION

E.6.1. MAJOR DEVELOPMENT

Economic and Geopolitical environments are worsening due to US tariffs impose and Trump-Putin friendship. However, it is not considered to be a major development taking into consideration the Company's activities and risk profile.

E.6.2. SENSITIVITIES

The sensitivity testing analyses the impact of simple changes in specific risk drivers (e.g. Interest Rates, equity shock, credit spreads and Interest Rate volatility) on the variability of the Own Funds and Solvency Ratio.

The level of Eligible Own Funds was recalculated for each sensitivity and it is presented in the following table, together with the impact on the solvency ratio. SCR value is (in most cases) kept constant for the purposes of calculating the stressed Solvency Ratio.

Sensitivities

(BGN million)	Solvency Ratio	Delta
Base value	196,0%	-
Risk free rates (+50bps)	195,1%	-0,9%
Risk free rates (-50bps)	196,8%	0,8%
Equity price (-25%)	192,1%	-3,9%
Real estates (-25%)	191,8%	-4,2%
Credit spread Corporate (+50bps)	195,2%	-0,8%
Credit spread Govies (+50bps)	193,1%	-2,9%
Combined Life UWR related Sensitivity	188,4%	-7,6%
Combined Ratio +2.5 p.p.	189,4%	-6,6%

CEO:

/ENCHO ENCHEV/

EXECUTIVE DIRECTOR:

/MIHAELA STANIMIROVA/

Annex

QRT TEMPLATES VALID FOR SOLO PURPOSES

Own funds – Solo (1/3)

(Thousand BGN)	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	**1.615.972**	**1.615.972**	**-**	**-**	**-**
Ordinary share capital (gross of own shares)	53.400	53.400	-	-	-
Share premium account related to ordinary share capital	-	-	-	-	-
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	-	-	-	-	-
Subordinated mutual member accounts	-	-	-	-	-
Surplus funds	-	-	-	-	-
Preference shares	-	-	-	-	-
Share premium account related to preference shares	-	-	-	-	-
Reconciliation reserve	1.562.572	1.562.572	-	-	-
Subordinated liabilities	-	-	-	-	-
An amount equal to the value of net deferred tax assets	-	-	-	-	-
Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	-	-	-	-	-
Deductions	-	-	-	-	-
Deductions for participations in financial and credit institutions	-	-	-	-	-
Total basic own funds after deductions	**1.615.972**	**1.615.972**	-	-	-

Own funds – Solo (2/3)

(Thousand BGN)	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	-	-	-	-	-
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-	-	-	-	-
Unpaid and uncalled preference shares callable on demand	-	-	-	-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-	-	-	-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-	-	-	-	-
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-	-	-	-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-	-	-	-	-
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-	-	-	-	-
Other ancillary own funds	-	-	-	-	-
Total ancillary own funds	**-**	**-**	**-**	**-**	**-**
Available and eligible own funds					
Total available own funds to meet the SCR	**1.615.972**	**1.615.972**	**-**	**-**	**-**
Total available own funds to meet the MCR	**1.615.972**	**1.615.972**	**-**	**-**	**-**
Total eligible own funds to meet the SCR	**1.615.972**	**-**	**-**	**-**	**-**
Total eligible own funds to meet the MCR	**1.615.972**	**-**	**-**	**-**	**-**

Own funds – Solo (3/3)

(Thousand BGN)	Total
SCR	**824.475**
MCR	**268.719**
Ratio of Eligible own funds to SCR	**196,0%**
Ratio of Eligible own funds to MCR	**601,4%**
Reconciliation reserve	
Excess of assets over liabilities	**2.091.571**
Own shares (held directly and indirectly)	-
Foreseeable dividends, distributions and charges	475.599
Other basic own fund items	53.400
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-
Reconciliation reserve	**1.562.572**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life Business	76.288
Expected profits included in future premiums (EPIFP) - Non- life business	483.143
Total Expected profits included in future premiums (EPIFP)	**559.431**

Solvency Capital Requirement - for undertakings on Standard Formula

(Thousand BGN)	Gross solvency capital requirement	USP	Simplifications
Market risk	276.071	-	-
Counterparty default risk	134.971	-	-
Life underwriting risk	44.539	-	-
Health underwriting risk	43.117	-	-
Non-life underwriting risk	665.704	-	-
Diversification	(292.173)	-	-
Intangible asset risk	-	-	-
Basic Solvency Capital Requirement	**872.230**	-	-

(Thousand BGN)

Calculation of Solvency Capital Requirement	
Operational risk	77.768
Loss-absorbing capacity of technical provisions	-
Loss-absorbing capacity of deferred taxes	**(125.522)**
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
Solvency capital requirement excluding capital add-on	824.475
Capital add-on already set	-
Solvency capital requirement	824.475
Other information on SCR	-
Capital requirement for duration-based equity risk sub-module	-
Total amount of Notional Solvency Capital Requirements for remaining part	824.475
Total amount of Notional Solvency Capital Requirements for ring fenced funds	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	-
Diversification effects due to RFF nSCR aggregation for article 304	-

MCR Result for non-life activities

(Thousand BGN)	Non-life activities
MCRNL Result	255.378

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non-Life (Thousand BGN)	Non-life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	518	1.791
Income protection insurance and proportional reinsurance	49.885	20.891
Workers' compensation insurance and proportional reinsurance	-	-
Motor vehicle liability insurance and proportional reinsurance	300.672	524.046
Other motor insurance and proportional reinsurance	7.405	461.097
Marine, aviation and transport insurance and proportional reinsurance	4.687	54.441
Fire and other damage to property insurance and proportional reinsurance	46.563	703.666
General liability insurance and proportional reinsurance	118.898	235.909
Credit and suretyship insurance and proportional reinsurance	-	719
Legal expenses insurance and proportional reinsurance	-	-
Assistance and proportional reinsurance	-	9.871
Miscellaneous financial loss insurance and proportional reinsurance	390	8.480
Non-proportional health reinsurance	-	3.080
Non-proportional casualty reinsurance	-	25.408
Non-proportional marine, aviation and transport reinsurance	-	443
Non-proportional property reinsurance	12.500	123.547

MCR Result for life activities

(Thousand BGN)	Life activities
MCRL Result	13.341

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life (Thousand BGN)	Life activities	
	Net (of reinsurance/SPV and Finite Re) best estimate and TP calculated as a whole	Net (of reinsurance/SPV and Finite Re) total capital at risk
Obligations with profit participation - guaranteed benefits	-	-
Obligations with profit participation - future discretionary benefits	-	-
Index-linked and unit-linked insurance obligations	-	-
Other life (re)insurance and health (re)insurance obligations	72.231	-
Total capital at risk for all life (re)insurance obligations	-	16.892.159

Overall MCR

Overall MCR calculation (Thousand BGN)	
SCR	824.475
MCR cap	371.014
MCR floor	206.119
Combined MCR	268.719
Absolute floor of the MCR	2.347
Minimum Capital Requirement	268.719