# GP REINSURANCE EAD

# ANNUAL MANAGEMENT REPORT
# FINANCIAL STATEMENTS
# INDEPENDENT AUDITORS' REPORT

# 31 DECEMBER 2023

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**GP REINSURANCE EAD**

# ANNUAL MANAGEMENT REPORT for the Year ended 2023

GP Reinsurance EAD is a joint-stock company with main non-life reinsurance activity, for which it has license No 626-OZ from 18.06.2008. The Company was registered in the Commercial Register at the Registry Agency on 24.07.2008.

In 2017 the Company also received license No 1385-OZ from 31.10.2017 from the Financial Supervision Commission for reinsurance in life insurance.

## The reinsurance market in 2023 and the result of GP Reinsurance EAD

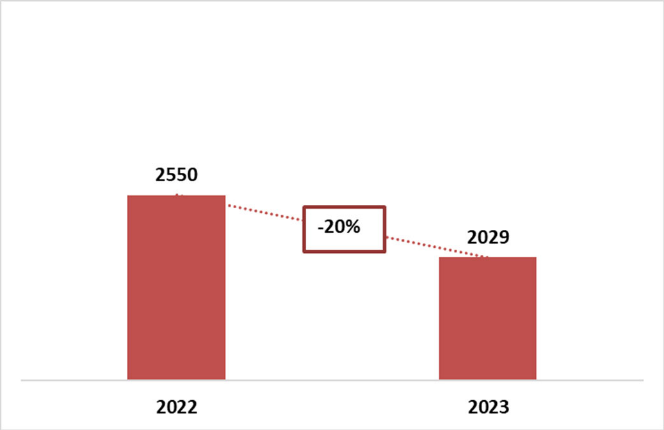
2023 was a challenging year for both cedents and reinsurers. As it turned out, insured losses from natural catastrophe events were again at elevated levels relative to historic averages, driven mainly by an unprecedented impact from severe convective storm activity in the US and Italy, windstorm Ciaran in France, flood losses in New Zealand, flood and wildfire losses in Greece, a major earthquake in Turkey and Hurricane Otis in Mexico. These loss events were partially retained by insurers which further eroded capital, introduced more volatility into underwriting results and resulted in increased rating agency scrutiny for many insurers which has driven some increased demand for reinsurance protection.

With respect to the CEE region and GP Reinsurance in particular, there were twelve new catastrophe events that affected the Company in 2023. Four of those are more significant and are coming from Slovenian portfolio: three hailstorms in July and the largest one, a flood in August. The overall effect on the Company was higher compared to previous 2022 and the losses were fully retained due to their nature and volume.

Apart from the critical impact of the catastrophic events in 2023, two serious property losses were reported as material both at the Group and Regional level – both in the Czech portfolio. Neither loss is exceeding the company retention on the retroceded reinsurance program.

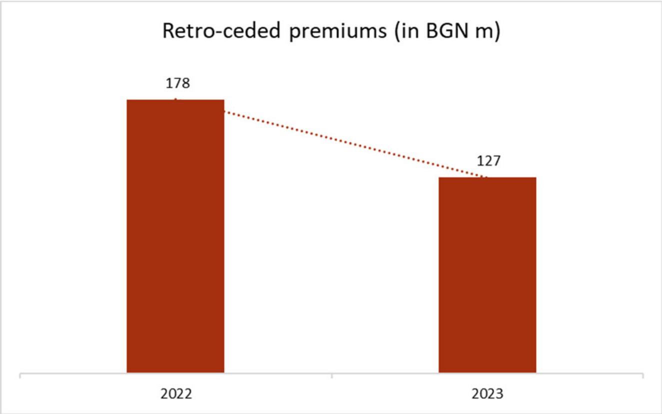
The amount of ceded reinsurance cover purchased by the Company in 2023 decreased to BGN 2,029 million compared to BGN 2,550 million in 2022. The main reason for this is the decreased capacity of ceded CAT XL treaties (245 m BGN), not renewed CAT Agg XL (274 m BGN) and PA treaties (41 m BGN) This decrease was partially compensated by the increased capacity of ceded Property and Engineering XL treaty (39 m BGN).

**Contract boundaries in millions of BGN (excluding the unlimited coverage under the MTPL treaty)**




In 2023 the amount of ceded reinsurance premiums reached BGN 127 million, which represents a decline of 28% in comparison to 2022 (BGN 178 m). The main reason for the difference is the restructuring of the CAT layers which leads to lower due premium compared to 2022.

## Ceded premiums (in BGN m)




The Gross combined ratio in 2023 amounts to 71% (71% in 2022), whereas the Net combined ratio in 2023 is 76% (80% in 2022). The improved results on the net side are mainly due to the lower premium under retro-ceded CAT treaty. The calculation of both Gross and Net combined ratio is based on insurance revenue.

In 2023 GP Reinsurance EAD continues its core reinsurance business with no material change to its portfolio structure and mix. In 2023 the company continued underwriting life business in relation to its life license acquired on 31.10.2017. The life business volumes in 2023 are still very small, compared to the overall non-life portfolio.

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 and 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.

In 2023 the Company continues to provide proportional reinsurance cover to Assicurazioni Generali S.P.A. – US Branch, which dates from 2016.

In 2023, ceded reinsurance treaties are concluded directly with Assicurazioni Generali S.P.A.

The accepted reinsurance contracts in the GP Reinsurance EAD portfolio can be subdivided into three main categories:

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

The structure of the internal accepted reinsurance program of GP Reinsurance EAD in 2023 remains unchanged as compared to 2022.

On the retro-ceded side there were some changes in the structure of the external program in 2023. In 2023 the capacity of the external CAT XL treaty was changed (to EUR 925 m as compared to EUR 800 m for 2022) and the Company's retention on the main CAT XL treaty has increased to from EUR 50 m in 2022 to EUR 70 m. The CAT AGG XL and Personal Accident XL treaties have not been renewed in 2023.

All figures from 1 to 17 have legends arranged from the largest to the smallest value presented in the graph.

## Operating results of GP Reinsurance EAD for 2023:

| | | 31.12.2023 |
|---|---|---|
| 1 | **Insurance revenue** | **1,552,545** |
| | Premiums | 2,212,951 |
| | Fixed Commissions | (653,783) |
| | Change in Liability for Remaining Coverage | (6,623) |
| 2 | ***Insurance service expense*** | **(1,091,371)** |
| | Losses on Onerous Contracts | 35,228 |
| | Claims Paid | (1,021,096) |
| | Profit Commissions | (2,257) |
| | Change in Liability for Incurred Claims | (101,108) |
| | Change in Risk Adjustment | 3,059 |
| | Attributable Costs | (5,197) |
| | **Insurance service result before reinsurance contracts held** | **461,175** |
| 3 | ***Allocation of reinsurance premiums*** | **(111,944)** |
| | Reinsurance Actual Premiums | (127,346) |
| | Reinsurance Fixed Commissions | 6,662 |
| | Change in Asset for Remaining Coverage | 8,740 |
| 4 | ***Amounts recovered from the reinsurers*** | **29,521** |
| | Recoveries on Onerous Contracts | (22,558) |
| | Claims Received | 65,161 |
| | Profit Commissions | 1,559 |
| | Change in Assets for Incurred Claims | (12,072) |
| | Change in Risk Adjustment | (2,569) |
| | **Net expense from reinsurance contracts held** | **(82,423)** |

| | **Insurance contracts liability** |
|---|---|
| Liability for remaining coverage (LRC) | 315,293 |
| Liability for incurred claims (LIC) | (1,625,803) |
| | **(1,310,510)** |

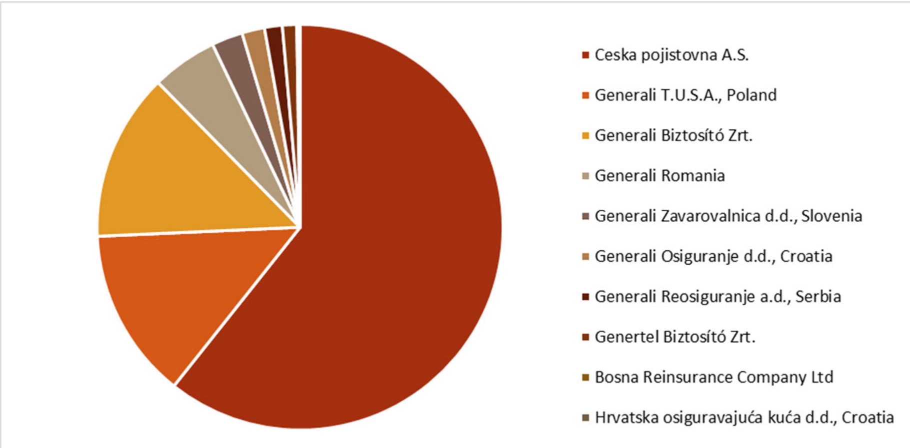
| | **Reinsurance contracts assets** |
|---|---|
| Asset for remaining coverage (ARC) | 35,314 |
| Asset for incurred claims (AIC) | 181,796 |
| | **217,110** |

In its usual business planning and risk management activities, the Company tracks its insurance and reinsurance operations in the segments of general insurance and life insurance, as disclosed in the appendices to the financial report. For the purposes of the activity report, the Company provides additional information on its revenues and expenses by major business lines and clients.

# I. Reinsurance premium income

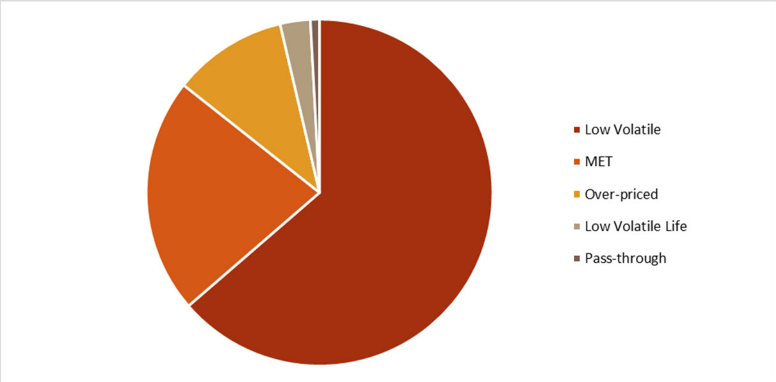
## I.1. Accepted reinsurance premium income

**Fig.1. 2023 Premium income by ceding companies:**




The total amount of premiums ceded to GP Reinsurance in 2023 is BGN 2,213 m compared to BGN 2,133 m in 2022. Compared to 2022, there is an increase in premium income for most companies in total of BGN 225 m compensated by the cancellation of the Generali Versicherung, Austria (BGN 140 m) treaties and the decreased premium reported from Bosna Reinsurance Company (BGN 5 m). The companies contributing the most to the total volume are Generali Ceska Poistovna, Generali T.U. S.A., Poland, and Generali Biztosító Zrt. The company with the largest share in the ceded premium with BGN 1,343 million, or 61%, was Generali Ceska Poistovna, Czech Republic, followed by Generali T.U. S.A., Poland, with BGN 301 m (14%) and Generali Bistosito Hungary with BGN 296 m (13%).

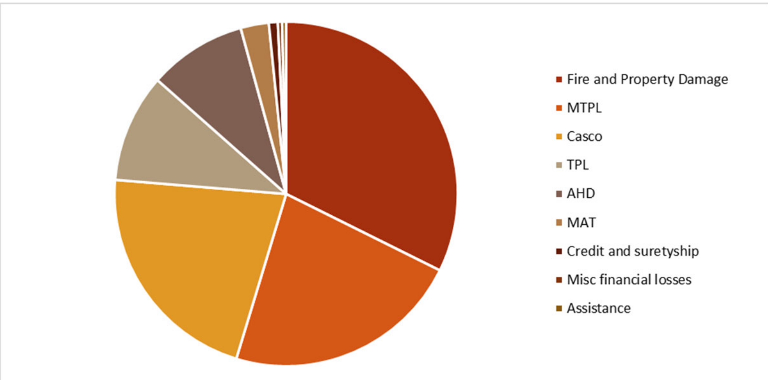
**Fig.2. 2023 Premium income by type of reinsurance treaty category:**




* The chart above contains an internal classification of the contract types of the company. The types of reinsurance contracts are defined in Note III.A of the financial statements.

The structure of the premium income according to the treaty type remains similar to the one in 2022. The biggest share of premiums (64%) is ceded under the Low Volatile (LV) treaties followed by MET Treaties with 22%. Life reinsurance premiums are only 3% from the overall portfolio.

**Fig.3. 2023 Premium income by type of reinsurance products:**

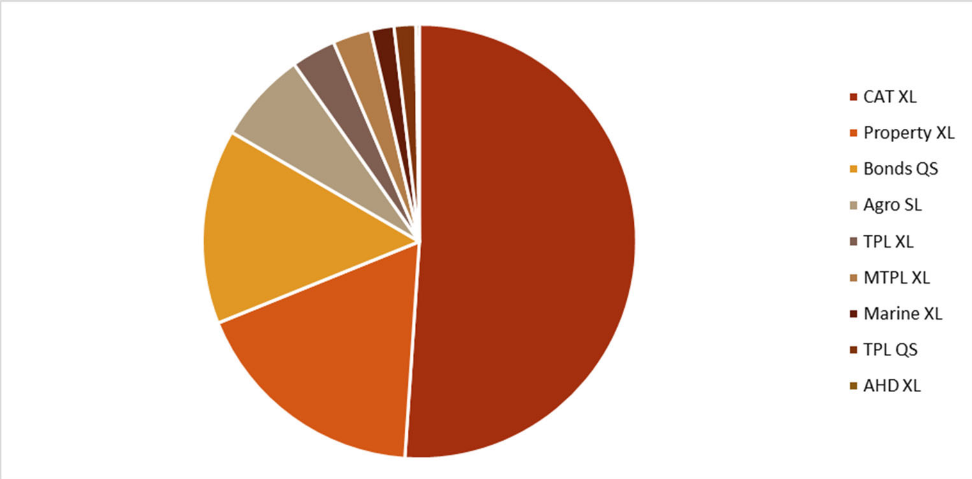



In 2023 the distribution of the premiums by line of business remains like previous years. The leading position is preserved by the Motor Insurance with 44% share (including MTPL 22% and Motor Casco 22%), followed by Property (32%).

## I.2. Premiums on ceded reinsurance

The total amount of the retroceded premiums in 2023 is BGN 127 m. This amount includes the minimum and deposit premiums and premium adjustment on non-proportional treaties and quota share treaty premiums. The biggest share of the ceded premiums belongs to CAT XL and CAT Annual Aggregate Protection XL reinsurance treaties (BGN 65 m or 51%).

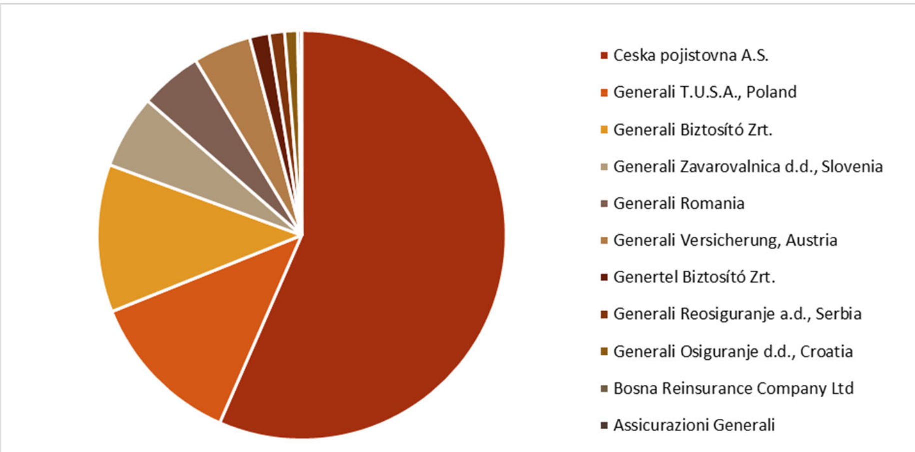
**Fig.4. 2023 Retro-Ceded reinsurance premiums structure by type of reinsurance treaty:**




## II. Reinsurance Claims paid

### II.1. Claims paid on accepted reinsurance

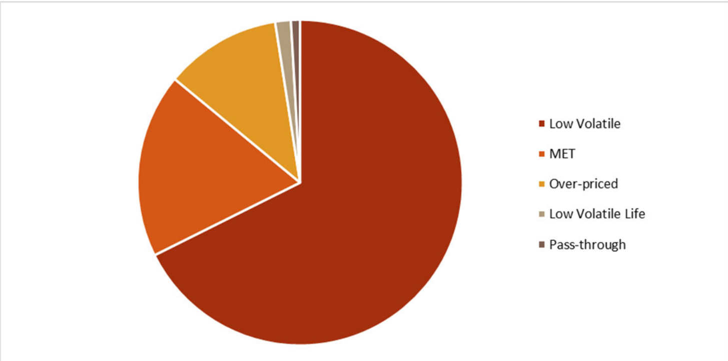
**Fig.5. 2023 Claims paid by ceding companies:**




The total amount of reinsurance claims paid by GP Reinsurance in 2023 is BGN 1,021 m, which represents BGN 91 m increase in comparison to 2022 (BGN 930 m). The main reason is the increased volume of claims paid under Low Volatile and MET treaties related to Fire, Property Damage, Casco, MTPL (BGN 105 m) partially compensated by the decrease under CAT (BGN 14 m).

The largest share of claims is paid under the treaties of Generali Ceska Pojistovna – BGN 578 m, followed by Generali T.U.S.A., Poland - BGN 126 m and Generali Biztosító Zrt., Hungary – BGN 119 m. The volume of paid claims on a company level is relatively symmetric to the premium portfolio volumes.

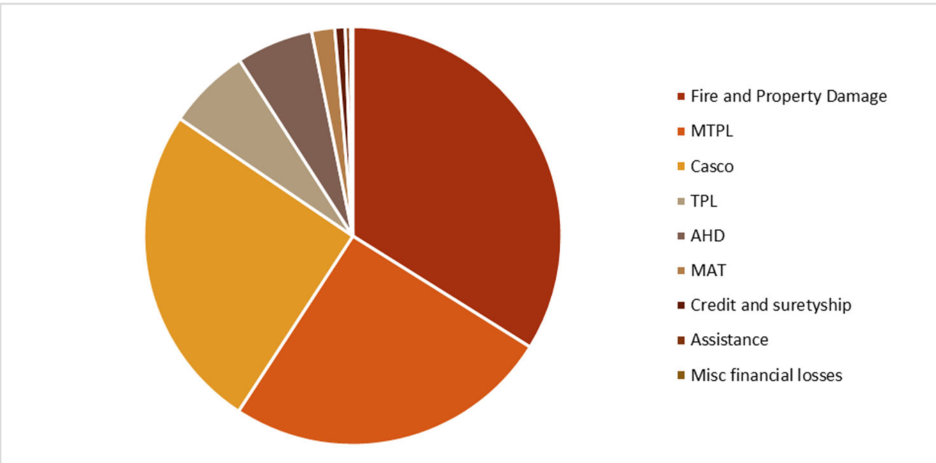
**Fig.6. 2023 Reinsurance claims paid by types of reinsurance treaties:**




* The chart above contains an internal classification of the contract types of the company

The predominant part of the claims paid is under quota share Low Volatile treaties 68%, followed by MET (18%) and Over-priced and Pass-through reinsurance treaties (12% and 1% respectively).

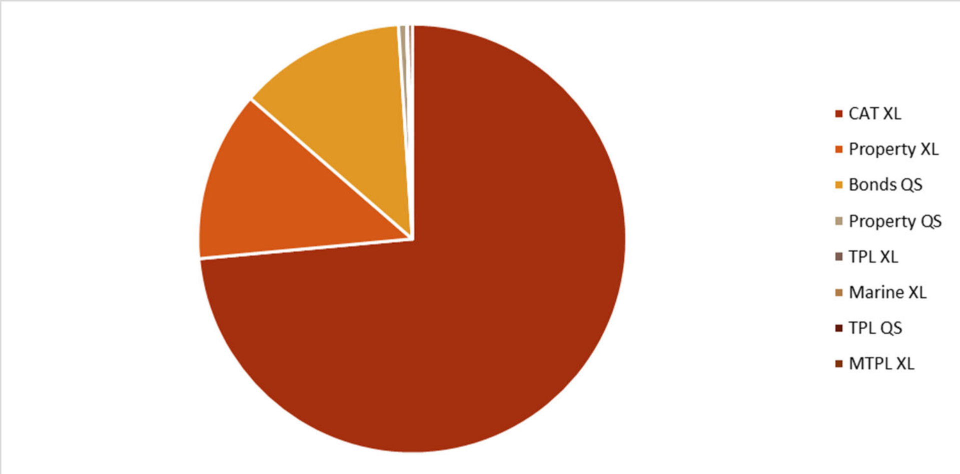
**Fig.7. 2023 Reinsurance claims paid by reinsurance product type:**




The claims paid for Property line of business make up for 34% of the overall claims paid or BGN 346 m, Motor Casco accounts for 25% or BGN 258 m and MTPL for 25% or BGN 258 m. Compared to 2022 the claims paid per line of business remain without significant change to the total volume of claims.

### II.2. Retro-ceded reinsurance claims

**Fig.8. 2023 Retro-ceded reinsurance claims paid by treaty type:**




The total amount of the ceded claims paid in 2023 amounts to BGN 65 m (BGN 121 m in 2022). CAT XL treaty is taking 74% of the total claims paid or BGN 48 m.

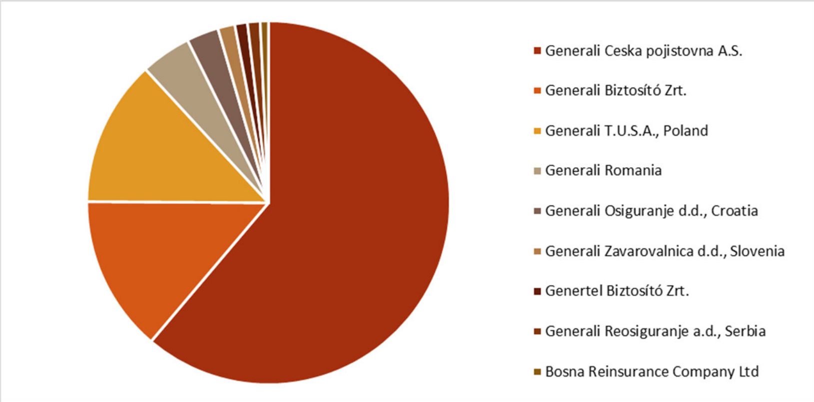
## III. Reinsurance commissions

### III.1. Expenses for commissions related to accepted reinsurance

The amounts, recognized as expenses by GP Reinsurance EAD in 2023 for commissions related to accepted reinsurance amount to BGN 656 m (BGN 614 m in 2022). This amount includes the acquisition commission costs of BGN 653 m (BGN 604 m in 2022) and the profit commission costs of BGN 2 m (BGN 11 m in 2022). Commission expenses are presented in the statement of comprehensive income as a reduction of insurance revenue in accordance with the Company's accounting policy.

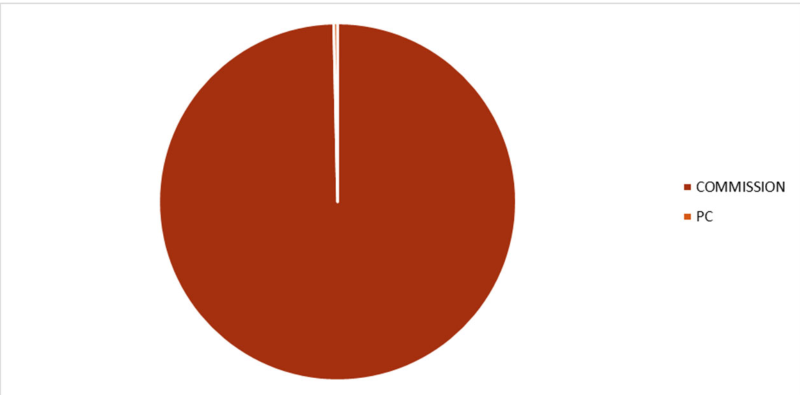
The increase in the volume of acquisition commissions is mainly due to the increase of the commission rate under the MET treaties in 2023 from one side and to the increased volume of the ceded premiums from other. The profit commission is based on the technical result reported under certain quota share treaties and it is decreased in 2023 compared to 2022 mainly due to the removing the profit commission in MET treaties in 2023.

### Fig.9. 2023 Reinsurance commissions by ceding companies:



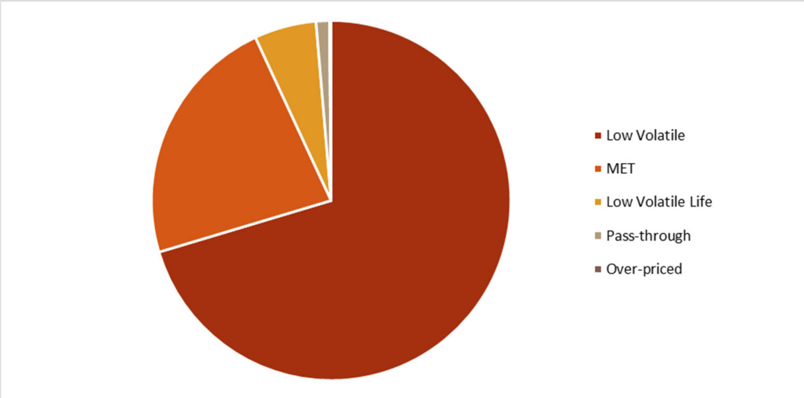

In 2023 the commissions paid are under quota-share reinsurance contracts and their structure is related to the structure of the premium income under those contracts. In 2023 the highest commissions are paid under the treaties ceded by Generali Ceska Pojistovna, the Czech Republic with BGN 401 m (BGN 375 m in 2022), Generali Biztosító Zrt., Hungary with BGN 91 m (BGN 75 m in 2022) , Generali T.U.S.A., Poland - BGN 86 m (BGN 84 m in 2022) and Generali Romania with BGN 30 m (BGN 23 m in 2022).

### Fig.10. Structure of the reinsurance commissions on accepted reinsurance in 2023:




As in previous years, profit-sharing commission provisions were included in the terms of the of quota-share treaties. The method of calculation of the profit commissions is specified in the terms of the reinsurance contract and it is related to the reinsurance technical result.

**Fig.11. 2023 Total paid commissions by reinsurance contract type:**




* The chart above contains an internal classification of the contract types of the company

The structure of the reinsurance commissions in 2023 remains almost the same as in the previous years - 70% (69% in 2022) of the commissions are paid under Low Volatile Quota Share treaties, followed by MET treaties with 23% (25% in 2022) and 6% (5% in 2022) paid under Low Volatile reinsurance treaties in life insurance. The relative share of paid commissions under the Bond QS and Agro QS treaties is approximately 1%.

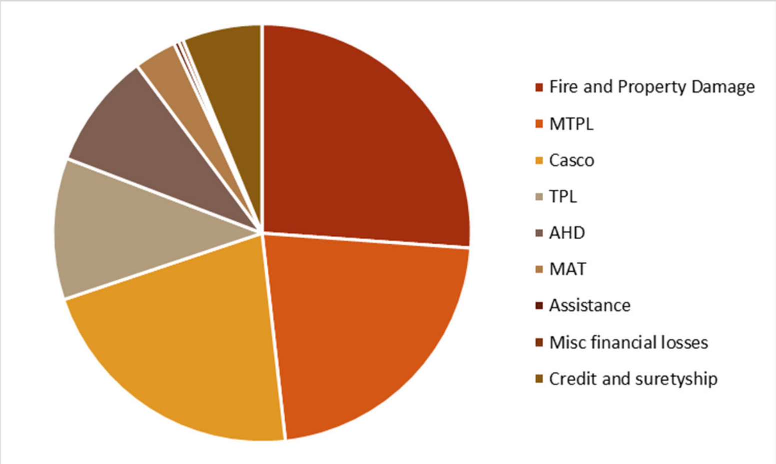
### III.2. Commissions received from ceded reinsurance

In 2023 GP Reinsurance EAD is collecting reinsurance commissions mainly under Bond, Property and TPL quota share treaties. The amount received as commissions is BGN 8 m. In 2023, the amount of profit commissions under the Bonds QS treaty is BGN 919 thousand (258 thousand in 2022), and under MTPL XL treaties - BGN 640 thousand (6 thousand in 2022).

# IV. Remaining coverage

## IV.1. Liability for remaining coverage (LRC)

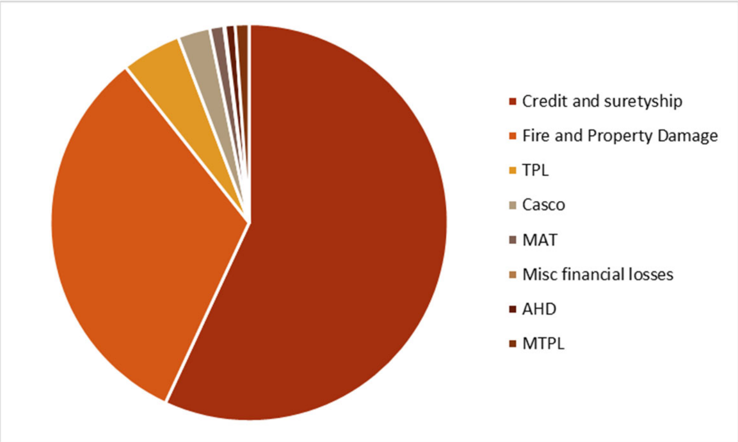
**Fig.12. Liability for remaining coverage as of 31 December 2023, ceded to GP Reinsurance by line of business:**




The total amount of the liability for remaining coverage under reinsurance agreements as of 31 December 2023 is BGN 315 m (BGN 205 m for 2022). Part of the liability is the calculated Loss Component.

## IV.2. Asset for remaining coverage (ARC)

**Fig.13. Asset for remaining coverage as of 31 December 2023, retroceded from GP Reinsurance by line of business:**

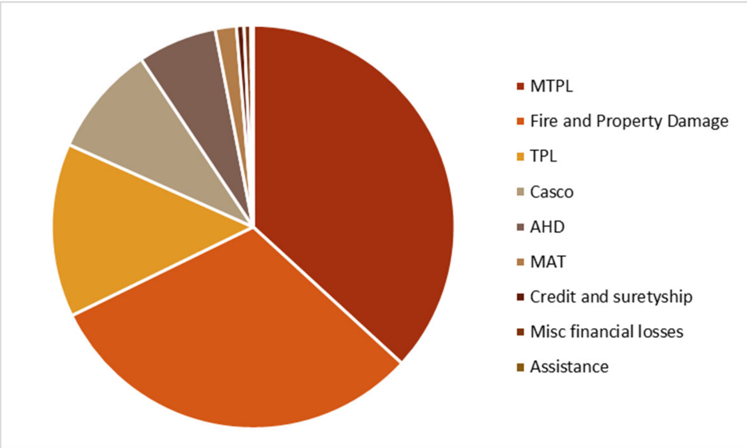



The total amount of asset for remaining coverage, ceded from GP Reinsurance EAD as of 31 December 2023 is BGN 35 m (BGN 49 m for 2022). Part of the asset is the calculated Loss Component on retroceded reinsurance contracts.

# V. Incurred claims

## V.1. Liability for incurred claims (LIC)

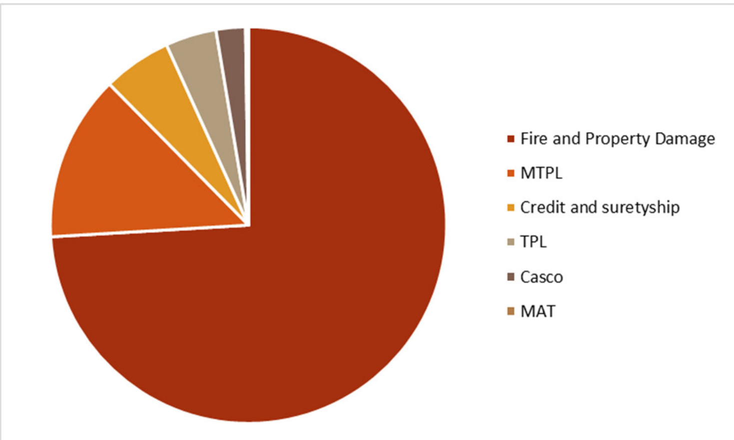
**Fig.14. Liability for incurred claims (LIC) as of 31 December 2023, ceded to GP Reinsurance by line of business:**




The total amount of liability for incurred claims ceded to GP Reinsurance EAD as of December 31, 2023 is BGN 1,626 m (BGN 1,432 m for 2022).

## V.2. Assets for incurred claims

**Fig.15. Asset for incurred claims as of 31 December 2023, retroceded from GP Reinsurance by line of business:**




The total amount of asset for incurred claims, retroceded by GP Reinsurance EAD as of 31 December 2023 is BGN 182 m (BGN 198 m in 2022).

## VI. Result of insurance activity

The result of issued reinsurance treaties in 2023 is BGN 461 m (BGN 425 m in 2022). The result of reinsurance treaties is held in the amount of BGN 82 m (BGN 141 m in 2022). The result of insurance activity for the year is BGN 378 m (BGN 284 m in 2022).

## Investment market in 2023 and the result of GP Reinsurance EAD

The year 2023 was the most successful year for GP Re portfolios and reached profits more than offset losses from the previous year. Inflation and geopolitics were again the dominating factors but contrary to 2022 they influenced financial markets positively. Government bonds in average were the highest contributor to the overall profit followed by equities and credit. Credit investments connected with Russia caused minor losses, significantly below the red numbers from 2022.

New accounting rules IFRS 9 have come into effect since the beginning of 2023. They have completely changed structure of reporting though the logic of underlying items remains the same.

Financial results exceeded the original plan mainly due to higher interest rates and bond yields on all markets relevant for GP Re. All five reserve portfolios of GP Re performed positively in 2023, four of them reached exceptional results. Capital portfolio was the only portfolio with negative performance mainly due to CZK weakening. Revaluation of Russian bonds was the main source of the losses. The most important internal factors influencing portfolio results were several adjustments of size of EUR, HUF and PLN portfolio and regular dividend payment.

On the other side, already realized or expected rate cuts and current lower bond yields that are behind the superb mark-to-market result can decrease profits in the future due to lower reinvestment rates.

*MARKET ENVIRONMENT*

Our outlook for 2023 was optimistic with expected peaks of inflation in major economies and hopes for no other geopolitical disaster. During the year the volatility on markets was quite high. One of the key questions, if major economies were able to avoid a deeper economic decline or depression and curb inflation pressures at the same time, was answered positively in case of both the United States and the Euro-area. We witnessed several geopolitical shocks (Israel and Hamas conflict in Gaza) but no one with such huge negative impacts on world economy and society like Russian invasion of Ukraine or Covid-19 pandemic. Central banks pushed their base rates to multi-year highs in first half of the year and the same trajectory chose bond markets. But inflation pressures eased later that year and especially the U.S. economy turned out to be quite resilient to higher rates. December brought a sharp reprising of future rates downwards and a positive performance of all assets.

Countries of CEE region has adapted to life with a war conflict just behind their borders. They were hit by inflation shock earlier than developed countries and could also finish their hiking cycles earlier and start cutting rates. Such an environment was naturally supportive for local assets and the rally on global yields in the last months of the year further helped them. The only negative exception were assets connected with Russia that still suffered from negative market sentiment and sanction regime.

*GOVERNMENT BONDS*

The double-pace world economy continued in 2023. Major economies were struggling with inflation pressures and their central banks intensified their effort to curb price pressures. Countries of CEE region saw peak of inflation wave earlier and started disinflation process. Interest rates and bond yields in the Euro-area and the U.S. were rising significantly until October when worse growth data, better inflation data and a softer rhetoric coming from central banks led to a sharp correction of elevated rates and price rally on bond markets. CEE rates oscillated in a range (Czechia) or were slowly declining (Hungary, Poland). The only exception was Romania where yields increased a little bit as Romanian central bank hiked its base rate again. The global rally in the last two months gave another impulse to CEE markets too and yields fell across the region.

Our investment strategy was significantly influenced by the introduction of new accounting rules IFRS 17. These rules have in general reduced non-CZK reinsurance liabilities. This result naturally implied the same change for assets that covered the liabilities. Each portfolio has its specifics and maturity structure, and we preferred natural cash flows (bond coupons, maturities, regular payments from operation accounts) to reduce the size of each portfolio. Sales of bonds were realized in accordance with the plan.

Central bank rates have reached their peaks, persistence of price pressures, soft landing or hard recession together with geopolitical risks will determine scale and pace of monetary softening.

*FX REPOS/SWAPS*

CEE FX market was relatively stable in 2023, especially if compared with the year 2022. Market participants have adopted to the new riskier geopolitical environment including the war in Ukraine. Currencies reacted to standard factors like macroeconomic data and steps of central banks. Especially the latter factors determined the overall 2023 performance of CEE currencies as lower or at least expectations of lower base rates in the region and on the other hand higher rates in the Euro-area and U.S. weakened a little bit all four relevant currencies i.e. CZK, HUF, PLN, and RON.

*OTHER DEBT INSTRUMENTS*

Global financial markets confounded gloomy expectations in 2023. Stocks rallied, and bonds reversed heavy losses made early in the year as recession fears were replaced by growing confidence that US policymakers would achieve an economic soft landing. Risky assets including securities reacted sensitively to changing macroeconomic and monetary expectations and witnessed high volatility of prices. The year-end average spreads reached values significantly below the starting numbers, especially thanks to rally in last two months of the year.

Idiosyncratic risk of individual investments had the most visible and negative effect in case of bonds connected with Russia.

Our investment activity in the credit area was lower than in the previous year. The main reason was the relatively higher attractiveness of all non-EUR government bonds with yields to maturity at multi-year highs, better ratings, and significantly better liquidity.

*RUSSIAN BONDS*

Initial strategy for Russian bonds and the year 2023 was the same as in 2022: to reduce portfolio exposure to assets connected directly with Russia, in dependence on offered price and legality of such transaction. Increasing risk of technical default of bonds connected only indirectly to Russia forced us to apply the original approach also on this segment. Unfortunately, the risk materialized as International Investment Bank became technically unable to serve its debt i.e. to pay interest and principal of existing bonds.

Worsening perspective of a full recovery led to another revaluation of remaining investments and receivables from unpaid bonds and coupons.

Our primary goal in 2024 is to by all available legal steps increase the chance of receiving money from formally matured or defaulted bonds and if possible, to further reduce remaining bond investments.

*EQUITIES*

In the first quarter, equity markets continued their rebound, which began in the end of 2022, while China's post-Covid reopening further boosted sentiment. A major shock came from the collapse of the US regional bank SVB and Europe's Credit Suisse. However, the ensuing uncertainty triggered a flight to safe assets such as treasuries, bringing yields lower. European equities also rose on expectations that inflation would slow and the ECB would end its monetary policy tightening, but gains were capped by a dampening recovery in China. CEE equities strongly outperformed thanks to a recovery in banking and consumer shares. European indices fell as stagnation became evident while the ECB raised rates to a record-high 4 % and signaled that the borrowing costs would stay elevated until inflation returns to target.

CEE equities significantly outperformed, primarily due to a positive market reaction to the Polish election results and a policy rate cut above estimates, with banks leading the rally. Our preference for a defensive tilt in positioning, as risk-reward has become less attractive and with monetary policy likely to stay restrictive in the short to medium term. We turn more cautious on banks following the strong run as net interest income peaks. Overall, we advocate a selective approach with a focus on quality i.e. earnings and margin resilience considering persisting macroeconomic uncertainty.

*MONEY MARKET*

Monetary policy offered all possible deviations in 2023. Major central banks finished their tightening cycle with US dollar rate at 5.25-5.50 % and EUR deposit rate at 4 %. In our CEE region some central banks started to cut their interest rates, namely in Hungary and Poland, in response to the falling inflation and rather weak GDP performance. Romania raised rates in 2023 and is expected to start cutting them in 2024. The Czech CNB delivered its first rate cut at the last monetary policy meeting held in 2023 shortly before end of 2023. The realized rate changes immediately influenced profit from term deposits and reverse repos. The average interest rate on CNB repos remained almost unchanged as it increased only by four basic points from 6.57 % in 1st quarter to 6.61 % in 4th quarter. Allocation to money market instruments increased in comparison with the previous year which is mainly given by expected cash outflows in coming months connected with dividend payment and claims payments connected with floods in Slovenia.

The existing two-speed monetary world should continue in 2024. Major central banks won't hurry with any rate cuts, albeit another tightening of monetary conditions is highly improbable. On the other side CEE region should further benefit from favorable inflation outlook. We expect that especially Czech and Hungarian national banks will deliver sizeable decline in rates, a smaller decline should come also from Poland and Romania. These steps will naturally decrease profit from realized term deposits and reverse repos.

As a result, the summarized financial results show net gains from investments in the income statement for 2023 amounting to BGN 94 million (BGN 21 million in 2022). The overall increase of BGN 74 million is distributed as follows: BGN 24 million more due to an increase in income from bonds, BGN 2 million higher result from revenues from instruments at fair value through other comprehensive income (FVOCI) - capital instruments, BGN (3) million decrease in dividend income, BGN 7 million increase in revenues from loans, BGN (9) million lower result from realizations from financial instruments, BGN 21 million decrease in the expense for impairment of financial instruments FVOCI and expected credit loss, attributable to the sale of credit instruments with direct exposure to Russia, BGN (6) million decrease in other investment expenses, and BGN 37 million increase in revenues and expenses from currency exchange differences.

## Overall result of GP Reinsurance EAD

The profit after tax of GP Reinsurance EAD for 2023 is BGN 393 m which is an increase by 44% as compared to 2022 (BGN 272 m). The profit of the Company was generated mainly from its reinsurance business.

# CORPORATE GOVERNANCE DECLARATION

This Declaration has been drawn up pursuant to Art. 40 of the Accountancy Act, pursuant to the provisions of the Public Offering of Securities Act, as well as pursuant to the provisions of the Code on Insurance.

## I. General Provisions

GP Reinsurance EAD is a sole owner joint-stock company (the Company); its scope of business is reinsurance and pursuant to the Supplementary Provisions of the Accountancy Act, more specifically §1, p. 22, it is considered a public interest entity. As such and pursuant to art. 40 of the Accountancy Act, the Company submits this Declaration on Corporate Governance as part of its Activity Report.

The Company is registered in the Commercial Register of the Registry Agency, UIC 200270243, with a seat and registration address of: 1504 Sofia, Bulgaria, Oborishte region, 68 Knyaz Alexander Dondukov Blvd. The Company's corporate management and activity are governed by the Insurance Code and more specifically TITLE II Requirements to the Management and Operations of Insurers and Reinsurers.

As reinsurer having its seat in the Republic of Bulgaria, the Company is subject to the provisions of the Code on Insurance, promulgated, State Gazette, No 102/ 29.12.2015, effective on 01.2016, with additional issue 62 of 09.08.2016, effective as of 09.08.2016, amended, issue 95 of 29.11.2016, amended, issue 103 of 27.12.2016, amended, issue 8 of 24.01.2017, amended, issue 62 of 01.08.2017, amended, issue 63 of 04.08.2017, effective as of 04.08.2017; amended, issue 85 of 24.10.2017, amended, issue 92 of 17.11.2017, amended, issue 95 of 28.11.2017, effective as of 01.01.2018; amended, issue 103 of 28.12.2017,effective as of 01.01.2018;amended, issue 7 of 19.01.2018, amended issue 15 of 16.02.2018, effective as of 16.02.2018; amended issue 24 of 16.03.2018, amended issue 27 of 27.03.2018, amended issue 77 of 18.09.2018, effective as of 01.01.2019; amended issue 101 of 07.12.2018, effective as of 07.12.2018; amended issue 17 of 26.02.2019, amended issue 42 of 28.05.2019, effective as of 28.05.2019; amended, issue 83 of 22.10.2019, effective as of 22.10.2019; amended, issue 26 от 22.03.2020.; reference in the State of Emergency Measures and Actions Act, issue 28 of 24.03.2020, effective as of 13.03.2020; amended, issue 34 of 09.04.2020, effective as of 09.04.2020; reference in the Amendments to the Health Act, issue 44 of 13.05.2020, effective as of 14.05.2020; amended, issue 64 of 18.07.2020, effective as of 18.07.2020; amended, issue 21 of 12.03.2021, amended issue 16 of 25.02.2022, amended issue 25 of 29.03.2022, in force from 29.03.2022, effective as of 29.03.2022; amend., no. 66 of 01.08.2023; supplement, no. 68 of 08.08.2023; supplement, no. 80 of 19.09.2023, in force from 19.09.2023; amend., no. 84 of 06.10.2023, as the amendments with the CCA enter into force from 06.10.2023; change and supplement, no. 85 of 10.10.2023, in force from 10.10.2023. This legal act constitutes a corporate management code pursuant to art.100n, (8), (1) (b "b") of the Public Offering of Securities Act, as it establishes in detail the requirements for the management and activity of insurance and reinsurance undertakings in the country with a view to creating conditions for the development of a sustainable, transparent and efficient insurance market and securing the public interest, including the requirements to the management systems, the activity management, structure and organization, the fit and proper requirements for the members of the management and control bodies and of the key functions in the Company, risk management, internal audit, external audit (independent financial audit), general and specific requirements for the financial position and financial reporting of the insurance and reinsurance undertaking, the rules on the distribution of reinsurance products, etc. The Code on Insurance is a legal act, part of our national legislation, and it is generally accessible from all legal information systems in the country.

Furthermore, the Company is part of Generali Group. As such, and pursuant to item 5 of its Articles of Association, it implements the measures, adopted by Assicurazioni Generali S.p.A., with a seat in Italy as parent company of the Group, for compliance with the applicable legislation and the regulations of the Italian Institute for Supervision of Insurance companies (IVASS), with a view to the sustainable and efficient management of the Group. Therefore, as part of this Group the Company hereby declares that it fully complies with the Code of Ethics of Generali Group, which sets out the minimum ethical standards for the Company's employees, including the members of its management and control bodies, and also defines specific ethical rules on encouraging the diversity and social inclusion, protection of assets and business data, avoiding conflicts of interest, combatting corruption and abusive practices, protection of financial information, combatting insider dealings, money-laundering and terrorism financing and ensuring compliance with international sanctions. The Code of Ethics of Generali Group was adopted by the Company's senior management body for direct application by the Company.

## II. General features of the Internal Control and Risk Management Systems of the Company in 2023

### II.1. Control environment

The control environment in the Company was created in accordance with the personal values and the integrity of each member of the Company's management bodies and personnel. The efficiency of the controls reflects the integrity and the ethical values of the people who create, administer and monitor them. The Company's Compliance Policy defines integrity as a core value and describes the Company's activity as based on compliance with law, professional ethics, and internal rules. The Company strives to maintain the highest standards in business integrity and good reputation and requires from its managers and employees to be familiar and comply with the legal requirements, standards and best practices.

Integrity and ethical values are imposed by the senior management in line with the „Lead by example" policy, underlying the Compliance Policy. The communication of the integrity and ethical policy starts from the first working day, when the employees become familiar with the Code of Ethics of the Company, and continues with annual trainings, initiatives like Integrity weeks and special workshops.

- ### *Organizational Structure*

The Company is a joint-stock company with reinsurance as main scope of business and licenses for reinsurance in non-life and life insurance. The Company has a two-tier governance system as stipulated by its Articles of Association. The organizational structure, approved by the Management Board can be changed or supplemented, if necessary.

The control policy of the Company is largely shaped by those charged with the general governance. The Code on Insurance together with the Fit and Proper Policy define the minimum integrity and fit and proper requirements for the management and the key functions. “Fit” stands for professional qualification, skills and experience that ensure sound and prudent management. “Proper” is defined as good reputation. Section II of Chapter 7 of the Code on Insurance defines the persons who are subject to the fit and proper requirements, the method used to detect if they are met and the approval process by the Regulator. These requirements were further supplemented in the Internal Fit and Proper Guidelines where the assessment and periodic review mechanism is defined.

**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 Sole Owner of the capital of the Company is Generali CEE Holding, registered in the Netherlands.

**The Supervisory Board as of 31.12.2023 consists of the following members:**

- Mr. Carlo Schiavetto – Chairman and member
- Mrs. Beáta Petrušová – member
- Mr. Werner Moertel – independent member
- Mrs. Anna Hegedűs - independent member.

**The Management Board as of 31.12.2023 consists of the following members:**

- Mr. Nikolay Stanchev – Chief Executive Officer and Chairman of the Management Board;
- Mr. Encho Enchev – member and Executive Director
- Mrs. Zhaneta Dzhambazka – member and Executive Director;
- Mrs. Mihaela Stanimirova – member
- Mr. Giorgio d’Orlando – member.

As of 01.01.2024 Mr. Encho Enchev holds the position of Chief Executive Officer and Mrs. Janeta Dzhambazka was dismissed from the Management Board of the Company. Mr. Nikolay Stanchev remains in the position of Executive Director.

As of 01.01.2024. The Company’s Management Board consists of the following members:

- - Mr. Encho Enchev - Chairman and CEO;
- - Mr. Nikolay Stanchev - Executive Director;
- - Ms. Michaela Stanimirova - Member;
- - Mr. Giorgio D'Orlando - Member.

**Mode of representation**

The Company is represented always jointly by two of the executive directors Encho Enchev, Zhaneta Dzhambazka and Nikolay Stanchev.

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

1) Audit Committee – Mr. Martin Mancik – Chairman, and Mr. Jakub Rezek and Mr. Roman Smetana – members.
2) Risk Committee – Mrs. Marcela Stredova - Chairman, and Mr. Tomas Gubanec, Mr. Encho Enchev, Mr. Ivan Spasov and Mr. Giorgio d'Orlando – members.

- ***Assignment of powers and responsibilities***

The members of the Management Board, i.e., the Executive Directors are elected by the Supervisory Board according to the procedure provided by law. 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 formal business rules for their activity.

The Company's employees become aware of their rights and responsibilities through their job descriptions, supplementing their employment contracts. Main communication and information flows are defined (vertical and horizontal) for every position in the Company.

- ***Obligations of those charged with governance***

All important decisions related to the Company's business are made by the Management Board, and some of them are approved by Supervisory Board or the Sole Owner of the capital. All decisions are recorded and signed by the Board members who took part in the meetings.

Pursuant to the Independent Financial Audit Act there is a functional Audit Committee in the Company, whose powers are defined in the relevant Guidelines. All resolutions of the Audit Committee are recorded and signed by the members who attended the relevant meetings.

- ***Commitment to Competence***

The Company's management pays special attention to the level of competence of its employees. Every year the employees responsible for the financial reporting and the preparation of financial statements attend special training seminars, which help them acquire the necessary knowledge and skills, ensuring a high level of professional competence in finance and accounting. Depending on the relevant job requirements, special trainings are organized.

- ***Human Resources Policy***

This Policy identifies not only the personnel of the Company, but also the focus of its business. The selection/hiring standards include evaluation of the competence of the applicants, their ability to work in a team as well as their personal qualities that can add value, diversity, a different perspective and growth to the Company.

The Company has adopted a policy of continuous training for the personnel – a special Talent Program, a personnel exchange program, Generali Academy. These programs involve all employees irrespective of their position or geographic region. Employees are encouraged to improve their qualification by regular performance evaluations. Individual performance is evaluated based on personal scoring cards, regularly set targets and attestations. The evaluation includes material stimuli encouraging personal development, excellence drive and goal-oriented action.

- ***Human Resources Diversity Policy***

Generali Group and the Company as part of it encourage diversity in terms of personnel, administrative and management bodies. Diversity is regarded as a combination of visible and invisible differences. The Company's policy aims of creating organization and culture, encouraging respect for the differences and personal qualities of the individuals, enabling them to fully develop their capacities and potential. Diversity is encouraged by means of the following measures: transparent and non-discriminatory recruitment policy, equal working conditions, encouragement of multiculturalism, creation of a working environment, based on the unique contribution of each employee. The Diversity Policy is included in the Code of Ethics of Generali Group.

- ***Philosophy and operating management style***

The governance philosophy of the Company's management is based on honesty, integrity and maximum responsibility in the decision-making process and in business administration.

- ***Value and ethical conduct***

To promote the ethical and integrity values, the Company has adopted the Code of Ethics of Generali Group to be observed by all its employees. The Code identifies the minimum standards for conduct of the Company's employees, including its management and control bodies; it also stipulates the concrete rules of conduct for encouraging diversity and social inclusion, for protection of the assets and commercial data, for preventing conflicts of interest, for combatting corruption and dishonest practices, for securing financial information, for combatting insider dealings, money laundering and terrorism financing and for observation of international sanctions.

### II.2. Company's Risk Assessment

The Company's risk assessment process includes the management's method for identification of the risks, essential for the business, evaluation of their importance, assessment of risk probability and decision-making prescribing how to address and manage these risks and how to evaluate their impact.

The process is managed by a special Risk Management unit.

### II.2.1. Non-systematic Company-specific risks

**1) Risks related to the structure of the investment portfolio of the Company.**

As the business activity of the Company is strongly regulated by the Government, the reinsurance reserve coverage portfolio is formed mainly by financial instruments of quick liquidity, diversified in different countries, sectors and currencies, so that the outstanding claims can be quickly recovered.

**2) Risks resulting from the development of the global economy and trade.**

The Company operates in the insurance markets in Central and Eastern Europe and therefore it is directly exposed to the risks resulting from the development of the global economy and trade. The consumption of insurance services depends to a large extent on the economic conditions in the countries where the insurance companies operate and on the global situation, therefore the volumes ceded to the Company can be negatively affected by a possible decrease in consumption. The factors having impact on the global economy, trade and all business entities, are diverse.

**3) Political Risk causing instability in traditional markets and regions, wars and/or sanctions.**

The risk derives from possible changes in the economic policy, imposed by objective global economic or political circumstances. Legal Risks related to the environmental legal framework.

**4) Risks related to regulatory framework governing environmental protection.**

Environmental legislation stipulates the implementation of certain measures related to prevention, control and reduction of the different types of environmental pollution. The Company pursues a policy compliant with all the relevant legal requirements, which involves permanent expenses for the operation and maintenance of the equipment in line with the required standards and regulations. As part of Generali Group, the Company has adopted the Group Climate Preservation Policy.

**5) Risks related to the attracting and retaining of skilled and qualified personnel.**

The problems related to the efficiency and relevance of the Bulgarian education system and the demographic decline in the country have resulted in a shortage of qualified personnel in many sectors of the national economy. The risk is augmented by the convertible character of certain professions, their shortage and demand worldwide. The management has adopted a long-term approach in the administration of human resources, including initial and subsequent training of the personnel.

Reinsurance, credit, liquidity, currency and interest risks are described in detail in Note III to the financial statements of the Entity.

### II.2.2. Systemic risks

The Company is exposed to systemic risks, related to the market and the macro environment, in which the companies operate. The development of these risks is regularly monitored by the management team and is subject to annual assessment. The overall risk management system is based on policies, rules and procedures to effectively monitor and manage the exposure of the Company to such risks.

**1) Information system**

The Company's information system is a combination of infrastructure (physical and hardware components), software, employees, procedures and data. It was developed according to the specific needs of the Company and is fully compliant with the business processes and with the needs of the business for information. The main system of the Company is SAP, the maintenance of which is carried out by Generali Versicherung A.G. and under the agreed conditions a system continuity plan exists and applies. The reliability of the data in the system and respectively of the decisions taken based on these data are based on the following principles:

- the system identifies and represents all valid transactions and operations;
- estimates the transactions and operations values in a way which allows their relevant monetary value to be reflected in the financial statements;
- determines the time during which the transactions and operations have occurred, so that it can allow their recognition in the appropriate accounting period;
- represents the transactions, operations and related disclosures in the financial statements.

**2) Control activities**

- ***Audit function***

There is a functional Audit Committee in the Company. The Audit Committee is an independent advisory body functioning pursuant to the Independent Financial Audit Act. The same body monitors the financial reporting processes in the Company; the effectiveness and efficiency of the internal control and risk management systems, makes recommendation to the Sole Owner of the capital regarding the selection of registered auditors for the independent financial audit of the Company and also reviews the independence of the registered auditor of the Company pursuant to the legal requirements and according to the Code of Ethics of professional accountants, and it also monitors the provision of additional services by the registered auditor. The Audit Committee makes recommendations about the internal control and risk management systems. The Audit Committee provides an opinion about the annual plan and the Annual Report of the Internal Audit Department. The Audit Committee reports its activity once a year to the Sole Owner of the capital.

As of 31.12.2023 the Audit Committee consists of the following members:

- Mr. Martin Mancik – Chairman
- Mr. Roman Smetana - member
- Mr. Jakub Rezek – member.

- ***Internal Audit Department***

The Internal Audit Department performs the internal audit key function pursuant to Art.95 of the CI. It assists the Company in achieving the defined goals by evaluating the effectiveness of risk management and control processes and providing its opinion on:

- the efficiency and effectiveness of the operations performed;
- the reliability and integrity of financial and operating information in the company;
- management systems and risk assessment methods;
- the protection of the Company's assets;
- compliance with legislative requirements, internal arrangements, contracts / agreements and Generali Group requirements.

The Internal Audit Department functions in compliance with the applicable legislation, the provisions of the Standards on internal auditors' professional practice (The IIA, USA) and the Code of Ethics of internal auditors, and also according to the internal audit methodology of Generali Group. The Internal Audit scope includes all systems, processes, operations, functions and activities, performed by the Company, as well as the outsourced activities. The Internal Audit function is appointed by the Management Board of the Company and is subject to approval by the Financial Supervision Commission. Mrs. Svilena Whitney, Bulgarian citizen, is Head of the Internal Audit Department as of 31.12.2023.

- ***Activities of the Compliance Function***

The Compliance key function pursuant to Art.93 of the CI is performed by the Compliance office. It carries out an ongoing evaluation and monitoring of the legal framework applicable to the business of the Company (pursuant to the internal guidelines on the organization and activity of the Directorate), of the expected changes in it and of the legal risk – it evaluates the adequacy and efficiency of the adopted organizational and procedural measures for prevention of the risk of non-compliance of the Company's business activities with the relevant legal framework. It drafts proposals for organizational and procedural changes aimed at ensuring adequate control over the legal risk. It supports the Management Board in the efficient management of the legal risk and the Company's structures in all spheres where such a risk exists by making assessments, proposals and by ongoing control of the legal risk. It ensures the relevant guidelines and procedures for the implementation of the anti-money laundering and terrorism financing measures in the Company and controls their implementation. The Compliance function is appointed by the Management Board of the Company and is subject to approval by the Financial Supervision Commission. Mr. Ivan Kolev, Bulgarian citizen, is Head of the Compliance office as of 31.12.2023.

- ***Activities of the Risk Management Function***

The Risk Management function according to Art.89 of the CI is performed by a separate structural unit – Risk Management. The unit implements the risk management concept and methodology in the Company in compliance with Generali Group's standards and risk management policy. The main function of the unit is to analyse the risk exposure of the Company, the risk probability and its potential negative impact – more specifically in terms of financial and insurance risk, operational risk, personnel risk, information risk, legal risk. It makes proposals and prescribes measures for risk minimization and determines risk margins for definite risks. It drafts regular risk management reports that are submitted to the Audit Committee and to the Management Board. It is responsible for the compliance with the Group risk management standards and for the due implementation of the relevant Group policies and their amendments in the Company. It makes the necessary calculations related to risk assessment and indicators pursuant to the provisions of Directive 2009/138/EC (Solvency II), according to the Group risk management policies and the local legislation. as of 31.12.2023 the Head of Risk Management Function (Chief Risk Officer) is the Tomas Gubanec, Czech citizen. The Chief Risk Officer is appointed by the Management Board of the Company.

- ***Actuarial function***

The appointed actuary performs the actuarial function pursuant to Art.97 of the CI. He is directly responsible for the calculation of adequate premiums and technical reserves, thus ensuring the correct calculation of the solvency margin for the Company and applying the proper actuarial methods to the operations of the Company. As appointed actuary, he analyses the available statistical information derived from the information system, ensures prevention as a prerequisite for the stability and financial security of the Company and the placement of insurance risks. The functions of the appointed actuary of the Company include making analyses, preparation of plans and forecasts for its development.

The function includes draw up of statistical references and actuarial reports, submitted to the Financial Supervision Commission and to the Shareholder in line with the Group requirements. He takes actions in case of established deviations that threatens directly or indirectly the financial stability of the company. The appointed actuary is elected and dismissed by the Sole Owner of the capital. As of 31.12.2023 Mr. Vladimir Ilievski, Bulgarian citizen, is appointed as Actuary of the Company on life reinsurance risks.

### 3) Controls - Ongoing Monitoring

The Group internal control system is subject to constant monitoring. The audits conducted by the Internal Audit Department check the compliance with the internal rules and procedures and evaluate their adequacy in the specific business environment where the entity operates. The results from the audits for the relevant period are reported by the Internal Audit Department at the Audit Committee meetings, held regularly during the year.

The control function is performed on several levels and along several lines. The first level of control in the Company includes the operating functions compliant with the legal and professional requirements. The second security level includes the Compliance function and all Company units having control functions. The third security level is represented by the internal audit function, which monitors simultaneously the performance and the related controls, their existence, efficiency and security.

In general terms, the control function includes regular performance reviews (performance control), automatic controls in the performance of activities (preferred due to the limited risk of human errors and manipulations) and physical controls over assets (property conservation measures, stocktaking, inspections). Segregation of duties among different persons is a key principle in the process. The aim of the segregation of duties is to prevent a person to be in the position of both making errors or frauds and concealing these errors or frauds during the fulfilment of their everyday obligations.

## OTHER STATUTORY DISCLOSURES

The results from the annual reports on Solvency II of the Company showed that GP Reinsurance EAD shows that the Company is stable and the interests of the sole owner and the reinsured companies are secured with a coverage of 210% for the Solvency Capital Requirement (SCR) and 640% for the Minimum Capital Requirement (MCR). as of the date of the drawing up of the financial statements, the above SCR and MCR values are still unaudited.

- **Events after the statement of financial position date**

Detailed information about significant events after the date of the statement of financial position is disclosed in Note IX to the financial statements.

- **Future business development**

The Company does not plan any significant change in its reinsurance portfolio in the next 3 years, except for the accepting of new reinsurance Agro QS treaty of Generali T.U.S.A., Poland in the beginning of 2024, which will affect the Company's planned result.

- **Research and development activities**

The Company has no operations and activities in the field of research and development because the reinsurance business in which it operates does not require it.

- **Information on acquisition of own shares**

The Company has no shares to be traded freely in the financial markets. At present the sole owner has no intention or has passed no resolution to list the Company's shares on an official market.

- **Branches of the Company**

The Company's activities are executed through its head office without need of branch network.

- **Financial instruments, valuation of assets and liabilities, financial position and result**

Detailed information of the Company's objectives and policies related to financial risk management, policy of hedging and exposure of the Company to price, credit and liquidity risk is disclosed in Notes III, V, VII and IX to the financial statements.

- **Non-audit services provided by registered auditors**

All non-audit services provided and/or contracted for the period of the financial statements (01.01.2023–31.12.2023) and for the period after the reporting date (31.12.2023) till the date of issuance of the audit opinion are as follows:

1) Review of the templates under Ordinance №53, as required by the Financial Supervision Commission.
2) Specific procedures over reporting under Solvency II for the purposes of the Financial Supervision Commission.
3) Specific procedures over reporting under Solvency II for the purpose of the Group reporting.

- **Information about the members of the Management Board (MB) and the Supervisory Board (SB) pursuant to article 247 of the Commerce Act:**

1) Total remuneration received by the MB and SB members for 2023 is disclosed in Note VIII.4 to these financial statements.
2) No shares or bonds in the Company are held, acquired or transferred by the members of the Management and the Supervisory Boards in 2023, and the latter have no right to acquire shares or bonds in the Company.
3) The following MB and SB members hold shares of the capital of third companies or participate in the management of third companies:

- Mrs. Zhaneta Dzhambazka (member of the MB and Executive Officer of the Company) is also Executive Officer of Generali Insurance AD.
- Mr. Nikolay Stanchev (member of the Management Board and Chief Executive Officer of the Company) is also Chief Executive Officer and member of the Management Board of Generali Insurance AD.
- Mr. Carlo Schiavetto (member of the SB of the Company) is also member of the Supervisory Boards of the following companies: Generali Investments CEE, Generali Biztosító, Genertel Biztosító, Generali Towarzystwo Ubezpieczeń S.A., Generali Życie Towarzystwo Ubezpieczeń z.o.o., Generali Zavarovalnica d.d.m. Ljubljana, Generali.Finance z.o.o. and member of the Management Board of Generali CEE Holding B.V.
- Mrs. Beáta Petrušová (member of the SB of the Company) is also member of the Supervisory Board and a member of the Audit Committee of Generali Insurance AD, member of the Audit Committee of Generali Cezka Poistovna A.S., member of the Audit Committee of Generali Pensiini Spolechnost A.S., member of the Supervisory Board of Generali Pension company in Romania, and member of the Management Board of Europe Assistance.
- Mr. Werner Moertel (member of the SB of the Company) is also member of the Supervisory Board of Generali Insurance AD.
- Mrs. Anna Maria Hegedus (member of the SB of the Company) is also member of the Audit Committee and a member of the Supervisory Board of Generali Voluntary Pension Fund, Hungary, and member of the Supervisory Board of Generali Health and Mutual Fund, Hungary and Generali Insurance AD.

The rest of the MB and SB members hold no more than 25 percent of the capital of other companies and are not involved in the management of other companies or cooperatives as procurators or managers.

4) There are no contracts with MB and SB members or related persons thereto that go beyond the ordinary business of the Company or deviate substantially from the market regulations.

Chief Executive Director: Chief Accountant:

/Encho Enchev/ /Mihail Filipov/

Executive Officer:

/Nikolay Stanchev/

Date: 15 March 2024

GENERALI
GP REINSURANCE

*This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail.*

# REPORT OF INDEPENDENT AUDITORS

KPMG Audit OOD
45/A Bulgaria Boulevard
Sofia 1404, Bulgaria
+359 (2) 9697 300
bg-office@kpmg.com
home.kpmg/bg

BDO AFA OOD
38 Oborishte Street
Sofia 1504, Bulgaria
+359 (2) 9433 700
office@bdoafa.bg
bdoafa.bg/bg

# Independent Auditors' Report

## To the sole shareholder of GP Reinsurance EAD

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of GP Reinsurance EAD (the Company) as set out on pages 9 to 117, which comprise the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

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

We have determined the following key audit matters:

### Initial application of International Financial Reporting Standard 17 Insurance contracts

Total net impact of the first-time adoption of IFRS 17 Insurance contracts ("IFRS 17") as at 1 January 2022 ("transition date"): BGN 401,744 thousand (increase in the total equity balance), including an increase in retained earnings by BGN 359,747 thousand, increase in insurance finance reserve (IFR) by BGN 29,278 thousand and increase in the foreign currency translation reserve by BGN 12,719 thousand.

Please refer to the separate financial statements: Statement of changes in Equity and Note II New and amended standards and interpretations.

| Key audit matter | How this key audit matter was addressed in our audit |
|---|---|
| IFRS 17 (also, "the Standard"), effective for annual reporting periods beginning on or after 1 January 2023, introduced new recognition, measurement, presentation and disclosure requirements for insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. At transition date, the Standard requires that the Company identifies, recognizes and measures each group of insurance contracts based on the full retrospective approach, unless impracticable, in which case alternative approaches are allowed, including the fair value approach.<br><br>At transition date, the Company adopted the full retrospective approach and applied the Premium Allocation Approach (PAA) to the measurement of groups of insurance contracts issued and groups of reinsurance contracts held, except for the liability for incurred claims (LIC) for events that took place before 2016 for which the Fair Value Approach (FVA) was applied. For these claims LIC was determined by applying the discounting rates for 2016 instead of at the date of initial recognition or incurred claim.<br><br>The application of IFRS 17 by the Company required significant changes in data preparation, reporting systems and processes. New range of data is used for the measurement of insurance contracts, whose measurement model under IFRS 17 is based on estimates of the present value of future cash flows. Accordingly, the complexity of the reporting process as a whole increased significantly. | Our procedures, performed with the assistance of our own actuarial specialists, included, among others:<br><br>— Through inquiries of the Company's personnel and reading of the Company's internal accounting policies and procedures, obtaining an understanding of the process of accounting for insurance contracts, with particular reference to the measurement of insurance contract assets and liabilities;<br><br>— Challenging the Company's grouping of insurance contracts by inspecting the contractual conditions for types of reinsurance treaties;<br><br>— Assessing the appropriateness of the transition methods applied, the eligibility of the PAA approach, the reasonableness of assumptions, and checking, where applicable on a sample basis, the input data and parameters used to determine insurance contract assets and liabilities, at the transition date 1 January 2022 and as at 31 December 2022;<br><br>— For the fair value approach, evaluating the method applied on transition against the requirements of IFRS 17;<br><br>— Tracing the UBEL data and payment patterns underlying the actuarial projections to source systems; |

| | |
|---|---|
| Satisfying ourselves in respect of the Standard's effects on the financial statements required our significant judgment and increased attention in the audit. In the wake of those factors, we considered the initial application of IFRS 17 to be a key audit matter. | — Assessing the discount rates primarily by reference to risk free rates obtained from publicly available external sources;<br>— Assessing the appropriateness of the disclosures with respect to the impacts of the transition to the new accounting standard IFRS 17. |

**Measurement of liability for incurred claims (LIC) for insurance contracts under the premium allocation approach (PAA)**

The carrying amount of LIC for insurance contracts under PAA: BGN 1,626,254 thousand as at 31 December 2023 and BGN 1,431,795 thousand as at 31 December 2022.

See Note *II "Accounting policy" (II.6 Insurance and reinsurance contracts)*, Note *III "Financial and reinsurance risk management and fair value measurement" (III.A Reinsurance risk, III.B. Insurance risk concentration, III.C Insurance risk sensitivity)*, Note *IV "Critical accounting estimates and assumptions in applying the accounting policy"* and Note *VI.4 "Insurance and reinsurance contract liabilities"* to the financial statements.

| **Key audit matter** | **How this key audit matter was addressed in our audit** |
|---|---|
| Liability for incurred claims for insurance contracts under PAA (LIC) constitutes a significant element of insurance contract liabilities in the Company's statement of financial position. In measuring the liability, management was required to establish:<br>— present value of future cashflows relating to insured events that have already occurred at the reporting date, adjusted for the time value of money, among others; and<br>— risk adjustment for non-financial risk arising from uncertainty in the said cashflows.<br>The Company measures liability for incurred claims by applying the principle of "following the fortunes of the ceding companies", i.e. by reference to the value of undiscounted best estimate of liabilities (UBEL) and payment patterns for each group of issued reinsurance contracts, as estimated and communicated by the ceding companies.<br>Measurement of the liability for incurred claims involves multiple estimates and judgements, mainly related to the timing, the ultimate full settlement of the claims, which may vary as a result of subsequent information and events and discount rates. This requires specific expertise and significant audit efforts. | Our audit procedures, performed with the assistance of our own actuarial and IT audit specialists, included, among others:<br>— Obtaining an understanding of the Company's process for the measurement of liabilities for incurred claims and the related key controls and IT environment.<br>— Testing of the design, implementation and operating effectiveness of selected IT-based controls within the process of measuring LIC, including those over LIC measurement model's output;<br>— Performing a retrospective assessment of the LIC estimation by analysing the significant changes in liabilities for incurred claims compared to previous year's figures and corroborating the results with the company representatives;<br>— Evaluating the methods and models used in the measurement of LIC against the relevant financial reporting requirements and market practice;<br>— Tracing the UBEL data and payment patterns underlying the actuarial projections to source systems and, on a |

| | |
|---|---|
| In addition, a number of acceptable actuarial methods exist for determining the risk adjustment for non-financial risk.<br><br>In the wake of the above factors, satisfying ourselves regarding measurement of LIC for insurance contracts under PAA required our increased attention in the audit and as such was determined to be a key audit matter. | sample basis, to the underlying data provided by cedents;<br><br>— Obtaining confirmation letters from ceding companies and reconciling their value for due claims to those reported by the Company;<br><br>— Assessing the discount rates primarily by reference to risk free rates obtained from publicly available external sources;<br><br>— Examining whether the Company's disclosures in the financial statements relating to LIC for insurance contracts under PAA appropriately address the relevant quantitative and qualitative requirements of the applicable financial reporting framework. |

**Fair value measurement of financial assets categorized within Level 2 and Level 3 of the fair value hierarchy, excluding reverse repo receivables and derivative financial instruments**

Financial assets categorized within Level 2 and Level 3 of the fair value hierarchy, excluding reverse repo receivables and derivative financial instruments in the statement of financial position amount to BGN 401,663 thousand as at 31 December 2022 (31 December 2022: BGN 435,296 thousand).

See Note *II "Accounting policy" (II.5 "Financial Assets"),* Note *III "Financial, resinruance risk management and fair value measurement" (III.I "Determining fair value and the fair value hierarchy")* and Note *IV "Critical accounting estimates and assumptions in applying the accounting policy,* Note *V.1 "Financial assets measured at fair value through other comprehensive income – debt instruments",* Note *V.2 "Financial assets measured at fair value through other comprehensive income – equity instruments"* and Note *V.3 "Financial assets measured at fair value through profit or loss"* to the financial statements.

| **Key audit matter** | **How this key audit matter was addressed in our audit** |
|---|---|
| The carrying amount of financial assets measured at fair value and categorized within Level 2 and Level 3 of the fair value hierarchy, excluding reverse repo receivables and derivative financial instruments (the financial assets) as at 31 December 2023 is BGN 401,663 thousand, which represents 12% of total assets as at that 31 December 2023.<br><br>The financial assets categorized within Level 2 and Level 3 of the fair value hierarchy comprise of debt instruments quoted on markets not considered as active as well as unquoted equity instruments (shares and units in funds). The fair value of these investments has been determined using valuation techniques utilizing observable, unobservable inputs or a combination of both, | Our procedures, performed with the support from our own valuation specialists, where applicable, include, among others:<br><br>— Obtaining an understanding of the process of management of the Company's investment portfolios, including determining the fair value of the financial assets measured at fair value with a focus on such classified within Level 2 and Level 3 of the fair value hierarchy;<br><br>— Assisted by our own valuation specialists, challenging the valuation of the financial assets measured at fair value categorized within Level 2 and Level 3 of the fair value hierarchy comprise. This included: |

| | |
|---|---|
| information on which is presented in Note III to the financial statements. Therefore, fair value measurement is characterised by an inherent uncertainty related to using various methods, assumptions and judgements.<br><br>Due to the significance of the amounts involved, and the inherent uncertainty in determining the fair value of the financial assets categorized within Level 2 and Level 3 of the fair value hierarchy, we have considered this area as key audit matter. | - assessing the appropriateness of the valuation techniques applied;<br>- developing an independent expectation of fair value ranges for the debt instruments quoted on inactive markets based on market prices of comparable instruments quoted on active markets;<br>- developing an independent expectation of fair value ranges for unquoted equity instruments (shares in mutual funds) classified as Level 2 based on available published net asset values;<br>- assessing the fair valuation of specific unquoted Level 3 equity instruments by testing the valuation of underlying assets carried at fair value by the investees, on a sample basis, focusing on, among others:<br>  - obtaining the latest audited financial statements;<br>  - benchmarking their fair value against publicly available data like valuation multiples;<br>  - analyzing changes in net assets value of investees occurring between the measurement and reporting date by reference to capital calls and distributions of investments;<br>  - for funds investing in real estate - assessing the valuation methods, assumptions and data used in the fair value estimate of underlying properties (market rent, capitalization and discount rates and occupancy level);<br><br>— Obtaining confirmation letters from respective custodians and reconciling the confirmed quantities and nominal values of the financial assets measured at fair value to the investment portfolio records of the Company and in addition, with respect to selected unquoted equity investment (Level 3) obtaining a confirmation letter from the custodian of the unit fair value as at the reporting date;<br><br>— Assessing the Company's disclosures in the financial statements regarding the financial assets measured at fair value and categorized within Level 2 and Level 3 of the fair value hierarchy against the requirements of the relevant financial reporting standards. |

## Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the management report, including the corporate governance statement, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

### *Additional Matters to be Reported under the Accountancy Act*

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the management report and the corporate governance statement, we have also performed the procedures added to those required under ISAs in accordance with the New and enhanced auditor's reports and auditor's communication Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in the applicable in Bulgaria Chapter Seven of the Accountancy Act and Art. 100(m), paragraph 8, where applicable, of the Public Offering of Securities Act.

*Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act*

Based on the procedures performed, our opinion is that:

- The information included in the management report for the financial year for which the financial statements have been prepared is consistent with those financial statements.
- The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.
- The corporate governance statement for the financial year for which the financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (m), paragraph 8, where applicable, of the Public Offering of Securities Act.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

We are jointly and severally responsible for performing our audit and for our audit opinion as per the requirements of the Independent Financial Audit Act, applicable in Bulgaria. When accepting and performing the joint audit engagement, in relation to which we are reporting, we are also directed by the Guidelines for performing joint audit, issued on 13 June 2017 by the Institute of Certified Public Accountants in Bulgaria and by the Commission for Public Oversight of Statutory Auditors in Bulgaria.

## Report on Other Legal and Regulatory Requirements

### Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- KPMG Audit OOD and BDO AFA OOD were appointed as a statutory auditors of the financial statements of the Company for the year ended 31 December 2023 by the general meeting of shareholders held on 5 October 2023 for a period of one year. The audit engagement was accepted by signing the Joint Audit Engagement Letter dated 16 October 2023.
- The audit of the financial statements of the Company for the year ended 31 December 2023 represents third total uninterrupted statutory audit engagement for that entity carried out by KPMG Audit OOD and seventh total uninterrupted statutory audit engagement for that entity carried out by BDO AFA OOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the Company's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Company.

Sofia, 19 April 2024

**For KPMG Audit OOD:**

Maria Peneva
*Authorised representative and registered auditor, responsible for the audit*

Одиторско дружество София Рег. № 045 „КПМГ Одит" ООД

45/A Bulgaria Boulevard
Sofia 1404, Bulgaria

**For BDO AFA OOD:**

Valia Iordanova
*Authorised representative and registered auditor, responsible for the audit*

Одиторско дружество София Рег. № 015 „БДО АФА" ООД

38 Oborishte Street
Sofia 1504, Bulgaria

GP REINSURANCE EAD
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2023

(All amounts are in BGN thousand, unless otherwise stated)

| | Note | 31.12.2023 | 31.12.2022 *Restated** | 01.01.2022 *Restated** |
|---|---|---|---|---|
| **Asset** | | | | |
| Cash and cash equivalents | V.12 | 36,696 | 54,406 | 41,248 |
| Derivative financial instruments | V.6 | 709 | 14,920 | 16,044 |
| Financial assets at fair value through P&L | V.3 | 133,018 | 128,529 | 186,369 |
| Financial assets at fair value through OCI | V.2 | 2,303,472 | 2,042,311 | 1,882,287 |
| of which debt instruments | | *2,125,108* | *1,879,339* | *1,642,368* |
| of which equity instruments | | *178,364* | *162,972* | *239,919* |
| Financial assets at amortised cost | V.8 | 173,455 | 167,841 | 166,448 |
| Reinsurance contracts assets | V.4 | 217,110 | 247,146 | 386,387 |
| Investment in associates | V.11 | 204,290 | 215,209 | - |
| Right-of-use assets | V.13 | 45 | 59 | 4 |
| Other assets | V.12 | 2,691 | 1,985 | 3,676 |
| **TOTAL ASSETS** | | **3,071,486** | **2,872,406** | **2,682,463** |
| **Liability** | | | | |
| Derivative financial instruments | V.6 | 3,557 | 1,342 | 4,675 |
| Current tax liabilities | VI.6 | 22,625 | 5,645 | 10,731 |
| Trade payables and other liabilities | VI.7 | 4,276 | 16,228 | 15,073 |
| Insurance contracts liability | VI.4, VI.5 | 1,310,961 | 1,226,867 | 1,036,183 |
| Deferred tax liability | V.13 | 8,401 | 39,465 | 42,374 |
| Lease liabilities | V.13 | 37 | 57 | 6 |
| **TOTAL LIABILITIES** | | **1,349,857** | **1,289,604** | **1,109,042** |
| **Equity** | | | | |
| Share Capital | VI.1 | 53,400 | 53,400 | 53,400 |
| Reserves | VI.3 | 237,556 | 196,533 | 275,026 |
| Retained earnings | VI.2 | 1,430,673 | 1,332,869 | 1,244,995 |
| **TOTAL EQUITY** | | **1,721,629** | **1,582,802** | **1,573,421** |
| **TOTAL EQUITIES AND LIABILITIES** | | **3,071,486** | **2,872,406** | **2,682,463** |

* See Note II.2 Effect of applying IFRS 17 and IFRS 9

Notes I to IX are an integral part of these financial statements. The financial statements are approved on 15th March 2024 and are signed as follows:

Chief Executive Director:
/Encho Enchev/

Executive Officer:
/Nikolay Stanchev/

Prepared by:
/Mihail Filipov/

GENERALI
GP REINSURANCE

In accordance with an Independent Auditors' Report:

"KPMG Audit" OOD
Maria Peneva
Authorised representative and registered auditor responsible for the audit

"BDO AFA" OOD
Valia Iordanova
Authorised representative and registered auditor responsible for of the audit

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 045 КПМГ ОДИТ ООД

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 015 „БДО АФА" ООД

*This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail.*

(All amounts are in BGN thousand, unless otherwise stated)

| | Note | 2023 | 2022 Restated* |
|---|---|---|---|
| Insurance revenue | VII.1 | 1 552,545 | 1 473,171 |
| Insurance services expenses | VII.2 | (1 091,370) | (1 048,001) |
| **Result from insurance services before reinsurance contracts purchased** | | **461,175** | **425,170** |
| Allocation of reinsurnace premiums on reinsurance contracts held | VII.3 | (111,944) | (165,314) |
| Amounts recoverable from reinsurers for incurred claims | VII.3 | 29,521 | 24,174 |
| **Net expense from reinsurance contracts held** | | **(82,423)** | **(141,140)** |
| **Insurance service result** | | **378,752** | **284,030** |
| Interest income calculated using the effective interest method | VII.4 | 89,164 | 58,248 |
| Other (losses)/gains on investments, net | VII.4 | (2,767) | 21,984 |
| Net impairment loss on financial assets | VII.5 | (11,551) | (32,239) |
| Net foreign currency translation gain/(loss) | VII.6 | 19,527 | (16,833) |
| **Investments operations result** | | **94,373** | **31,160** |
| Finance (expense)/income on insurance contracts issued | VII.7 | (31,481) | (7,798) |
| Finance income/(expense) on reinsurance contracts held | VII.7 | 798 | (167) |
| **Net insurance finance result** | | **(30,683)** | **(7,965)** |
| **Net investment and insurance financial result** | | **63,690** | **23,195** |
| **Other operating expenses** | VII.2 | **(4,585)** | **(3,279)** |
| **Profit before tax** | VII.8 | **437,857** | **303,946** |
| Income tax expense | VII.8 | **(45,182)** | **(31,532)** |
| **Profit for the year** | | **392,675** | **272,414** |
| **Other comprehensive income** | | | |
| **Other comprehensive income components to be reclassified to profit or loss in subsequent periods** | | | |
| Changes in fair value of investments in debt instruments carried at fair value through other comprehensive income, net of tax | VI.3.1 | 137,499 | (132,874) |
| Net insurance finance result on insurance and reinsurance contracts, net of tax | | **(56,866)** | **73,516** |
| Finance (expense)/income on insurance contracts issued, net of tax | VI.3.3 | *(62,641)* | *82,177* |
| Finance income/(expense) on reinsurance contracts held, net of tax | VI.3.3 | *5,775* | *(8,661)* |
| ***Other comprehensive income components not to be reclassified to profit or loss in subsequent periods*** | | | |
| Currency translation differences | VI.3.2 | (44,931) | 18,096 |
| **Changes in fair value of investments in equity instruments carried at fair value through other comprehensive income, net of tax** | VI.3.1 | 4,334 | (3,853) |
| **Other comprehensive income for the year, net of tax** | | **40,036** | **(45,115)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **432,711** | **227,299** |

* See Note II.2 Effect of applying IFRS 17 and IFRS 9

Notes I to IX are an integral part of these financial statements. The financial statements are approved on 15th March 2024 and are signed as follows:

Chief Executive Director
/Encho Enchev/

Prepared by:
/Mihail Filipov/

Executive Director:
/Nikolay Stanchev/

GENERALI
GP REINSURANCE
68 Dondukov Blvd., 1504 Sofia, Bulgaria



In accordance with an Independent Auditors' Report:

"KPMG Audit" OOD
Maria Peneva
Authorised representative and registered auditor responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 045 КПМГ ОДИТ ООД

"BDO AFA" OOD
Valia Iordanova
Authorised representative and registered auditor responsible for of the audit

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 015 „БДО АФА" ООД

*This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail.*

GP REINSURANCE EAD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts are in BGN thousand, unless otherwise stated)

| | Share Capital | General and additional reserves | Foreign currency translation reserve | Revaluation reserve of financial instruments FVOCI | Insurnace finance reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2022, as previously reported** | **53,400** | **181,457** | **45,448** | **36,779** | **-** | **855,546** | **1,172,630** |
| Impacts from transition to IFRS 9 | - | - | - | (30,655) | - | 29,702 | (953) |
| Impacts from transition to IFRS 17 | - | - | 12,719 | - | 29,278 | 359,747 | 401,744 |
| **Balance as at 1 January 2022 restated** | **53,400** | **181,457** | **58,167** | **6,124** | **29,278** | **1,244,995** | **1,573,421** |
| Profit for the year | - | - | - | - | - | 272,414 | **272,414** |
| Other comprehensive income, net of tax | - | -- | 18,096 | (136,727) | 73,516 | - | **(45,115)** |
| **Total comprehensive income for 2022** | **-** | **-** | **18,096** | **(136,727)** | **73,516** | **272,414** | **227,299** |
| Dividends | - | - | - | - | - | (217,918) | (217,918) |
| Share base payment | - | (4) | - | - | - | - | (4) |
| Additional reserves | - | 4 | - | - | - | - | 4 |
| Transfer OCI reserve to Retained earning of equities FV reserve at realization | - | - | - | (33,378) | - | 33,378 | - |
| **Balance as at 31 December 2022 restated** | **53,400** | **181,457** | **76,263** | **(163,981)** | **102,794** | **1,332,869** | **1,582,802** |
| Profit for the year | - | - | - | - | - | 392,675 | 392,675 |
| Other comprehensive income, net of tax | - | -- | (44,931) | 141,833 | (56,866) | - | 40,036 |
| **Total comprehensive income for 2023** | **-** | **-** | **(44,931)** | **141,833** | **(56,866)** | **392,675** | **432,711** |
| Dividends | | | | | - | (293,891) | (293,891) |
| Share base payment | - | - | - | - | - | - | - |
| Additional reserves | - | 7 | - | - | - | - | 7 |
| Transfer OCI reserve to Retained earning of equities FV reserve at realization | - | - | - | 980 | | (980) | - |
| **Balance as at 31 December 2023** | **53,400** | **181,464** | **31,332** | **(21,168)** | **45,928** | **1,430,673** | **1,721,629** |

Notes I to IX are an integral part of these financial statements. The financial statements are approved on 15th March 2024 and are signed as follows:

Chief Executive Director:
/Encho Enchev/

Prepared by:
/Mihail Filipov/

Executive Director:
/ Nikolay Stanchev /

GENERALI
GP REINSURANCE

In accordance with an Independent Auditors' Report:

"KPMG Audit" OOD
Maria Peneva
Authorised representative and registered auditor responsible for the audit

"BDO AFA" OOD
Valia Iordanova
Authorised representative and registered auditor responsible for of the audit

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 045 КПМГ ОДИТ ООД

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 015 „БДО АФА" ООД

*This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail.*

(All amounts are in BGN thousand, unless otherwise stated)

| | Note | 2023 | 2022 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Receipts on Accepted reinsurance transactions | V.12 | 597,689 | 690,771 |
| Payments on Accepted reinsurance transactions | V.12 | (160,039) | (105,934) |
| Receipts on Ceded reinsurance transactions | V.12 | 54,513 | 136,840 |
| Payments on Ceded reinsurance transactions | V.12 | (98,240) | (149,745) |
| Payments to suppliers and employees | | (8,184) | (6,603) |
| Receipts flow from reinsurance deposits | | - | 111,505 |
| Income taxes paid | | (73,433) | (26,161) |
| Other cash flows from / (used in) operating activities | V.12 | (4,962) | 4,961 |
| **Net cash flow from operating activities** | | **307,344** | **655,634** |
| **Cash flows from investing activities** | | | |
| Purchases of financial assets | V.7 | (520,857) | (1,040,422) |
| Proceeds from sale and maturity of financial assets | V.7 | 505,958 | 536,950 |
| Cash flow related to interest | V.7 | 68,345 | 30,745 |
| Cash flow related to dividend | | 10,091 | 9,537 |
| Cash flow related to reverse repo deals, net | | (90,789) | 16,297 |
| Cash flow related to derivatives, net | V.7 | 16,807 | 34,163 |
| Other cash flows from / (used in), net | | (16,081) | (300) |
| **Net cash flows used in investing activities** | | **(26,526)** | **(413,030)** |
| **Cash flows from financing activities** | | | |
| Dividends paid to shareholders | | (300,727) | (227,557) |
| Lease payments | | (71) | (60) |
| **Net cash flows used in financing activities** | | **(300,798)** | **(227,617)** |
| **Net (decrease) / increase in cash and cash equivalents** | | **(19,980)** | **14,987** |
| Cash and cash equivalents at the beginning of the year | | 54,406 | 41,248 |
| Effect of exchange rate changes on cash and cash equivalents | | 2,270 | (1,829) |
| **Cash and cash equivalents at the end of the year** | V.12 | **36,696** | **54,406** |

Notes I to IX are an integral part of these financial statements. The financial statements are approved on 15th March 2024 and are signed as follows:

Chief Executive Director:
/Encho Enchev/

Prepared by:
/Mihail Filipov/

Executive Director
/Nikolay Stanchev/

GENERALI
GP REINSURANCE
Dondukov Blvd., 1504 Sofia, Bulgaria



In accordance with an Independent Auditors' Report:

"KPMG Audit" OOD
Maria Peneva
Authorised representative and registered auditor responsible for the audit

"BDO AFA" OOD
Valia Iordanova
Authorised representative and registered auditor responsible for of the audit

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 045 КПМГ ОДИТ ООД

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 015 „БДО АФА" ООД

*This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail.*

## I. Business description

GP Reinsurance EAD (the Company) is a solely owned joint-stock company registered in the Commercial Register with the Registry Agency on 24 July 2008 under UIC 200270243.

Generali CEE Holding B.V. with registered office in the Kingdom of the Netherlands is the sole owner of the capital as of 31.12.2023. The ultimate owner of the company is Assicurazioni Generali S.p.A., registered in Republic of Italy.

The Company's seat is in Sofia, the Republic of Bulgaria, with registered address: Sofia 1504, Oborishte Region, 68, Kniaz Alexander Dondukov Blvd., and correspondence address: Sofia 1504, Oborishte Region, 79-81, Kniaz Alexander Dondukov Blvd, 5$^{th}$ floor.

The Company's scope of activity includes:

- non-life reinsurance, per license № 626-O3 from 18.06.2008, granted by the Financial Supervision Commission (FSC).
- life reinsurance, per license № 1385-O3 from 31.10.2017, granted by the Financial Supervision Commission (FSC).

**The Company's reinsurance business in non-life insurance includes the following classes:**

- Accident (including industrial harm and professional illnesses)
- Illness - fixed instalments, claims and a combination of both
- Motor vehicles (excluding rail vehicles)
- Rail vehicles
- Aircrafts
- Vessels
- Cargo
- Fire and Natural Disasters
- Other property damages
- Third party liability for motor vehicles
- Third party liability for aircrafts
- Third party liability for vessels
- General third-party liability
- Loans
- Guarantees
- Financial losses
- Legal costs (legal protection)
- Travel assistance.

(all amounts are in BGN thousand, unless specified otherwise)

I. Business description (continued)

Licensed for reinsurance in life insurance in 2017, the Company can provide reinsurance coverage for all life insurance classes, and as of 31.12.2023 the life products accepted by the Company relate mainly to Insolvency of mortgagers.

**Company's Governance:**

In 2023 the Company maintained a two-tier governance system, consisting of a Management Board and a Supervisory Board. According to this governance system the members of the Management Board and their number shall be approved by the Supervisory Board, and the members of the Supervisory Board and their number shall be approved by the Sole Owner of the capital.

As of 31.12.2023 the Company's Supervisory Board includes:

- Mr. Carlo Schiavetto - Chairman of the SB;
- Mrs. Beáta Petrušová – member;
- Mr. Werner Moertel – independent member;
- Mrs. Anna Maria Hegedus – independent member.

In 2023 there were no changes regarding the members of the Supervisory Board.

As of 31.12.2023 the Management Board of the Company consists of:

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

In 2023 no changes were made in the structure of the Management Board.

The members the Audit Committee of the Company, as follows:

- Mr. Martin Mancik – Chairman;
- Mr.Roman Smetana – member;
- Mr. Jakub Rezek – member.

The specific legislation governing the Company's activities is contained mainly in the Code on Insurance.

In 2023 the ongoing supervision over the reinsurance companies registered in the Republic of Bulgaria was carried out by the Financial Supervision Commission (FSC).

## II. Summary of accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. This policy has been consistently applied to all the years presented, unless otherwise is stated.

### II.1. Basis for the preparation of the financial statements

These financial statements have been prepared in accordance with all International Financial Reporting Standards (IFRS), which consist of: the Financial Reporting Standards and IFRS Interpretations Committee Interpretations (IFRIC) approved by the International Accounting Standards Board (IASB), and the International Accounting Standards and Interpretations of the Standing Interpretations Committee (SIC) approved by the International Accounting Standards Board (IASB), which are effective 1 January 2023 and which have been adopted by the Commission of the European Union. "IFRS as adopted by the EU" is the common name for the general-purpose framework, an accounting basis equivalent to the framework introduced by the definition under § 1, item 8 of the Supplementary Provisions of the Accounting Act under the name "International Accounting Standards" (IAS).

The financial statements of the Company for the year ending on 31.12.2023 were prepared, based on the going concern assumption, which implies a continuation of the current business activity along with the realization of assets and settling of liabilities in the normal course of its operations. The future financial results of the Company depend on the wider economic environment in which it operates.

The preparation of financial statements in compliance with the IFRS requires the use of estimates and assumptions that contain a certain approximation, so in the future the actual effects and results may differ from those estimates. The management is also required to use estimates and assumptions when applying the accounting policies.

The elements of the financial statements whose presentation includes a higher degree of subjective assessment or complexity, as well as those elements, for which the assumptions and estimates have a considerable impact on the financial statements, are separately disclosed in Note IV above. The Company presents its statement of financial position based on the principle of liquidity, presenting first its most liquid positions.

As of 31.12.2023, the Company has a significant influence on the management of the activities of Generali Real Estate Investment Fund, accordingly it classifies this asset as an investment in associated companies at cost, less accumulated impairments, if any. The company meets the criteria, according to IAS 28 "Investments in Associates and Joint Ventures", for exemption from the application of the equity method when accounting for investments in associates, as follows:

• The owner of the Company is Generali CEE Holding B.V. The Netherlands, which owns 100% of the capital. The ultimate parent company Assicurazioni Generali S.P.A (registered in Italy) owns 100% of the shares of Generali CEE Holding B.V. the Netherlands.

• GP Reinsurance EAD's equity instruments are not traded on a public market (local or foreign stock exchange or over-the-counter market, including local and regional markets). There are no debt instruments issued by the Company;

• GP Reinsurance EAD has not provided, nor is it in the process of providing, its financial report to the securities commission or other regulatory organization for the purposes of issuing any class of instruments on the public market; and

• The consolidated report of Generali CEE Holding B.V. can be found on the following page: https://www.generali.com/investors/reports-and-presentations.

As a result, the Company prepares this financial statement instead of a separate financial statement in accordance with the requirements of IAS 27 "Separate Financial Statements".

## II.2. Change in accounting standards and restatement of comparative information

The Company applies IFRS 17 Insurance contracts and IFRS 9 Financial instruments for the first time on 1 January 2023, including all subsequent amendments to other standards. These standards make significant changes to the accounting for reinsurance contracts and financial instruments. As a result, the Company has restated comparative amounts and had presented comparative data as of 1st January 2022.

The nature and effect of main changes in accounting policies of the Company, which are related to the adoption of IFRS 17 and IFRS 9 are summarized below.

### Estimated impact of the adoption of IFRS 17 and IFRS 9

The Company has assessed the impact of the initial application of IFRS 17 and IFRS 9 on its financial statements. Based on the estimates made to date, the overall adjustment (after tax) to the Company's total equity is estimated to be an increase of BGN 400,791 thousand as of 1st January 2022 as summarised below.

| In BGN thousands | 1 January 2022 | 31 December 2022 |
|---|---|---|
| **Estimated increase/(decrease) in the Company's total equity** | | |
| Adjustments due to the adoption of IFRS 17 | | |
| Life insurance contracts | 15,403 | 18,786 |
| Non-life insurance contracts | 428,215 | 400,971 |
| | **443,618** | **419,757** |
| Adjustments due to adoption of IFRS 9 | | |
| Classification of financial assets | (1,155) | - |
| Impairment of financial assets | (378) | (487) |
| | **(1,533)** | (487) |
| Tax impact | **(41,294)** | **(42,137)** |
| Estimated impact of adoption of IFRS 17 and IFRS 9, after tax | **400,791** | **377,620** |

### II.2.1. Transition to IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted.

**Transition**

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach (FRA) to the extent practicable, except as described below. Under the FRA, as of 1st January 2023 the Company has undertaken to:

- identify, recognise and measure each group of reinsurance contracts as if IFRS 17 had always been applied;
- identify, recognise and measure all assets for reinsurance commissions as if IFRS 17 had always been applied, except that they will not be tested for recoverability before 1 January 2023;
- derecognise previously reported balances that would not have existed if IFRS 17 had always been applied.
- recognise any resulting net difference in equity.
- The full retrospective approach requires assumptions about what the Company's management's intentions would have been in prior periods or material accounting estimates that cannot be made without applying the retrospective approach. Such assumptions and estimates for certain contracts include:
  - assumptions about discount rates as the Company has not been required to comply with any accounting or regulatory framework stipulating that reinsurance contracts have to be measured at present value before 2007; and
  - assumptions about the risk adjustment for non-financial risk, as the Company has not been required to comply with any accounting or regulatory framework that imposes an explicit margin for non-financial risk before 2016.

The Company will apply the FRA to all Life and Non-life insurance contracts, except for the calculation of LIC and other comprehensive income (OCI) for accident years prior to 2016. For all accident years before 2016 a fair value approach (FVA) will be applied since the absence of reasonable and substantiated information prevents the application of the FRA, due to the fact that retrieving the yield curve before 2016 could require judgement and imply a retrospective approach. The yield curve used for accidental years prior to 2016 is based on the 2016 flat rate.. For all remaining accident years, FRA will be applied, and fixed discount rates will be specified based on the accident year when the relevant claims have incurred.

### II.2.2. Transition to IFRS 9 Financial Instruments

The Company has chosen the initial application of IFRS 9 to be made simultaneously with the initial application of IFRS 17 for 2023.

The Company has applied IFRS 9 retrospectively and reconciled the comparative information for 2022 about the financial instruments within the scope of IFRS 9. Differences arising from the adoption of IFRS 9 have been recognised in retained earnings as of 1 January 2022 and are disclosed in the section II "Change in accounting standards and restatement of comparative information."

***Changes in classification and measurement***

IFRS 9 requires all financial assets to be measured based on a combination of the Company's business asset management model and the contractual cash flow characteristics of the instruments, so that the classification and measurement category of the financial asset can be determined,

The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVPL), available-for-sale, held-to-maturity and loans and receivables at amortised cost) have been replaced with:

- Financial assets at fair value through profit or loss (FVPL), including equity instruments and derivatives.
- Debt instruments carried at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition.
- Equity instruments carried at fair value through other comprehensive income (FVOCI option), with no recycling of gains or losses to profit or loss on derecognition.
- Debt instruments at amortised cost (AC).

The classification of the Company's financial assets is explained in IFRS 9 Appendix 1. The quantitative impact of applying IFRS 9 as of 1 January 2022 is disclosed in IFRS 9 Appendix 1.

***Fair value hedge***

The Company has chosen 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.

***Changes to the impairment calculation***

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss (ECL)' model. This requires significant judgement about how changes in economic factors affect ECL, which is done using models-based on probability-weighted scenarios.

The new impairment model will be applied to the Group's financial assets measured at amortised cost, debt investments at FVOCI.

IFRS 9 requires an adjustment for impairment loss to be recognised in an amount equal to the 12-month ECL or the ECL for the entire lifecycle of the instrument. The ECL for the entire lifecycle of the instrument is the ECL that results from all possible events of default over the expected lifecycle of the financial instrument. The 12-month ECL is the portion of the ECL for the entire lifecycle of the instrument, which is the ECL arising from defaults on a financial instrument that are likely to occur within 12 months after the reporting date.

The Company has estimated a loss adjustment equal to the ECL for the entire lifecycle of the instrument, except in the following cases, for which the amount recognised will be the 12-month ECL:

- debt securities determined to have low credit risk at the reporting date. The Company considers this to be the case where the credit risk rating of the security is consistent with the global definition of 'investment grade';
- other financial instruments for which the credit risk has not increased significantly since the initial recognition date.

In determining whether the credit risk of a financial instrument has increased significantly since the initial recognition date, the Company considers reasonable and substantiated information, that is appropriate and available without undue cost or effort. This includes both qualitative and quantitative information and analyses based on the Company's experience, expert credit assessment and forward-looking information. As a safeguard mechanism, the Company will assume that a significant increase in the credit risk occurs no later than when an asset is contractually more than 30 days past due.

The adoption of the ECL requirements of IFRS 9 resulted in an increase in the impairment amount in respect of the Company's debt instruments. The increase in the allowance was adjusted against retained earnings. At the same time, recycled impairment effects through gains and losses on financial assets previously classified as available-for-sale under IAS 39 and following the application of IFRS 9 in the FVOCI group, have been recovered to OCI.

The Company recalculated the values of financial instruments on 1 January 2022, which resulted in a decrease in financial assets, a change in OCI and retained earnings in the amount of BGN 378 thousand, respectively. The comparative information on financial instruments in the statement of comprehensive income

(**all amounts are in BGN thousand, unless specified otherwise**)

(current profit or loss) for the year ended 31 December 2022 has also been restated resulting in a net increase in the impairment loss on financial assets of BGN 487 thousand.

Additional detailed information regarding the classification of the Company's financial instruments and the effects of the application of IFRS 9 as of January 1, 2022 are disclosed below:

### *(i) Transition Disclosures - IFRS 9*

| | **Classification of the instrument under IAS 39** | **New classification of the instrument under IFRS 9** |
|---|---|---|
| **Cash and cash equivalents** | Amortised cost | Amortised cost |
| **Loans granted** | Amortised cost | Amortised cost |
| **Reverse repurchase agreements** | available-for-sale | FVOCI |
| **Derivative financial instruments** | FVTPL | FVTPL |
| **Debt securities** | | |
| Government bonds | available-for-sale | FVOCI |
| Corporate bonds | available-for-sale | FVOCI |
| Corporate bonds: Structured notes | available-for-sale | FVOCI |
| **Equity Instruments** | | |
| Quoted shares | available-for-sale | FVOCI |
| Unquoted Shares | available-for-sale | FVOCI |
| Private equities | available-for-sale | FVTPL |
| Shares in investment funds – quoted | available-for-sale | FVTPL |
| Shares in investment funds – unquoted | available-for-sale | FVTPL |

**(all amounts are in BGN thousand, unless specified otherwise)**

| | Original carrying amount under IAS 39 | Reclassification from AFS | Reclassification to FVOCI | Reclassification to FVTPL | ECL | New carrying amount under IFRS 9 |
|---|---|---|---|---|---|---|
| **Cash and cash equivalents** | 41,248 | - | - | - | - | 41,248 |
| **Loans granted** | 166,680 | - | - | - | (232) | 166,448 |
| **Reverse repurchase agreements** | 14,244 | (14, 244) | 14,244 | - | - | 14,244 |
| **Derivative financial instruments** | 16,044 | - | - | - | - | 16,044 |
| **Debt securities** | | | | | | |
| Government bonds | 1,088,394 | (1,088,394) | 1,088,394 | - | (538) | 1,088,394 |
| Corporate bonds | 514,148 | (514,148) | 514,148 | - | (657) | 514,148 |
| Corporate bonds: Structured notes | 25,582 | (25,582) | 25,582 | - | (48) | 25,582 |
| **Equity Instruments** | | | | | | |
| Quoted Equities | 38,847 | (38,847) | 38,847 | - | - | 38,847 |
| Unquoted equities | 201,073 | (201,073) | 201,073 | - | - | 201,073 |
| Private equities | 59,127 | (59,127) | - | 59,127 | - | 59,127 |
| Investment fund unit Quoted | 112,801 | (112,801) | - | 112,801 | - | 112,801 |
| Investment fund unit Unquoted | 14,441 | (14,441) | - | 14,441 | - | 14,441 |
| | **2,292,629** | **(2,068,657)** | **1,882,288** | **186,369** | **(1,475)** | **2,292,397** |

| | Original carrying amount under IAS 39 | Reclassification from AFS | Reclassification to FVOCI | Reclassification to FVTPL | ECL | New carrying amount under IFRS 9 |
|---|---|---|---|---|---|---|
| **Derivative financial instruments** | (4,675) | 4,675 | - | (4,675) | - | (4,675) |
| | **(4,675)** | **4,675** | **-** | **(4,675)** | **-** | **(4,675)** |

### II.2.3. Other accounting standards

a) ***Changes to IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules (effective immediately upon issuance of the changes and for annual periods beginning after 1 January 2023, as adopted by the EC).***

The Amendments specify that IAS 12 applies to income (gains) taxes that result from tax laws enacted or substantively enacted to implement Pillar Two Modelrules issued by the Organization for Economic Cooperation and Development (OECD), including tax laws that introduce permissible minimum national surtaxes described in those rules, referred to as Pillar Two Modellegislation or Pillar Two Model income taxes. The amendments introduce a temporary exemption from the standard's requirement allowing entities to opt out of the recognition and disclosure of information about deferred tax assets and liabilities arising from and related to the legislative implementation of the Pillar Two Model rules. Entities shall disclose the fact that they have applied this exemption. However, they should separately disclose information relating to the current tax charge/(saving) arising from the application of the Pillar Two global minimum tax rules and information that would help users understand the effects on the company from the legislative implementation of the Pillar Two Model rules. The changes shall apply retrospectively.

The analysis of the impact and effects of the tax changes is disclosed in Annex VII.8.

***b) Other amendments to standards and interpretations that have been applied by the Company***

For the current financial year, the Company has adopted all the revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee, as applicable, that were relevant to its operations.

Since the adoption of these standards and/or interpretations, effective for annual periods beginning on or after January 1, 2023, there have been no changes in the Company's accounting policies, other than certain new and expanded disclosures already established, with no other changes in the classification or measurement of individual reporting units and transactions.

Changes in standards and interpretations include:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practical Interpretation 2 Disclosure of Accounting Policies, adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023);

- Changes to IAS 12 Income Taxes Deferred Tax Relating to Assets and Liabilities Arising arising from a Single Transaction, adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).

***c) Published amendments to standards that are not yet in force (and/or not adopted by the EC) and are not adopted for earlier application***

Additionally, for the following amended standards and adopted interpretations that have been issued but are not yet effective for annual periods beginning on or after 1 January 2022, the Management has decided that the following amendments would not affect or change potentially the accounting policies, the classification and the amounts of the line items in the Company's financial statements, namely:

- Amendments to IAS 1 Presentation of Financial Statements addressing the criteria of classification of liabilities as current and non-current (effective for annual periods beginning on or after 1 January 2024, as adopted by the EC).
- Amendments to IAS 1 Presentation of Financial Statements, non-current liabilities subject to restrictive covenants (effective for annual periods beginning on or after 1 January 2024, as adopted by the EC).
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Financing Arrangements (effective for annual periods beginning on or after 1 January 2024, not adopted by the EC).
- Amendments to IFRS 16 Leases - Lease Obligation on Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024, adopted by the EC).
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: No Exchange Rates (effective for annual periods beginning on or after 1 January 2025, not adopted by the EC).
- IFRS 10 (amended) - Consolidated Financial Statements and IAS 28 (amended) - Investments in Associates and Joint Ventures - on sales or in-kind transfers of assets between an investor and its associates or joint ventures (with a delayed effective date, subject to definition by the International Accounting Standards Board (IASB).

### II.3. Effects of changes in exchange rates and foreign currency transactions

Currency translation adjustments are recognised in profit or loss except for currency translation adjustments arising from the translation of the following items, which are recognised in other comprehensive income:

- groups of insurance and reinsurance contracts to the extent that the foreign currency differences relate to changes in the carrying amount of the groups recognised in other comprehensive income.
- capital investments carried at fair value through other comprehensive income

(all amounts are in BGN thousand, unless specified otherwise)

### II.3.1. Functional and presentation currency

GP Reinsurance EAD is a reinsurance company registered in Bulgaria, part of the Generali CEE Holding B.V. Group. The functional currency of the parent company is the Czech koruna (CZK). The clients of the Company (ceding companies) are from the Central and Eastern Europe region and are mainly related parties. Therefore, the Company's activity can be considered as intragroup for the purposes of Generali CEE Holding B.V, which determines the choice of the Czech koruna (CZK) as a functional currency the GP Reinsurance EAD.

As regards the determining of the functional currency of the Company pursuant to International accounting standard 21 The Effects of Changes in Foreign Exchange Rates (IAS 21), the Management has considered many factors. As part of the strategic planning process, it measures the impact of the primary economic environment on determining the functional currency of the Company. The analyzed factors are based on historical data and expected future developments. The Management measures the impact of the dominant currency in the generation of income or expected expenses of the Company (technical results), the dominant currency, in which the transactions related to financial operations and the transactions related to investment operations are and will be carried out. Other factors considered in relation to the determining of the functional currency are comprehensive risk management and the degree of autonomy from the parent company GICEE Holding in the Company's operations.

According to the Management's measurement, the Czech koruna is determined as the functional currency, based on the conclusion that the primary economic environment in which the Company operates, is the Czech Republic.

### Use of closing exchange rates to the Czech koruna

| | | As of 31.12.2023 | As of 31.12.2022 |
|---|---|---|---|
| 1 BGN | BGN | 12,642 | 12,330 |
| 1 Euro | EUR | 24,725 | 24,115 |
| 1 British pound | GBP | 28,447 | 27,200 |
| 1 Croatian cuna | HRK | - | 3,200 |
| 100 Hungarian forint | HUF | 6,455 | 6,015 |
| 1 Polish zlota | PLN | 5,694 | 5,152 |
| 1 New Romanian Lea | RON | 4,969 | 4,873 |
| 1 Serbian dinar | RSD | 0,211 | 0,205 |
| 100 Russian roubles | RUB | 24,813 | 30,956 |
| 1 US dollar | USD | 22,376 | 22,616 |

### II.3.2. Foreign currency transactions

The functional currency of the Company is the Czech crown, and the Bulgarian lev as the presentation currency. For this reason, the effects of foreign currency transactions are accounted for as follows:

Exchange differences arise when monetary items (as defined below) arise as a result of foreign currency transactions and there is a change in the currency rate between the date of the transaction and the date of payment, according to the exchange rate of the Czech Central Bank.

Exchange differences are recognised in the statement of comprehensive income (in profit or loss) for the period in which they arise. Transactions in BGN are also considered foreign currency transactions.

All exchange rate differences are recognised for the period when the payments are settled for the same reporting period in which they arise. When the payments of transactions are settled in the next reporting period, the exchange differences recognised for each period till the settlement date are determined by the currency exchange rate change for each separate period.

If the gain or loss on a non–monetary item is directly recognised in other comprehensive income, each currency exchange component of the profit or loss is also recognized directly in other comprehensive income.

When the profit or loss from a non-monetary item is directly recognised in the profit or loss, each component of the exchange rate difference of that gain or loss is also recognised in the annual profit or loss.

The translation of the results and the financial position of the Company in BGN is performed on each reporting date (at the end of the year) according to the following procedures:

Income and expenses in the statement of comprehensive income are restated applying the average exchange rate, as of 31.12.2023, the applicable average exchange rate being 12.270 CZK for 1 BGN (2022: 12.555 CZK/1 BGN).

Assets and liabilities (including comparatives) as of each reporting date are restated at the closing rate CZK/ BGN on the date of the preparation of the Statement of financial position. as of 31.12.2023, the applicable closing exchange rate being 12.623 CZK for 1 BGN (2022: 12.350 CZK/1 BGN).

The exchange rates used for the translation of functional currency to the Bulgarian leva (BGN) are those published by the ultimate parent - Assicurazioni Generali S.P.A., based on published actual market data for transactions. Difference between the exchange rates of the functional currency to BGN set by Assicurazioni Generali S.P.A and the CCB is insignificant. All balancing exchange differences are recognised as a separate component in equity, named “Translation to presentation currency reserve” and the movement is carried to other comprehensive income.

In drawing up the cash flow, an average CZK/BGN exchange rate of CZK 12.27 to BGN 1 as of 31.12.2023 (2022: CZK 12.555 to BGN 1) is used for the purposes of the translation from the functional to presentation currency.

### II.4. Plant and equipment

**Initial recognition**

Plant and equipment (tangible fixed assets) are measured at acquisition cost (cost) which includes their purchase price, customs duties and any other direct costs necessary to bring the asset into working condition. Historical cost includes all expenditure that is directly attributable to the acquisition and the implementation of the assets. Tangible fixed assets are presented in the "Other assets" in the statement of financial position.

**Subsequent measurement**

For the purposes of subsequent measurement of tangible fixed assets, the Company applies the cost model and presents the tangible fixed assets at cost less accumulated depreciation and accumulated impairment losses.

**Subsequent costs**

Subsequent costs for repairs and improvements are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only if future economic benefits associated with the item are expected for the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are recognized in the statement of comprehensive income (profit or loss) for the financial period, in which they have been incurred. At the date of capitalization, the remaining useful life of the assets concerned is usually revalued. At the same time, the non-depreciated part of the replaced components is written off from the carrying amount of the assets and is recognized in the current expenses for the period of enhancement.

Depreciation on assets is calculated according to the straight-line method for the purpose of allocation of the difference between their carrying amount and their residual value over their estimated useful lives. For this purpose, the following depreciation rates are used:

- Machinery, equipment 30%
- Computers, mobile phones 50%
- Vehicles 25%
- Others, including fittings, office equipment 15%.

The materiality level for recognition of fixed asset is BGN 700 otherwise the cost is expensed in the profit and loss.

The residual value and the useful life of assets are reviewed and, adjusted if appropriate at each date of preparation of the financial statements.

**Impairment of assets**

A tangible asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**Gains or losses on disposals of assets**

Gains and losses on disposals of tangible fixed assets are determined by comparing the proceeds with the carrying amount of these assets and are recognised in "Other operating income / (expense), net" in profit or loss.

An item of property, plant and equipment is derecognised upon disposal (sale) or when no future economic benefits are expected from its use.

### II.5. Assets and liabilities under insurance and reinsurance contracts

**Recognition of contracts**

Contracts under which the Company accepts a considerable insurance risk, including insurance risk from other insurers, are classified as insurance contracts. Contracts held by the Company under which it transfers a significant insurance risk associated with the underlying insurance contracts, are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Company to financial risk.

*Insurance contracts –reinsurance contracts issued (accepted reinsurance)*

An insurance contract issued by the Company is recognized at the earliest point of time from the following:

- The beginning of the coverage period (i.e., the period during which the Company provides services with respect to premiums within the contract boundaries);
- The time when the first payment from the policyholder becomes due or, if there is no agreed due date, when it is received by the policyholder;
- The time when the facts and circumstances indicate that the contract is onerous. An insurance contract acquired in a transfer of contracts, or a business combination is recognized on the acquisition date.

After the contract has been recognized, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts will be added. Groups of contracts are established on their initial recognition and their composition is not revised once all contracts have been added to the group.

*Reinsurance contracts - reinsurance contracts held (ceded reinsurance)*

Groups of reinsurance contracts are created in such a way that for some reinsurance contracts the Group may choose to draft a single contract. Some reinsurance contracts provide coverage for underlying contracts that are included in different groups. However, the Company concludes that the legal form of the reinsurance contract of a single contract reflects the essence of the Company's contractual rights and obligations, given that the various coverages expire together and are not sold separately. As a result, a reinsurance contract is not divided into multiple insurance components that relate to different main groups. A group of reinsurance contracts is recognized at following point of time:

- For reinsurance contracts with proportional coverage: on the date on which each main insurance contract is initially recognized. This applies to the Company's proportional reinsurance contracts.
- For other reinsurance contracts: at the beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognizes an onerous group of main insurance contracts at an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognized at that earlier date. This applies to the Company's non-proportional reinsurance contracts.
- Accepted reinsurance contracts: on the ceding date.

Assets and liabilities under insurance and reinsurance contracts include the following items:

- The Asset for residual coverage (ARC) represents the liability ceded by the Company to the reinsurer during the remaining coverage of the underlying contract;
- The Asset for Incurred Claims (AIC) represents the obligation ceded by the Company to the reinsurer for the payment of claims arising under the underlying contracts;
- The Asset/Liability for residual coverage (LRC), represented the Company's obligation to process and pay valid claims under existing insurance contracts for claims that have not yet occurred;
- The Liability/Asset for incurred claims (LIC), represented the Company's obligation to consider and pay valid claims under existing insurance contracts for insurance events that have already occurred.

**Level of aggregation**

Under IFRS 17, reinsurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

The differentiation of the above groups according to their profitability is part of the Company's test to identify onerous contracts (OCT), the result of which can be the identification of either a group of profitable contracts or a group of onerous contracts. Accordingly, the Company considers only the groups of profitable contracts (ie, contracts that do not have a substantial possibility of becoming onerous subsequently) and of onerous contracts.

The Company's contract groups are defined so that each group includes:

- Liability for remaining coverage (LRC)/ Asset for remaining coverage (ARC) in non-life, and
- LRC/ ARC in life business – MacroLoB (Solvency II Line of Business (SII LoB) and Business Type (Corporate/Non-corporate);
- LRC/ARC in non-life business – for an individual treaty.

The Company's position about the application of annual cohort requirement is to apply it for multiyear business and not to apply it in case of short-term reinsurance contracts falling under Premium allocation approach PAA.

The IFRS 17 level of aggregation requirements restrict the offsetting of gains on groups of profitable contracts, against losses on groups of onerous contracts, which are recognized immediately. Compared with IFRS 4, the level of aggregation under IFRS 17 is more granular and the expectation is that this will lead to more contracts being classified as onerous, and also to an earlier recognition of losses on onerous contracts.

**Contract boundaries**

The measurement of a group of contracts includes all the future cash flows within the boundary of each contract in the group. The period covered by the premiums within the contract boundary is the 'coverage period'.

Cash flows are within the boundary of a reinsurance contract issued if they arise from substantive rights and obligations that exist during the reporting period in which the cedant is obligated to pay premiums or the Company has a substantive obligation to provide the cedant with services under the reinsurance contract. A substantive obligation is terminated when:

- the Company has the practical ability to reassess the risks of an individual cedant or change the premium amount so that the assessment can fully reflect those risks; or
- the Company has the practical ability to reevaluate the contract or a portfolio of contracts so that the valuation: fully reflects the reassessed risk of that portfolio and the pricing of premiums up to the date when risks are reassessed; does not reflect the risks related to periods beyond the reassessment date.

For reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the retrocessionaire or in which the Company has a substantive right to receive reinsurance contract services from the retrocessionaire. A substantive right is terminated when:

- the retrocessionaire has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or

- has a substantive right to terminate the coverage.

Having regard to the identification of contract boundaries, this must be done also taking into account the type of the reinsurance treaty (Risk Attaching - RAD and Loss Occurring - LOD). For Risk Attaching treaties (i.e., treaties under which reinsurance is provided for claims arising from policies written during the coverage period of the reinsurance treaties), in order to determine the end of the contract boundaries, the contract boundary of the base insurance contract has to be considered. For Loss Occurring treaties (i.e., treaties under which all claims occurring for the duration of the contract are covered, irrespective of the time when the main policies were written) in order to determine the end of the contract boundaries, only the reinsurance contract itself has to be considered.

The Company's life reinsurance contracts are on LOD basis and have a duration of one year. Thus, the Company treats them as one-year contracts. Non-life LOD reinsurance contracts provide coverage for claims incurred during the year of the accident, therefore are also considered as one-year contracts, while non-life RAD reinsurance contracts are considered as multiyear (but due to materiality assessment are also treated as one-year contracts (for further details see Eligibility testing)).

Estimates of future cash flows arising from all base contracts issued and expected to be issued within the reinsurance contracts' boundary, are included in the assessment of the reinsurance contracts.

**Eligibility testing**

Preliminary to the eligibility testing the Company performs materiality assessment in order to identify all the material multiyear UoAs that require to perform Premium allocation approach (PAA) eligibility test.

The materiality assessment is based on thresholds that include a combination of relative and absolute Key performing indicators (KPIs). There are four KPIs – 2 relative (3% and 5%), and 2 absolute (determined based on the bounded premium).

First, the Company assesses the materiality of its entire multiyear business using a threshold based on the total limited premium. Then it evaluates the second level of materiality, considering the materiality of the multiyear business of each UoA both from a relative (comparing it to the entire Company's business) and absolute perspective. If the Company's entire multiyear business is below the above-mentioned threshold, and if the multiyear business of the respective UoA is lower than the relative and absolute thresholds, eligibility test is not needed to apply PAA for that UoA. On the contrary, if the materiality assessment is above the defined thresholds, PAA eligibility testing is required. The fourth type of KPI sets the threshold of the maximum limit, which rules out an eligibility test for the multiyear business.

For reinsurance contracts held, in addition to the limited premium, when assessing materiality as eligibility criterion using the PAA, the annual premium, the renewal option, the early communication clause, and also the RAD/LOD type of reinsurance treaty shall also be considered.

The result of the Company's materiality assessment shows that no PAA eligibility testing is needed for any UoAs, and that all UoAs can be considered as one-year due to the low materiality of multiyear UoAs.

**Premium allocation approach (PAA)**

The PAA is an optional simplification of the measurement of LRC/ARC. A group of reinsurance contract is eligible for PAA if at inception:

- each contract in the group has a coverage period of one year or less; or
- the measurement of LRC/ARC for the group using PAA is reasonably expected to produce a result which will not be materially different from the one that would be produced by applying the GMM.

The Company applies the PAA to all contracts as the following criteria are met at inception:

- all asset and liability life reinsurance contracts and non-life LOD reinsurance contracts: the coverage period of each contract in the group is one year;
- non-life RAD reinsurance contracts: Company's materiality assessment indicated that PAA eligibility criteria are met, thus it is reasonably expected that the resulting measurement of the LRC/ARC according to PAA would not differ materially from the result of applying the GMM.

*Insurance and reinsurance revenue*

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company allocates the expected premium receipts to each period on the passage of time.

For reinsurance contracts issued the Company considers commissions not contingent on claims as revenue reduction. These commissions are fixed in the contracts and are settled net with the premium charged. Similarly, for reinsurance contracts held, such commissions are treated as expense reduction.

These are the majority of the Companies` commissions, the remaining Profit commissions which are contingent on claims are treated as expense under reinsurance contracts issued, and similarly, as revenue under reinsurance contracts held.

*Net expenses from reinsurance contracts*

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers. The Company recognizes an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services during this period.

*Insurance and reinsurance contracts - Measurement*

*Reinsurance contracts issued*

*Initial measurement*

For reinsurance contracts issued, on initial recognition the Company measures the LRC at the amount of premiums received, reduced by all fixed commissions paid.

Reinsurance fixed commissions allocated to a group of contracts are deferred and recognised over the coverage period.

*Subsequent measurement*

Subsequently, for reinsurance contracts issued, the carrying amount of the LRC grows due to all additional premiums received, and declines due to acquisition cash flows paid over the period, it is also decreased by the amount of premium recognised as insurance revenue for services provided for the period, it is decreased by the paid (NDIC), and increased by the amortisation of acquisition cash flows during the period, recognised as reduction of insurance revenue.

The Company doesn't adjust the LRC for the effect of the time value of money because reinsurance premiums are due within the coverage period of contracts, which is one year.

NDIC relates to the profit commission of Bond treaties.

If the facts and circumstances indicate that a group of reinsurance contracts issued is onerous on initial recognition or has become such subsequently, a loss component is created for the amount of the loss recognised in expenses for insurance services. Subsequently, the loss component is reassessed at each reporting date. Where applicable, the resulting changes in the loss component are disaggregated between insurance service expenses and insurance financial income or expenses for the effect of the time value of money, financial risk and the effect of changes therein.

In general, the Company recognises the Liability for incurred claims (LIC) of a group of contracts at the amount of all fulfilment cash flows relating to incurred claims. Future cash flows are discounted (at current interest rates) unless they are expected to be paid in one year or less from the date the claims are incurred. As an exception, in Life business only the LIC for accident riders is measured based on fulfilment cash flows, due to their long-term payment patterns, while the standard Life insurance claims are measured as this is done currently, and without any risk adjustments considering their short-term payment patterns. The only exception In Non-life insurance is the unmodelled business (within the actuarial platform).

*Reinsurance contracts held*

*Initial measurement*

For reinsurance contracts held, on initial recognition the Company measures the ARC at the amount of retroceding premiums paid, less any retroceding commissions received.

Retroceding commissions allocated to a group of contracts are deferred and recognised over the coverage period.

*Subsequent measurement*

For reinsurance contracts held, at each of the subsequent reporting dates, the ARC is: increased by retroceding premiums paid in the period, reduced by retroceding commissions received in the period, reduced by the amounts of retroceding premiums recognised as reinsurance expenses for the services received in the period, decreased by the received NDIC, and increased by the amortisation of retroceding commission in the period recognised as reduction of reinsurance expenses.

The Company doesn't adjust the ARC for the effect of the time value of money because retroceding premiums are due within the coverage period of contracts, which is one year.

NDIC relates to the profit commission of Bond treaties.

When a loss is recognised on initial recognition of an onerous group of base reinsurance contracts or on addition of onerous base reinsurance contracts to that group, a loss-recovery component is established or adjusted for the amount of income recognised in profit or loss. The referred income is calculated by multiplying the loss recognised on base reinsurance contracts by the percentage of claims on base reinsurance contracts that the Company expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying reinsurance contracts.

The Company recognizes the AIC of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

For the reinsurance contract held, the Company includes in the estimates of the present value of future cash flows the effect of the risk of default of the issuer of the reinsurance contract held (i.e. Credit Default Adjustment – CDA). For estimation of CDA, the Company follows a methodological approach that is in line with Solvency II, where a similar adjustment is required. The effect of the risk of default of the retrocessionaire is assessed at each reporting date and the effect of the changes in the risk of default is recognised in profit or loss in the result of insurance services.

*Estimates of future CFs*

The future cash flows of an effective reinsurance contract arise from material rights and obligations that exist during the reporting period in which the cedant is obligated to pay premiums or the Company has a material obligation to provide services to the cedant under the reinsurance contract.

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and substantiated information that is available without undue cost or effort as of the reporting date. This information includes both internal and external historical data about claims and other data, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company takes into account the current expectations of future events that might affect those cash flows. As the captive reinsurance entity of Generali, for the assumed business, the Company is using the mirroring approach of the estimates of future cash flows of the ceding companies („follow the fortune"). The expectations of future changes in the legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

*Attributable costs*

Most of the administrative expenses are considered as attributable with certain exceptions (Holding fees, Asset Management fees and non-recurring expenses related to projects like IFRS17 and IFRS9 implementation).

*Discount rates*

The requirement to estimate reinsurance contracts using current discount rates will be a significant change from the Company's current practice.

Regarding the definition of discount curve, the Company applies a risk neutral approach in order to fulfil the market consistency requirements. In this context, the discount rates are determined using a risk-free curve with an allowance for an illiquidity premium (i.e., bottom-up approach).

The base risk-free instrument to be considered for the definition of the risk-free interest rates for each currency, are the reference swap rates for that currency. If for certain currencies there are no available swap rates or they are not deemed to be liquid, government bonds yields or equivalent instruments are used. Only swap rates (or government bonds) for liquid maturities are used. An adjustment to eliminate credit risk from the base risk-free instrument yield is applied, if needed. To interpolate and extrapolate the discount curve, an appropriate inter/extrapolation technique is applied. An appropriate ultimate level of discount rates is defined so that market consistency requirements can be fulfilled.

The illiquidity premium is determined considering the average spread of a reference portfolio of assets and its subsequent adjustment so that credit risk components can be excluded (i.e., risk adjustments) and the effect of potential cash flows mismatches with the liability portfolios. For estimating illiquidity premium, the granularity of the adjustment calculation is defined at currency level with reference to an external reference portfolio of assets. Only bonds are considered as basis for spread estimation. Market spread indices are used to derive the average spread of the portfolio based on its asset mix. Risk adjustments are considered in the adjustment of bond spreads so that default and downgrade risk components are excluded. An adjustment (i.e., "Duration Ratio") is applied to measure the matching between asset and liability cash flows.

*Risk adjustment for non-financial risk*

Risk adjustments for non-financial risk are determined to reflect the compensation required by the Company for bearing non-financial risk and for the extent of risk aversion. They are determined using a confidence level technique, separately for the Life and Non-life insurance contracts and are allocated to groups of contracts based on an analysis of the risk profiles of the groups.

The same approach is applied to both accepted and retroceded business, and the amount of risk transferred to the retrocessionaire is derived as the difference between the two results.

Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of future cash flows from the contracts at each reporting date and calculates the risk adjustment for non-financial risk as excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years.

The inputs for risk adjustment calculation:

• **for Non-life standard business** are based on the Business view (Internal model) of non-life underwriting risk calculations;

• **for Non-life annuities**, data are mirrored using the life framework (longevity, expense and revision risks); and

• **for Life accident riders**, data are mirrored using non-life techniques (reserving risk).

For all types of contracts the target confidence level is set at 75 percentiles.

*Insurance finance income and expenses*

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money and financial risk They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals). Company presents insurance finance income or expenses in profit or loss.

*Loss components*

For contracts not measured under the Premium Allocation Approach (PAA), the loss component determines the amounts of performance cash flows that are subsequently recognized in profit or loss as loss reversals on onerous contracts and are excluded from insurance gains when incurred. Cash flows arising from performance are allocated between the loss component and the LRC, with exception of the loss component on a systematic basis.

*Derecognition and contract modification*

The Company derecognises a contract when it is terminated – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

### II.6. Financial assets

**Recognition**

*Initial recognition*

Financial instruments are initially recognized on the settlement date at their fair value (Note V.1 and V.2) plus transaction costs, except for financial assets and liabilities at fair value through profit or loss.

**Classification**

The classification of financial instruments is determined according to their contractual terms and the business model of the instruments use and management.

*Evaluation of the business model*

GP Reinsurance EAD is a reinsurance company and therefore the main purpose of its business model is to cover reinsurance treaty liabilities.

The investment process aims to maximise investment returns whilst maintaining an appropriate level of risk and liquidity that is consistent with the target return and achieving the objectives of the strategic plan through portfolio diversification and an accurate liability-driven investment strategy.

To ensure that the contractual cash flows from its investments are sufficient to settle these liabilities, the Company considers the need to regularly make significant purchases and sales to rebalance its asset portfolio in terms of volume, currency and duration structure matching the volume, currency and duration structure of liabilities to meet cash flow needs as they arise.

In addition to the prudent liability-driven investment strategy, assets are managed through portfolio diversification, considering the objectives set as part of the strategic planning process in terms of maximizing investment returns for the relevant risk appetite.

Under the key principles, asset liability management and strategic asset allocation governing the strategic planning process are applied at a portfolio level of granularity, with specific structure and asset class levels according to the respective nature and complexity of the business and its inherent risks.

The Company's strategic asset allocation process is strongly dependent on liability requirements and the specific objectives and constraints of reinsurance, such as a considerable cash flow, duration and currency matching between assets and liabilities. Based on these specifics, the Company holds its investments in asset classes and portfolios at a level of granularity determined by the currency and duration structure corresponding to the respective currency/duration structure of the liabilities.

Based on the above approach, the Company's assets managed as investments are allocated into portfolios based on the underlying currency of the target liabilities. Items falling into this group should include equities, funds, bonds, repos etc. and generally all financial assets managed as investments in terms of the Group strategic asset allocation will be treated in the same way from a business model perspective and will be assigned to the same business model that is being managed, together with a unique objective.

The financial asset management business model described above can be defined as "Held for collection of contractual cash flows and for sale", except for the model regarding cash and cash equivalents as described below.

The Company's items include other financial assets that are not managed as investments. Items falling within this group should include Receivables, Cash and cash equivalents and Loans to subsidiaries. The following items are not treated and managed as investments because they are either:

- a transitional item between the collection of cash and the investment decision, or
- items arising from the specific nature of the insurance business.

Receivables are generally short-term instruments that do not have a significant funding component. The objectives of these items are usually tied to the collection of cash in the course of the business activity.

Cash and cash equivalents consist of cash in hand and demand deposits with domestic financial institutions not managed by asset management companies (repos).

Cash equivalents are defined by the same standard as short-term, highly liquid investments that are readily convertible to known cash amounts and are exposed to an insignificant risk of value changes. Cash equivalents are held to meet short-term cash commitments or as a transitional item between the collection of cash and an investment decision and not for investment or other purposes.

Based on the Company's business model described above, two groups of financial assets have been identified:

- Financial assets managed as investments, to the business model "Held for collection of contractual cash flows and for sale"; and
- Financial assets not managed as investments, to the "Held for collection of contractual cash flows" business model.

*Assessment of contractual terms - Solely Payments of Principal and Interest (SPPI) test*

Following an assessment of the Company's business model, an analysis of the contractual cash flows of the financial asset representing Solely Payments of Principal and Interest (hereafter referred to as SPPI) is performed.

The second step in the Company's financial asset classification process is the application of the SPPI test.

"Principal" for the purposes of this test is defined as the fair value of the financial asset at initial recognition and may change over the lifetime of the financial asset (for example, if there is a repayment of principal or depreciation of the premium/discount).

The most significant elements of interest under a debt agreement are typically the time value of money and the credit risk. To measure the SPPI, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period over which the interest rate is set, as well as any other agreed and/or incidental pricing components or surcharges upon the occurrence of certain events or conditions.

***Financial assets - Classification groups***

The classification of financial assets under IFRS 9 is based on a combination of estimates of the financial asset management business model and the contractual cash flow characteristics of the instrument. It includes three measurement categories for financial assets - measured at amortised cost, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL).

A financial asset is classified and measured at amortised cost if it meets the following two requirements and has not been initially classified as measured at FVTPL:

- the financial asset is held within a business model whose objective is to hold the assets to collect only the contractual cash flows; and
- under the contractual terms of the financial asset, cash flows arise on specific dates that are solely payments of principal and interest on the outstanding principal amount.

A financial asset is classified and measured at FVTOCI if it meets the following two requirements and has not been initially classified as measured at FVTPL:

- the financial asset is held within a business model for collection of contractual cash flows, and also for sale; and
- under the contractual terms of the financial asset, cash flows arise on specific dates that are solely payments of principal and interest on the outstanding principal amount.

All financial assets that are not classified in the categories “at amortised cost” or “at FVTOCI” as described above are measured at FVTPL. In addition, on initial recognition, the Company may irrevocably classify a financial asset that otherwise qualifies to be measured “at amortised cost” or “at FVTOCI” as measured “at FVTPL” if this eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Upon initial recognition of an equity investment that is not held for trading, the Company may irrevocably choose to report subsequent changes in fair value through other comprehensive income. This choice is made on an instrument-by-instrument basis.

Embedded derivatives in contracts where the main contract is a financial asset within the scope of IFRS 9 are not unbundled. Instead, for classification purposes, the hybrid financial instrument is measured as a whole.

The Company's financial assets include debt and equity securities held for investment purposes; loans and receivables; cash and cash equivalents and derivative instruments.

The Company's financial assets are classified as follows:

a) Financial assets at fair value through profit or loss.

The financial assets classified in this category are derivatives, equity and debt securities. Financial assets recognized at fair value through profit or loss are financial assets classified as such upon their initial recognition. A financial asset is classified also in this category if the main contract contains one or more embedded derivatives. In this case the Company designates the entire hybrid (combined) contract as a financial asset classified at fair value through profit or loss.

Financial assets in this category are subsequently remeasured at fair value.

Gains and losses arising from transactions or subsequent changes in the fair value of financial assets carried at fair value through profit or loss are recognized in the current profit or loss under 'Other (losses)/gains on investments, net'.

b) Financial assets at fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are non-derivative financial assets which include debt and equity securities that form a portfolio of the Company whose primary purpose is to secure the reinsurance reserves.

Changes in the fair value of financial assets classified as at fair value through other comprehensive income are recognised in a separate component of other comprehensive income and, accordingly, in equity (fair value revaluation reserve of financial assets).

c) Financial assets at amortized cost.

Financial assets at amortized cost include loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognized at cost, being the fair value of the consideration paid to acquire them. Any transaction costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement, loans and receivables are measured at amortised cost using the effective interest method.

Gains and losses on loans and receivables are recognised in the statement of comprehensive income when the loans and receivables are written off or impaired. They are included in current assets, except those maturing more than 12 months after the statement of financial position date, which are classified as non-current.

*Reclassification of financial assets*

According to IFRS 9 the Company must reclassify financial assets if it changes the business model for the management of these financial assets. Under the Group policies, such changes can hardly be expected and should be identified based on a change analysis of the Company's business model.

*Subsequent measurement, derecognition and modification.*

Financial assets at fair value through profit or loss are subsequently carried at fair value, Gains and losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' are recognized in the statement of comprehensive income directly in profit or loss.

Changes in the fair value of debt financial instruments at fair value through other comprehensive income are recognized in separate components of other comprehensive income. When financial assets at fair value through other comprehensive income are sold, the cumulative remeasurements to fair value in other comprehensive income are recycled directly to profit or loss. Changes in the fair value of equity financial assets are recognised in other comprehensive income and are not recycled through profit or loss. Gains and losses on the sale of investments are calculated as the difference between the net disposal proceeds and the original or amortised cost and are recorded when the sale transaction occurs. Cumulative gains or losses on equity financial instruments carried at fair value through other comprehensive income are translated into unrealized gains and losses on sale of equity assets.

Loans and receivables are carried at amortized cost using the effective interest method. Gains or losses on sales or derecognitions of financial assets at amortised cost are recognised in the statement of comprehensive income directly in profit or loss.

*Financial assets - Impairment*

IFRS 9 introduces a forward-looking 'expected credit loss (ECL) approach. This require a serious judgment on how changes in economic factors affect the ECL, which become probability models.

The new impairment model will apply to the Group's financial assets measured at amortised cost and debt investments in FVOCI.

The allowance for impairment loss is recognised in an amount equal to the ECL for 12 months, or the ECL over the entire lifetime of the instrument. ECL over the entire lifetime of the instrument are ECLs that arise from all possible events of default over the estimated lifetime of a financial instrument; ECL for 12 months is the portion of the ECL for the entire lifetime of the instrument are probable of occurring within 12 months after the reporting date.

The Company measures an allowance for impairment equal to the ELC over the entire lifetime of the instrument, except in the following cases, for which the amount recognised will be the ECL for 12 months:

- debt securities specified as having a low credit risk as of the reporting date. The Group considers this to be the case where the credit risk rating of the security is equivalent to the globally understandable definition of 'investment grade'; and
- other financial instruments (other than lease receivables) for which the credit risk has not increased significantly since the initial recognition.

When determining whether the credit risk of a financial instrument has increased significantly after the initial recognition, the Company consider reasonable and substantiated information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Company experience, expert credit assessment and forward-looking information. As a safeguard mechanism, the Company assumes that a significant increase in the credit risk occurs no later than the moment when the default on contractual payments of an asset exceeds 30 days.

*Measurement of the ELC*

ELC is a probability-weighted estimate of credit losses. Credit losses are measured at the present value of the entire cash shortfall (i.e., the difference between the cash flows payable to the Company under the contract and the cash flows the Company expects to receive).

*Measurement of the ELC – a general approach*

Under the Group methodology, the Company applies a general approach to calculating the expected credit loss for debt financial instruments.

The key inputs to the measurement of ELC are the term structures of probability of default (PD), loss given default (LGD) and exposure at default (EAD). ELCs for financial assets for which the credit risk has not increased significantly are calculated by multiplying a 12-month default by the corresponding loss given default and default exposure. ECLs for the entire lifetime are calculated by multiplying the lifetime default by the corresponding loss given default and exposure at default.

For the probability of default over the lifetime of the instrument and 12-month default, the Company using the default tables provided by Moody's based on the default history of debtors in the same industry and geographic region with the same credit rating. The Company adopting the same approach for unrated investments by weighting their intrinsic risk to equivalent external credit ratings. PD is recalibrated based on current bond yields and credit default swap (CDS) prices and adjusted to reflect forward-looking information. Changes in the rating for a counterparty or exposure result in a change in the estimate of the associated PD.

Loss Given Default is the amount of the probable loss if an event of default occurs. The Company estimates the LGD parameters based on the history of recovery rates of claims against defaulting counterparties. The LGD models takes into account the structure, the collateral, the duration of the claim, the industry of the counterparty and the cost needed to recover any collateral that is integral to the financial asset.

Exposure at default represents the expected exposure in the event of default. The Company derives the EAD from the current exposure to a counterparty and potential changes in the current amount allowed under the contract, including amortisation and prepayments. The EAD of a financial asset is its gross carrying amount at the time of default.

*Simplified approach for measurement of ECL*

The Company, in accordance with group policy, uses a simplified approach when calculating ECL for other receivables. The simplified approach calculates a total percentage loss. The other receivables cluster represents immaterial receivables related to administrative and other legal requirements. As of the date of the financial statement, there are no overdue or unpaid amounts.

## II.7. Financial liabilities

### Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognized initially at fair value.

The Company's financial liabilities include payables related to trade and other current payables (Note VI.7) and derivative financial instruments (Note V.6).

**Subsequent measurement**

After their initial recognition, trade and other payables are subsequently measured at amortized cost.

**Derecognition**

The financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

**Derivatives**

Derivatives are financial instruments:

a) whose value changes as a result of the changes in a definite interest rate, price of financial instrument, exchange rate, price or interest index, credit rating or credit index or another variable;

b) which do not require an initial investment, or the required initial investments is smaller than the one required for other types of contracts, which are expected to show similar market behaviour when the market factors change; and

c) which are settled on a future date.

The derivatives as currency swaps, interest swaps, futures, options and currency forwards are initially recognised in the statement of financial position at their fair value, and subsequently they are revaluated at fair value. The fair value is defined based on quoted market prices, according to the discounted cash flow method or other valuation models. The positive fair value of the derivatives is accounted as an asset and the negative one - as a liability. The changes in the fair value of the derivatives are included in the comprehensive income statement (in profit or loss) under "Other (losses)/gains on investments, net ".

### II.8. Offsetting of financial assets and liabilities

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position where there is a legitimate ground to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### II.9. Securities sales and repurchase agreements.

Securities sold under the provisions of a binding repurchase agreement ("Repo") shall be presented as FVOCI, and the liabilities to the counterparty under the agreement are presented as an obligation under a repurchase agreement. The resources granted under a "reverse repo" are presented as receivables under a repurchase agreement. The difference between the sale price and the purchase price in the repurchase is accounted for as interest and is calculated for the term of the repurchase agreement by using the effective interest rate method.

The acquired securities under the provision for repurchase on a future date are not recognized in the financial statement unless they are sold to third parties. The liability for their return shall be carried at fair value as liabilities under repurchase agreements.

### II.10. Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash in bank accounts, other high-liquid short-term investments, mainly bank deposits with original maturity up to 3 months.

### II.11. Investments in associates

Investments in associates consist of equity participations in enterprises in which the Company does not exercise control or joint control but has significant influence over the management of the activities of the investees. The company has assessed that it has significant influence over companies in which it directly or indirectly holds 20% or more of the voting rights. (Appendix V.4 Investments in associated companies).

In the financial statement, the Company has adopted a policy of accounting for all investments in associated enterprises at acquisition cost.

The company regularly assesses the presence of the following indicators of impairment of its investments in associated companies:

| Qualitative indicators | Quantitative indicators |
|---|---|
| Net equity is lower than the book value | Acquisition/sale of the shares at a price lower than the book value |
| Allocation of dividend in excess of profit for the relevant period and components of comprehensive income for the period to which the dividends relate | Evidence (based on plans and budgets) of potential future loss |
| | Unfavorable changes that imply a change in plans and budgets. |

### II.12. Lease

**Lessee**

Leases falling within the scope of IFRS 16 are contracts that covey the right to use a third-party asset, where the lessee determines the way, the place and the period of time for its use.

**Initial recognition and assessment**

The Company follows the practical expedient provided by the standard, under which short-term leases having a lease term of twelve months or less or low value leases (up to BGN 5,000) shall be recorded and the lease payments shall be recognized as an expense in equal instalments over the lease term in the statement of comprehensive income (in profit or loss) and shall not be recognized as asset or liability in the financial statements. In case the lease is preliminary terminated, all payments due to the lessor as penalties are recognized as an expense in the period of termination of the lease.

Leases with a lease term of more than twelve months and high value leases shall be recognized in the statement of comprehensive income and in the statement of financial position as follows:

- The right-of-use asset is recognized at value equal to the sum of the lease liability, the payments made before the commencement date and the direct costs ensuing from the lease.
- Every following month the right-of-use asset is depreciated for the lease term using the linear method, and depreciation costs are recognized.
- A lease liability is recognized at value equal to the present value of the remaining lease payments, discounted by the implicit interest rate.
- Every month an interest expense is recognized, obtained by multiplying the carrying amount of the lease liability by the implicit interest rate of the lease, thus increasing the lease liability.
- With each lease payment, the lease obligation is reduced.

**Judgments**

- **Determining the lease term of contracts with renewal or termination options**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. It also considers the availability and the significance of all economic stimuli and grounds for the extension of the lease contract.

- **Estimate of the incremental borrowing rate**

The incremental borrowing rate is the interest rate that the Company would have to pay to borrow the funds necessary for the acquisition of an asset over with a similar value to the right of use asset, for a similar period of time, with a similar collateral, and a similar economic environment. The Company applies the lease interest rate calculated by the Group.

### II.13. Provisions

Provisions are recognized if a current court, constructive or legal obligation occurs for the Company as a result of past events, when outgoing cash flows are expected for the repayment of the obligation, provided that this obligation can be calculated precisely enough. Provisions for future operating losses are not recognized. If there are many similar obligations, the likelihood that an outflow will be required for the settlement is determined by considering the whole class of obligations. A provision can be recognized even if there is a small chance of an outflow related to each item of the same class of obligations. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### II.14. Employee benefits

*a) Short-term employee benefits*

Short-term employee benefits include salaries, wages, interim and annual bonuses, social and health insurance contributions, and annual compensated employee leaves that are expected to be fully settled within 12 months of the end of the reporting period. When the Company receives the service, it is recognized as an expense for the personnel in the profit or loss or is capitalized in the cost of an asset. Short-term employee benefits are measured at the undiscounted amount of the expected settlement costs. Other long-term benefits include annual reimbursable leave that the Company does not expect to fully settle within the next reporting period. They are recognized as a personnel expense in profit or loss or capitalized to the cost of an asset when employees render service that results in a right to future reimbursable leave.

*b) Long – term employee benefits*

Long-term compensated absences are measured at the present value of expected payments for settling the unused entitlement to leave at the end of the reporting period, reflecting the expected settlement period, expected remuneration levels, yield on government bonds at the end of the reporting period.

*c) Pension obligations*

The payment of pensions is an obligation of the National Social Security Institute. The Company pays personal income tax, social security and health insurance contributions and mandatory contributions to the Universal Pension Fund in accordance with the country's applicable legislation. Pension expenses are recognized in the statement of comprehensive income for the relevant period of the service rendered.

*d) The Company's main obligation*

As an employer in Bulgaria, the Company is obliged to provide compulsory insurance to its employees for the Pension Fund, Supplementary Compulsory Pension Insurance (SCPI), General Illness and Maternity Fund (GIMF), Unemployment Fund, Work Injury and Occupational Disease Fund (WIPDF), Employees' Claims Guarantee Fund (ECGF) and health insurance. The amounts of social security contributions are regulated in the Social Security Code (CSC), as well as in the Law on the Budget of the Social Insurance Institution and the Law on the Budget of the National Health Insurance Institution for the respective year. Contributions are divided between the employer and the insured person in accordance with the provisions of the Social Insurance Code

(CSC). These insurance pension plans operated by the Company as an employer, are defined contribution schemes. According to them, the employer pays on a monthly basis defined contributions to the state pension fund, the GIM fund, the unemployment fund, the WIPD fund, and the universal and occupational pension funds - based on legally fixed rates - and has no legal or constructive obligation to make additional contributions to the funds in the future when they might not have sufficient resources to pay the relevant persons the amounts they have earned for the time of their employment.

The cost of pension contributions is recognized in the statement of comprehensive income (profit or loss) for the period in which the service is rendered and to which they relate.

e) *Liabilities to employees for retirement benefits*

The Company has a defined benefit pension plan arising from its obligation under the Bulgarian labour legislation to pay its employees 2 or 6 gross monthly salaries upon retirement, depending on the length of service.

If an employee has worked for the Company for 10 years in the last 20 years, they are entitled to receive six gross monthly salaries on retirement, and if he has worked for less than 10 years - two. The retirement benefit plan is not funded. The Company determines its liability to pay employee benefits upon retirement through the projected unit credit actuarial method. Revaluation of the defined benefit plan, including actuarial gains and losses, is recognized immediately in the financial position via a debit or credit of Retained earnings through other comprehensive income, in the period of their occurrence.

Remeasurements are not subject to reclassification in profit or loss in subsequent periods. Past-service costs are recognized in profit or loss of the earlier of:

- The date of addition or curtailment of the plan, and
- The date of recognition of restructuring costs accompanying the plan changes.

*f) Termination benefits*

According to the provisions of the local employment and social security legislation, the employer has the obligation to pay certain types of indemnities upon termination of the employment contract before retirement.

The Company recognizes termination indemnities obligations before the retirement age, if a binding commitment is declared in a publicly disclosed plan, including restructuring, to terminate irrevocably the employment contract with the persons concerned, or upon issuing of documents for voluntary departure. Postemployment benefits payable after more than 12 months, are discounted and presented in the statement of financial position at their present value.

### II.15. Equity

**Share capital**

Share capital is recognised at the nominal value of the issued and paid shares. Excess contributed by the shareholder to the Company over the par-value price of a share issue is recognized in share premium reserve. The Reserve Fund of the Company is set aside under the requirements of Art. 246, para. 2, item 1 of the Commerce Act. The Reserve Fund can only be used to cover losses from the current and prior reporting periods. The Reserve Fund and the Share Premium Reserve are presented as General reserves in the financial statements. According to the Company's Articles of Association, an "Additional Reserve" Fund is formed, the funds of which are used to cover losses from the current and prior reporting periods and for the payment of dividends.

**Dividends and ordinary share capital**

Dividends attributable to the ordinary shares are recognised as a liability and are presented as reserves allocation, including retained earnings, when approved by the Company's shareholders. Dividends approved after the date of issue of the financial statements are considered an event after the reporting period.

The liability for allocations different than cash is measured at fair value of the assets, subject to allocation, and the subsequent revaluations are recognized directly in the equity. During the actual allocation of assets different than cash the difference between the book value of the recognized liability and the value of the allocated assets is recognized in the profit or loss for the period.

### II.16. Current and deferred taxes

***a) Current taxes***

The Company calculates the income tax in accordance with the Bulgarian legislation. The income tax is calculated based on the taxable profit that is the result of the transformation of the financial result and the unrealised gains and losses from other comprehensive income according to the requirements of the Corporate Income Tax Act. Current tax assets and liabilities are shown net in the statement of financial position when permitted by the law.

Current tax assets and liabilities for the current and prior periods are recognized at the amount that is expected to be recovered or paid. When calculating current taxes, the tax rates and tax laws in force at the date of the statement of financial position apply.

According to the Corporate Income Tax Act, the nominal tax rate for 2023 and 2022 years is 10%. At the reporting date there are no preconditions for a legal change in the tax rate.

***b) Deferred income tax***

Deferred tax is determined using the balance sheet method based on temporary differences between the tax values of assets and liabilities and their carrying amounts in the financial statements and their respective tax bases for tax purposes. In calculating deferred taxes, the tax rates under Bulgarian law applicable to the periods of the expected retroactive effect of tax temporary differences.

The Company calculates and recognizes deferred tax liabilities for all identified taxable temporary differences and recognises deferred tax assets for identified deductible temporary differences to the extent that it has determined that sufficient future profits and/or taxable temporary differences will be available to allow the deductibility of the temporary differences.

The Company reviews the carrying amount of deferred tax assets at each financial statement date and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered. Unrecognized deferred tax assets are reviewed at each statement of financial position date and recognized to the extent that it is probable that future taxable profit will be available to allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are offset only when the Company has the legal right and intention to offset current tax assets or liabilities by the same tax authority. Deferred tax assets and liabilities are recognized directly in other comprehensive income (rather than in profit or loss) when the tax relates to items that have been recognized directly in other comprehensive income.

As of December 31, 2023, the Company's deferred income taxes are measured at a nominal tax rate of 10% effective for 2023.

### II.17. Trade and other liabilities to counterparties

Trade and other liabilities to counterparties are recognized initially at fair value. If, on the occurrence of the liability, the settlement term is expected to exceed 12 months, it is measured at amortized cost using the effective interest rate method.

Trade and other liabilities to counterparties are derecognized when they are extinguished, i.e., when the obligation has ceased or is cancelled, or its period has expired.

Liabilities are recognized gross, with value added tax (VAT). The VAT payable for services or assets used in the reinsurance business is recognized as part of the cost of the asset or as part of the relevant item of expenditure, as applicable.

### II.18. Income recognition

***a) Reinsurance premiums***

Income from insurance services - see Note II.5 Insurance contracts and reinsurance contracts.

Reinsurance premiums are presented under the item "Income from insurance services" in the statement of other comprehensive income.

***b) Income from interest and dividends***

Interest income from all interest-bearing financial instruments is presented under the item "Other (losses)/gains on investments in the statement of other comprehensive income, using the effective interest method. Investment gains also include dividends which are recognized when the Company's right to receive the payment arises.

***c) Realized gains/ (losses) from investment operations***

Realized gains on investments recognized in the statement of other comprehensive income include gains and losses on financial assets and are shown under the item 'Other (losses)/gains on investments, net'.

## II. 19. Recognition of expenses

**Reinsurance claims**

Claims expenses include all amounts paid and/or due on claims incurred for the financial year, external and internal costs associated with the processing and settlement of the claims, recoveries and any adjustments to unpaid claims from previous years (Note V.9 and Note VI.4) Reinsurance claims are recognized according to the terms of the relevant contract. Reinsurance costs for claims are presented in the statement of other comprehensive income as part of the item “Expenses for insurance services "

**Administrative expenses**

These include personnel costs and depreciation costs for tangible and intangible fixed assets, hired services costs, advertising and marketing costs, and costs of materials, in so far as they are not to be presented as net commission expenses, claims, and financial charges. Administrative costs are presented in the statement of other comprehensive income as part of the item “Expenses for insurance services' and in 'Other operating expenses'.

**Financial expenses**

Interest expenses are recognized in the statement of comprehensive income on accrual basis by using the effective interest rate method. Accrued interests are included in the balance of the interest-bearing financial liabilities. Bank charges and commissions are recognized in the statement of comprehensive income when they arise. The financial expenses are presented in the statement of other comprehensive income under the item "Other (losses)/gains on investments, net“.

## II.20. Events occurring after the date of the annual financial statements

The financial statements are adjusted to present events that occurred between the date of the statement of financial position and the date on which the financial statements are approved for publishing, provided they give evidence of conditions that existed at the financial statement issue date.

Events that are indicative of conditions that arose after the statement of financial position are disclosed but cause no adjustments in the financial statements.

### II.21. Comparative information

Apart from the cases when a certain standard or interpretation allows for or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 is applied, the comparative data have been adjusted to correspond to the changes in the presentation during the current year.

### II.22. Fair value measurement

Fair value (FV) is the price that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the asset sale transaction or the liability transfer take place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which enough data are available to measure the fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis at fair value, the Company reviews their categorization at the appropriate level of the fair value hierarchy (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period and decides if a transfer from one level to another is needed.

The Company's management determines the policies and procedures applied to regular measurements of fair value like those of financial assets at fair value through other comprehensive income and reported at fair value through profit and loss, and to irregular measurements of fair value.

Normally the measurements of fair value of significant financial instruments like financial assets at fair value and derivatives, involve internal valuation experts, and the need for them is assessed annually by the Company's management. After a discussion with the valuation experts, the management decides which measurement techniques and input data are the most appropriate for each specific case.

As of each reporting date, the management analyses the changes in the values of assets and liabilities, subject to revaluation pursuant to the Company's accounting policies. This includes a review of the key input data, used in the last valuation and their reconciliation with the relevant historic data like signed agreements and other relevant documents.

The management together with the valuation experts reconciles the changes in the fair value of individual assets and liabilities with the relevant external sources, so that they can assess if these changes are reasonable. For the purpose of fair value disclosures, the Company has determined different classes of assets and liabilities based on their nature, characteristics and risks and the level of the fair value hierarchy as explained above.

The disclosures of the fair value hierarchy of the financial instruments are presented in Note III „Management of Financial and Insurance Risk and Fair Value measurement ", point I "Fair value measurement and hierarchy".

### II.23. Share-based payments

The Company recognizes the goods and services received or acquired in share-based payment transactions when receiving the goods or receiving the services. The Company recognizes a corresponding increase in equity if the goods or services are received in a share-based payment transaction governed by the issuance of equity instruments of the Company or the parent, or an obligation if the goods or services are acquired in a transaction with cash-settled share-based payment.

Where the goods or services received or acquired in a share-based payment transaction are not eligible for recognition as assets, they are recognized as an expense.

The Company assesses the goods or services received and the corresponding increase in equity directly at the fair value of the goods or services received unless it is not possible to measure that fair value reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company assesses their value and the related increase in equity indirectly by reference to the fair value of the provided equity instruments of the Company or the parent. The fair value of these equity instruments is measured at the date of the arrangement.

## III. Financial and insurance risk management and fair value measurement

As a result of its activities, the Company is exposed to insurance and financial risks. The various risks and the approach taken to manage them are set out below.

### A. INSURANCE RISK

**REINSURANCE CONTRACTS**

In 2023 GP Reinsurance EAD has been doing inward and outward reinsurance. The signed reinsurance contracts are proportional and non-proportional.

**ACCEPTED REINSURANCE**

The reinsurance contracts on accepted reinsurance are signed with the following cedents:

Generali Ceska pojistovna A.S., Czech Republic; Generali Insurance AD (ceded through Generali Ceska pojistovna A.S.); Generali Osiguranje d.d., Zagreb, Croatia; Generali Biztosito Zrt., Hungary; Genertel Biztosito Zrt., Hungary; Generali Reosiguranje, a.d., Belgrade, Republic of Serbia in respect of business written by Generali Osiguranje a.d., and Generali Osiguranje a.d. Podgorica, Montenegro; Generali T.U.S.A., Warsaw, Poland; Generali Zavarovalnica d.d., Slovenia; S.C. Generali Romania Asigurare Reasigurare S.A., Bucharest, Romania; Generali Versicherung, Austria; Hrvatska osiguravajuća kuća d.d., Croatia; Assicurazioni Generali – U.S. Branch and Bosna Reinsurance Company Ltd. All companies, except for the last three are part of Austria and the CEE Region and are under Generali CEE Holding B.V.

There are four main groups of reinsurance programs in GP Re’s portfolio:

- Low volatile - The proportional contract (i.e., quota) reinsurance treaty (LV program) covers usually more lines of business. Typical examples of involved types of insurance policies or lines of business are Property insurance (both Personal lines and SME), MTPL, Motor hull, Travel and Personal Accident. Newly introduced low volatile in life insurance segment covers risks of Permanent/Temporary Disability, Death, Unemployment and hospitalization for CPI products. The main benefit of the LV is limitation of the risks due to diversification across the CEE region. LV program´s cover is devised mainly for relatively low insured values; which guarantees more stable results compared to the other reinsurance programs.

- MET-The Mutual Equalization Treaty is a combination of Q/S and XL mechanism with a loss mitigation program included and provides a two-level protection. The basic is the Q/S treaty which applies to business above so-called MET cession threshold defined to address attrition volatility issues in a given portfolio. The business accepted under MET treaties is commercial and industrial insurance. The typical lines of business where the MET program is applied are Property, Liability, Marine and Cargo.

- Over-priced - mainly non-proportional reinsurance of risks retained fully or partially by GP Reinsurance when the Reinsurance Market required Premium above “Fair Price”.

- Pass through - is mainly non-proportional reinsurance devoted to fully retro-cede risks accepted by GP Re.

1) **Proportional Treaties:**

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 and Bonds. The cedants retain between 0% (D&O QS treaty) and 60% (Low Volatile treaty) of the risk. The commission varies from 0% to 35%. Since 2018 GP Reinsurance EAD has been offering proportional coverage for Life insurance. The cedants retain 20% of the risk and the level of the commission varies because it follows the direct business.

| Country | Number of treaties | General limit (in thousand BGN) |
|---|---|---|
| Poland | 10 | 247,641 |
| Romania | 6 | 142,776 |
| Serbia | 7 | 248,390 |
| Hungary | 14 | 193,627 |
| Croatia | 5 | 103,659 |
| Czech Republic | 21 | 345,203 |
| Slovenia | 5 | 131,041 |
| **Total** | **68** | **1,412,338** |

2) **Non-proportional Treaties:**

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), Insolvency of borrowers, Catastrophic Events (Property and Casco), Health insurance, Bonds, Cyber. The programs can be either defined as Excess of Loss (XL) or Stop Loss (SL).

The minimum retention of a non-proportional treaty is EUR 43.750,00 (Personal Accident) (2022: EUR 47,191), and the maximum is EUR 50,000,000 (CAT) (2022: EUR 200,000,000). The limits of reinsurance programs vary between EUR 182.556 (Personal Accident) (2022: EUR 185,200) and Unlimited (MTPL). The minimum and deposit payments under the non-proportional treaties are done in instalments (one to four equal instalments on annual basis).

| Country | Number of treaties | General limit (in thousand BGN) |
|---|---|---|
| Poland | 7 | 1,206,737 |
| Romania | 4 | 1,087,852 |
| Slovenia | 3 | 1,094,482 |
| Serbia | 4 | 2,196,783 |
| Hungary | 7 | 2,195,878 |
| Croatia | 3 | 1,086,943 |
| Czech Republic | 9 | 2,368,563 |
| **Total** | **37** | **11,237,238** |

**CEDED REINSURANCE**

For the purposes of managing insurance risk, the Company uses ceded (outwards) reinsurance. In 2023 and 2022 all ceded reinsurance treaties are retroceded directly to Assicurazioni Generali S.P.A.

The Company reinsures part of the risk in order to decrease its exposure to losses and to preserve its capital resources. It has concluded a combination of proportional and non-proportionate reinsurance contracts with the aim of decreasing the net exposure to risk.

However, in case a reinsurer has not paid certain claim for some reason, the Company shall remain responsible for the amount due to the respective ceding company.

The main instrument for mitigation of the risk is to transfer part of the risk and premiums to reinsurers.

As a part of the credit risk management disclosed below, the Company continuously assesses the financial position of the reinsurers and periodically evaluates the recoverable amount of its reinsurance positions.

1) **Proportional Treaties:**

The ceded reinsurance proportional programs are Bonds QS, Cyber QS and Agriculture as the Company retains 30% (2022: 30%) of the premium under those treaties. The commission rates in 2023 are 30% for Cyber QS (2022: 30%), and 32% for Bond QS (2022: 32%).

2) **Non-proportional Treaties:**

GP Reinsurance has ceded reinsurance non-proportional treaties on the following lines of business: Agriculture, Property insurance and insurance for construction works, General Third-Party Liability, Motor Third Party Liability, Marine (including Cargo) and Catastrophic Events. The minimum retention remains unchanged - EUR 1,500,000 (Marine, Cargo and MTPL) and the maximum one amounts to EUR 70,000,000 (CAT) compared to EUR 100,000,000 in 2022 (Cat AGG XL). The MTPL treaty has an unlimited protection while the capacity of the remaining programs varies from EUR 25,000,000 (Marine XL) (2022: EUR 25,000,000) to EUR 800,000,000 (CAT) (2022: EUR 925,000,000).

**PREMIUM RISK**

Premium risk is the risk of keeping too low premium rates taking into consideration the actual experience with claims. To lower that risk the Company uses generally accepted actuarial procedures in calculating the premium rates and the conditions of the reinsurance contracts, on which basis the premium income is transferred from the cedants to the Company.

The Company constantly monitors on an ongoing basis the claims development and defines premiums during the renewal of the reinsurance treaties, taking in to account all relevant variables, internal models as well as market prices.

**RISK WITH RESPECT TO THE MEASUREMENT OF LIABILITIES FOR INCURRED CLAIMS**

GP Reinsurance is part of Generali Group, GP Reinsurance has access to the special Group know-how and tools for precise quantitative measurement of the risk, which also help the Company fulfil Solvency II requirements. The Group Partial Internal model allows us not only to measure risk at an average level, but also enables us to make a full distribution of our reserves using stochastic simulation.

The ceded parts of the reserve are analysed for incurred events at least since accident year 2009. Necessary details regarding split by accident years were taken from local entities data which are available on Generali CEE Holding level.

In 2017, GP Reinsurance EAD took over a portfolio from Generali Holding Vienna covering losses incurred prior to 2008, with the cedants of this business being once again the insurance companies of the Generali Group from Central and Eastern Europe, with which the Company is already operating. Since the company accepts the reserves in this portfolio as of 01.01.2017 and does not have the historical development of these claims, this run-off business is not included in the tables below, so that consistent information could be provided on the development of claims in the remaining portfolio. Due to the portfolio duration and the almost fully ceded reinsurance coverage, the Company does not expect any serious developments and effects.

Since 2018 the Company has reinsurance contracts covering risks of credit protection insurance. Since this business is new for the portfolio of the Company, the reserves and the paid claims under these contracts are not included in the tables below, so that consistent information could be provided on the claim development in the rest of the portfolio.

The following tables show the cumulative claims payments, outstanding claims reserves (RBNS and IBNR) and the ultimate cost of claims on non-proportional reinsurance treaties by accident year from 2008-2013 (cumulative) to 2023 and their development from 2009 to 2023 and on proportional reinsurance treaties by accident year from 2003-2013 (cumulative) to 2023 and their development over the period 2013 – 2023. The Company does not have sufficient historical data on the change of claims against the undiscounted best estimate of liabilities (UBEL), therefore the data for Incurred But Not Reported (IBNR) reserveis disclosed as the component with the most significant weight in the calculation of UBEL.

In the tables indicating the change of claims all amounts have been restated using exchange rates at 31 December 2023. In the tables below, minor rounding adjustments are possible as a result of applying the closing CZK/BGN exchange rates at the reporting date.

**Non-proportional reinsurance treaties (gross)**

**Claims payments on non-proportional treaties for the individual accident years (gross)**

| In BGN thousand | Accident year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Calendar year | 2008-2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Общо |
| 2009 | 59,735 | | | | | | | | | | | 59,735 |
| 2010 | 109,097 | | | | | | | | | | | 109,097 |
| 2011 | 109,226 | | | | | | | | | | | 109,226 |
| 2012 | 17,461 | | | | | | | | | | | 17,461 |
| 2013 | 85,122 | | | | | | | | | | | 85,122 |
| 2014 | 46,389 | 1,781 | | | | | | | | | | 48,170 |
| 2015 | 11,668 | 4,111 | 865 | | | | | | | | | 16,644 |
| 2016 | 5,084 | 7,057 | 2,876 | 1,171 | | | | | | | | 16,188 |
| 2017 | 4,652 | 1,885 | 2,096 | 1,518 | 4,155 | | | | | | | 14,306 |
| 2018 | 963 | 523 | 2,381 | 1,048 | 4,560 | 3,997 | | | | | | 13,472 |
| 2019 | 1,625 | 2,325 | 20 | 723 | 11,425 | 24,052 | 6,970 | | | | | 47,140 |
| 2020 | 415 | 1,225 | 1,029 | 2,012 | 15,481 | 21,810 | 24,417 | 8,973 | | | | 75,362 |
| 2021 | 944 | 509 | 618 | (15) | 1,271 | (4,439) | 6,019 | 6,359 | 130,024 | | | 141,290 |
| 2022 | 671 | 52 | 3,691 | 96 | (66) | 415 | 3,841 | 1,096 | 129,907 | 9,070 | | 148,773 |
| 2023 | 1,728 | 20 | 182 | 448 | 772 | 48 | 1,027 | 1,429 | 54,850 | 8,088 | 53,394 | 121,986 |
| | 454,780 | 19,488 | 13,758 | 7,001 | 37,598 | 45.883 | 42,274 | 17,857 | 314,781 | 17,158 | 53,394 | 1,023,972 |

**(all amounts are in BGN thousand, unless specified otherwise)**

**Claims reserves on non-proportional treaties for the individual accident years at the respective reporting dates (gross)**

| In BGN thousand | Accident year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date | 2008-2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
| 31.12.2009 | 49,800 | | | | | | | | | | | 49,800 |
| 31.12.2010 | 109,714 | | | | | | | | | | | 109,714 |
| 31.12.2011 | 75,035 | | | | | | | | | | | 75,035 |
| 31.12.2012 | 58,228 | | | | | | | | | | | 58,228 |
| 31.12.2013 | 102,642 | | | | | | | | | | | 102,642 |
| 31.12.2014 | 66,947 | 10,303 | | | | | | | | | | 77,250 |
| 31.12.2015 | 67,954 | 23,150 | 14,558 | | | | | | | | | 105,662 |
| 31.12.2016 | 58,448 | 11,580 | 19,183 | 12,551 | | | | | | | | 101,762 |
| 31.12.2017 | 41,597 | 11,979 | 16,991 | 15,287 | 11,442 | | | | | | | 97,296 |
| 31.12.2018 | 40,361 | 13,729 | 14,535 | 15,847 | 26,039 | 36,922 | | | | | | 147,433 |
| 31.12.2019 | 34,807 | 9,942 | 11,850 | 20,037 | 28,205 | 23,818 | 32,391 | | | | | 161,050 |
| 31.12.2020 | 37,243 | 10,449 | 12,410 | 20,147 | 16,249 | 1,725 | 18,259 | 12,563 | | | | 129,045 |
| 31.12.2021 | 31,889 | 10,583 | 11,915 | 20,536 | 16,711 | 1,557 | 13,131 | 12,471 | 234,948 | | | 353,741 |
| 31.12.2022 | 29,366 | 12,010 | 8,639 | 19,443 | 16,639 | 1,068 | 10,176 | 11,573 | 131,185 | 17,530 | | 257,629 |
| 31.12.2023 | 30,300 | 14,514 | 9,346 | 18,887 | 17,996 | 1,496 | 8,657 | 10,852 | 79,902 | 15,922 | 56,930 | 264,802 |

**Ultimate loss for non-proportional treaties for the individual accident years on the respective reporting dates (gross)**

| In BGN thousand | Accident year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date | 2008-2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
| 31.12.2009 | 109.535 | | | | | | | | | | | 109.535 |
| 31.12.2010 | 278.546 | | | | | | | | | | | 278.546 |
| 31.12.2011 | 353.092 | | | | | | | | | | | 353.092 |
| 31.12.2012 | 353.746 | | | | | | | | | | | 353.746 |
| 31.12.2013 | 483.282 | | | | | | | | | | | 483.282 |
| 31.12.2014 | 493.977 | 12.083 | | | | | | | | | | 506.060 |
| 31.12.2015 | 506.651 | 29.041 | 15.423 | | | | | | | | | 551.115 |
| 31.12.2016 | 502.230 | 24.528 | 22.924 | 13.722 | | | | | | | | 563.404 |
| 31.12.2017 | 490.031 | 26.812 | 22.827 | 17.976 | 15.598 | | | | | | | 573.244 |
| 31.12.2018 | 489.757 | 29.085 | 22.753 | 19.583 | 34.754 | 40.919 | | | | | | 636.851 |
| 31.12.2019 | 485.828 | 27.624 | 20.088 | 24.497 | 48.346 | 51.868 | 39.361 | | | | | 697.612 |
| 31.12.2020 | 488.678 | 29.355 | 21.677 | 26.619 | 51.871 | 51.584 | 49.646 | 21.536 | | | | 740.966 |
| 31.12.2021 | 484.269 | 29.998 | 21.800 | 26.993 | 53.604 | 46.977 | 50.536 | 27.803 | 364.972 | | | 1.106.952 |
| 31.12.2022 | 482.417 | 31.477 | 22.215 | 25.997 | 53.466 | 46.904 | 51.422 | 28.000 | 391.116 | 26.600 | | 1.159.614 |
| 31.12.2023 | 485.079 | 34.001 | 23.104 | 25.889 | 55.596 | 47.380 | 50.930 | 28.709 | 394.683 | 33.080 | 110.324 | 1.288.775 |

## Non-proportional reinsurance treaties net from ceded reinsurance

**Claims payments on non-proportional treaties for the individual accident years (net)**

| In BGN thousand | Accident year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Calendar year | 2008-2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
| 2009 | 10,638 | | | | | | | | | | | 10,638 |
| 2010 | 63,512 | | | | | | | | | | | 63,512 |
| 2011 | 47,010 | | | | | | | | | | | 47,010 |
| 2012 | 7,619 | | | | | | | | | | | 7,619 |
| 2013 | 35,963 | | | | | | | | | | | 35,963 |
| 2014 | 7,419 | 1,781 | | | | | | | | | | 9,200 |
| 2015 | (1,018) | 3,569 | 865 | | | | | | | | | 3,416 |
| 2016 | 2,008 | (8,015) | 2,876 | 1,171 | | | | | | | | (1,960) |
| 2017 | 1,483 | (913) | 1,893 | 1,518 | 643 | | | | | | | 4,624 |
| 2018 | (909) | 1,829 | 981 | 1,048 | 2,616 | 3,997 | | | | | | 9,562 |
| 2019 | (6,013) | 9,804 | 286 | 723 | 947 | (15,583) | 6,970 | | | | | (2,866) |
| 2020 | 193 | 592 | 982 | 548 | 627 | (15,227) | 21,782 | 8,973 | | | | 18,470 |
| 2021 | 599 | 509 | 666 | (15) | 1,047 | 360 | 6,019 | 6,359 | 52 | | | 15,596 |
| 2022 | 379 | 52 | 95 | 96 | (41) | 322 | 3,841 | 1,096 | 4,259 | 9,070 | | 19,169 |
| 2023 | 1,979 | 20 | 142 | 448 | 772 | 48 | 1,027 | 1,429 | (6,191) | 8,088 | 53,394 | 61,156 |
| | 170,862 | 9,228 | 8,786 | 5,537 | 6,611 | (26,083) | 39,639 | 17,857 | (1,880) | 17,158 | 53,394 | 301,109 |

**(all amounts are in BGN thousand, unless specified otherwise)**

**Claims reserves on non-proportional treaties for the individual accident years at the respective reporting dates (net)**

| In BGN thousand | Accident year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date | 2008-2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
| 31.12.2009 | 14,196 | | | | | | | | | | | 14,196 |
| 31.12.2010 | 19,391 | | | | | | | | | | | 19,391 |
| 31.12.2011 | 30,745 | | | | | | | | | | | 30,745 |
| 31.12.2012 | 29,041 | | | | | | | | | | | 29,041 |
| 31.12.2013 | 28,589 | | | | | | | | | | | 28,589 |
| 31.12.2014 | 22,608 | 8,633 | | | | | | | | | | 31,241 |
| 31.12.2015 | 39,689 | 1,996 | 10,624 | | | | | | | | | 52,309 |
| 31.12.2016 | 35,072 | 7,036 | 11,127 | 7,753 | | | | | | | | 60,988 |
| 31.12.2017 | 30,666 | 9,274 | 9168 | 9,740 | 11,397 | | | | | | | 70,245 |
| 31.12.2018 | 30,311 | 10,808 | 9,402 | (1,603) | 12,936 | (36,493) | | | | | | 25,361 |
| 31.12.2019 | 26,733 | 9,083 | 6,968 | (950) | 13,610 | (18,195) | 25,294 | | | | | 62,543 |
| 31.12.2020 | 28,439 | 10,449 | 7,638 | (2,500) | 15,837 | 1,103 | 13,226 | 11,829 | | | | 86,021 |
| 31.12.2021 | 23,755 | 9,767 | 5,941 | (6,456) | 15,037 | 1,555 | 8,110 | 11,710 | (5,176) | | | 64,243 |
| 31.12.2022 | 20,495 | 10,916 | 6,813 | (10,230) | 16,610 | 1,008 | 5,035 | 10,847 | (15,891) | 15,571 | | 61,174 |
| 31.12.2023 | 19,913 | 11,220 | 7,284 | (14,019) | 17,996 | 1,496 | 4,801 | 9,800 | (10,327) | 13,945 | 56,930 | 119,039 |

**Ultimate loss for non-proportional treaties for the individual accident years on the respective reporting dates (net)**

| In BGN thousand | Accident year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date | 2008-2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
| 31.12.2009 | 24,834 | | | | | | | | | | | 24,834 |
| 31.12.2010 | 93,541 | | | | | | | | | | | 93,541 |
| 31.12.2011 | 151,906 | | | | | | | | | | | 151,906 |
| 31.12.2012 | 157,822 | | | | | | | | | | | 157,822 |
| 31.12.2013 | 193,333 | | | | | | | | | | | 193,333 |
| 31.12.2014 | 194,771 | 10,414 | | | | | | | | | | 205,185 |
| 31.12.2015 | 210,834 | 7,346 | 11,489 | | | | | | | | | 229,669 |
| 31.12.2016 | 208,225 | 4,371 | 14,868 | 8,924 | | | | | | | | 236,388 |
| 31.12.2017 | 205,302 | 5,696 | 14,802 | 12,429 | 12,039 | | | | | | | 250,268 |
| 31.12.2018 | 204,038 | 9,059 | 16,017 | 2,133 | 16,194 | (32,496) | | | | | | 214,945 |
| 31.12.2019 | 194,447 | 17,139 | 13,869 | 3,510 | 17,816 | (29,781) | 32,264 | | | | | 249,264 |
| 31.12.2020 | 196,346 | 19,096 | 15,522 | 2,508 | 20,669 | (25,709) | 41,978 | 20,802 | | | | 291,212 |
| 31.12.2021 | 192,261 | 18,924 | 14,491 | (1,464) | 20,917 | (24,898) | 42,880 | 27,042 | (5,124) | | | 285,029 |
| 31.12.2022 | 189,380 | 20,125 | 15,458 | (5,142) | 22,449 | (25,122) | 43,647 | 27,275 | (11,581) | 24,642 | | 301,131 |
| 31.12.2023 | 190,776 | 20,449 | 16,070 | (8,483) | 24,608 | (24,586) | 44,439 | 27,656 | (12,208) | 31,103 | 110,324 | 420,148 |

(all amounts are in BGN thousand, unless specified otherwise)

## Proportional (quota share) reinsurance treaties (gross)

### Claims payments on proportional treaties for the individual accident years (gross)

| In BGN thousand | Accident year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Calendar year | 2003-2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
| 2013 | 582,051 | | | | | | | | | | | 582,051 |
| 2014 | 200,657 | 343,895 | | | | | | | | | | 544,552 |
| 2015 | 64,948 | 160,324 | 365,614 | | | | | | | | | 590,886 |
| 2016 | 40,856 | 46,252 | 161,770 | 392,376 | | | | | | | | 641,254 |
| 2017 | 24,490 | 22,550 | 37,132 | 169,621 | 406,565 | | | | | | | 660,358 |
| 2018 | 14,715 | 11,247 | 20,122 | 42,717 | 193,476 | 433,532 | | | | | | 715,809 |
| 2019 | 6,177 | 5,875 | 17,549 | 24,798 | 43,140 | 238,486 | 481,470 | | | | | 817,495 |
| 2020 | 7,378 | 1,817 | 7,827 | 12,092 | 24,089 | 66,987 | 186,647 | 483,117 | | | | 789,954 |
| 2021 | 7,742 | 2,054 | (220) | 4,789 | 20,890 | 25,314 | 34,685 | 160,127 | 502,156 | | | 757,537 |
| 2022 | 5,101 | 352 | 2,588 | 3,438 | 5,090 | 18,303 | 19,170 | 32,792 | 227,104 | 552,603 | | 866,541 |
| 2023 | 5,359 | 1,014 | 2,281 | 1,491 | 3,039 | 7,856 | 9,366 | 18,317 | 53,241 | 219,377 | 551,326 | 872,667 |
| Total | 959,474 | 595,380 | 614,663 | 651,322 | 696,289 | 790,478 | 731,338 | 694,353 | 782,501 | 771,980 | 551,326 | 7,839,104 |

### Claims reserves for proportional treaties for the individual accident years on the respective reporting dates (gross)

| In BGN thousand | Accident year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Calendar year | 2003-2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
| 31.12.2013 | 643,852 | | | | | | | | | | | 643,852 |
| 31.12.2014 | 462,036 | 211,431 | | | | | | | | | | 673,467 |
| 31.12.2015 | 381,447 | 147,494 | 381,447 | | | | | | | | | 910,388 |
| 31.12.2016 | 346,995 | 122,775 | 346,995 | 263,669 | | | | | | | | 1,080,434 |
| 31.12.2017 | 232,342 | 105,070 | 232,342 | 162,104 | 294,267 | | | | | | | 1,026,125 |
| 31.12.2018 | 180,555 | 72,449 | 180,555 | 104,651 | 198,313 | 342,724 | | | | | | 1,079,247 |
| 31.12.2019 | 146,436 | 37,794 | 146,436 | 97,069 | 147,645 | 180,761 | 252,642 | | | | | 1,008,783 |
| 31.12.2020 | 127,139 | 27,498 | 127,139 | 42,194 | 130,641 | 121,722 | 145,573 | 233,215 | | | | 955,121 |
| 31.12.2021 | 105,027 | 19,970 | 105,027 | 35,147 | 89,953 | 86,392 | 118,762 | 123,979 | 293,586 | | | 977,843 |
| 31.12.2022 | 92,522 | 19,050 | 92,522 | 28,324 | 75,778 | 53,101 | 92,957 | 98,608 | 176,796 | 290,568 | | 1,020,226 |
| 31.12.2023 | 88,215 | 16,657 | 88,215 | 22,963 | 74,245 | 39,069 | 63,635 | 78,346 | 133,935 | 162,002 | 298,950 | 1,066,232 |

**Ultimate loss for proportional treaties for the individual accident years on the respective reporting dates (gross)**

| In BGN thousand | Accident year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Calendar year | 2008-2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
| 31.12.2013 | 1,225,903 | | | | | | | | | | | 1,225,903 |
| 31.12.2014 | 1,244,744 | 555,325 | | | | | | | | | | 1,800,069 |
| 31.12.2015 | 1,229,103 | 651,712 | 747,061 | | | | | | | | | 2,627,876 |
| 31.12.2016 | 1,235,507 | 673,245 | 874,379 | 656,046 | | | | | | | | 3,439,177 |
| 31.12.2017 | 1,145,345 | 678,091 | 796,858 | 724,101 | 700,832 | | | | | | | 4,045,227 |
| 31.12.2018 | 1,108,272 | 656,716 | 765,193 | 709,365 | 798,353 | 776,256 | | | | | | 4,814,155 |
| 31.12.2019 | 1,080,329 | 627,936 | 748,623 | 726,581 | 790,825 | 852,779 | 734,112 | | | | | 5,561,185 |
| 31.12.2020 | 1,068,410 | 619,457 | 737,153 | 683,799 | 797,911 | 860,728 | 813,690 | 716,332 | | | | 6,297,480 |
| 31.12.2021 | 1,054,040 | 613,983 | 714,821 | 681,540 | 778,113 | 850,712 | 821,564 | 767,223 | 795,742 | | | 7,077,738 |
| 31.12.2022 | 1,046,636 | 613,415 | 704,904 | 678,155 | 769,028 | 835,724 | 814,928 | 774,644 | 906,056 | 843,171 | | 7,986,661 |
| 31.12.2023 | 1,047,688 | 612,036 | 702,878 | 674,285 | 770,534 | 829,547 | 794,972 | 772,699 | 916,436 | 933,982 | 850,276 | 8,905,333 |

## Proportional (quota share) reinsurance treaties (net)

**Claims payments on proportional treaties for the individual accident years (net)**

| In BGN thousand | Accident year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Calendar year | 2003-2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
| 2013 | 577,789 | | | | | | | | | | | 577,789 |
| 2014 | 191,744 | 343,223 | | | | | | | | | | 534,967 |
| 2015 | 66,450 | 159,970 | 365,478 | | | | | | | | | 591,898 |
| 2016 | 39,577 | 44,072 | 161,757 | 392,281 | | | | | | | | 637,687 |
| 2017 | 24,254 | 22,255 | 36,916 | 168,884 | 405,780 | | | | | | | 658,089 |
| 2018 | 14,656 | 11,006 | 20,035 | 42,365 | 192,016 | 424,349 | | | | | | 704,427 |
| 2019 | 6,153 | 5,699 | 13,965 | 24,627 | 42,689 | 238,101 | 466,444 | | | | | 797,678 |
| 2020 | 7,357 | 1,809 | 7,499 | 12,076 | 19,952 | 67,579 | 186,703 | 471,024 | | | | 773,999 |
| 2021 | 7,734 | 2,062 | (121) | 4,482 | 18,228 | 25,393 | 34,684 | 159,768 | 496,026 | | | 748,256 |
| 2022 | 5,081 | 370 | 2,581 | 3,308 | 5,082 | 13,930 | 19,005 | 32,344 | 225,857 | 550,716 | | 858,274 |
| 2023 | 5,355 | 1,010 | 1,837 | 1,479 | 3,669 | 6,698 | 9,274 | 15,693 | 49,701 | 218,698 | 550,511 | 863,925 |
| Total | 946,150 | 591,476 | 609,947 | 649,502 | 687,416 | 776,050 | 716,110 | 678,829 | 771,584 | 769,414 | 550,511 | 7,746,989 |

**(all amounts are in BGN thousand, unless specified otherwise)**

**Claims reserves for proportional treaties for the individual accident years on the respective reporting dates (net)**

| In BGN thousand | Accident year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Calendar year** | 2003-2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | **Total** |
| 31.12.2013 | 638,890 | | | | | | | | | | | 638,890 |
| 31.12.2014 | 456,992 | 210,784 | | | | | | | | | | 667,776 |
| 31.12.2015 | 376,703 | 145,012 | 376,703 | | | | | | | | | 898,418 |
| 31.12.2016 | 340,491 | 122,524 | 340,491 | 264,088 | | | | | | | | 1,067,594 |
| 31.12.2017 | 229,387 | 103,260 | 229,387 | 160,633 | 279,725 | | | | | | | 1,002,392 |
| 31.12.2018 | 178,145 | 72,447 | 178,145 | 104,330 | 177,091 | 338,519 | | | | | | 1,048,677 |
| 31.12.2019 | 142,947 | 37,296 | 142,947 | 97,122 | 144,090 | 176,200 | 252,429 | | | | | 993,031 |
| 31.12.2020 | 122,717 | 27,005 | 122,717 | 41,608 | 124,043 | 120,470 | 145,240 | 232,720 | | | | 936,520 |
| 31.12.2021 | 101,997 | 20,012 | 101,997 | 34,882 | 87,921 | 85,641 | 118,463 | 123,190 | 293,437 | | | 967,540 |
| 31.12.2022 | 89,606 | 19,071 | 89,606 | 28,096 | 75,226 | 52,379 | 92,886 | 98,429 | 174,343 | 290,533 | | 1,010,175 |
| 31.12.2023 | 85,069 | 16,678 | 85,069 | 22,429 | 73,857 | 38,635 | 62,624 | 77,082 | 133,795 | 161,293 | 298,939 | 1,055,470 |

**Ultimate loss for proportional treaties for the individual accident years at the respective reporting dates (net)**

| In BGN thousand | Accident year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Calendar year** | 2008-2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | **Total** |
| 31.12.2013 | 1,216,679 | | | | | | | | | | | 1,216,679 |
| 31.12.2014 | 1,226,525 | 554,007 | | | | | | | | | | 1,780,532 |
| 31.12.2015 | 1,212,686 | 648,204 | 742,180 | | | | | | | | | 2,603,070 |
| 31.12.2016 | 1,216,051 | 669,788 | 867,725 | 656,369 | | | | | | | | 3,409,933 |
| 31.12.2017 | 1,129,201 | 672,779 | 793,537 | 721,799 | 685,505 | | | | | | | 4,002,821 |
| 31.12.2018 | 1,092,614 | 652,972 | 762,330 | 707,860 | 774,886 | 762,869 | | | | | | 4,753,531 |
| 31.12.2019 | 1,063,570 | 623,521 | 741,097 | 725,279 | 784,574 | 838,651 | 718,873 | | | | | 5,495,565 |
| 31.12.2020 | 1,050,697 | 615,039 | 728,366 | 681,841 | 784,480 | 850,499 | 798,386 | 703,744 | | | | 6,213,052 |
| 31.12.2021 | 1,037,710 | 610,107 | 707,525 | 679,596 | 766,585 | 841,064 | 806,294 | 753,982 | 789,463 | | | 6,992,326 |
| 31.12.2022 | 1,030,401 | 609,536 | 697,715 | 676,118 | 758,972 | 821,732 | 799,722 | 761,565 | 896,226 | 841,249 | | 7,893,236 |
| 31.12.2023 | 1,031,219 | 608,153 | 695,015 | 671,931 | 761,272 | 814,686 | 778,735 | 755,911 | 905,379 | 930,707 | 849,449 | 8,802,457 |

In total, the gross reserves in 2023 are increasing compared to 2022. The increase is driven by proportional treaties - mainly MET and LV. For Motor reinsurance this increase is almost BGN 45 m.

## B. INSURANCE RISK CONCENTRATION

A key issue for the Company is the degree of concentration of reinsurance risk, determining the degree to which certain event or a series of events might significantly affect the liabilities of the Company. Such concentrations can arise from an individual reinsurance contract or from several related contracts, where the liabilities could be material. Key to the concentration of reinsurance risk is the fact that it may result from the accumulation of risks within several different reinsurance categories.

The risk concentration can arise from events with a low frequency of occurrence, but with a high level of severity like natural disasters, in circumstances when the Company is exposed to unexpected trend deviations from what was expected or planned and calculated applying standard statistical methods and techniques. The underwriting policy of the Company aims to achieve diversification, to guarantee balanced portfolio and is based on large portfolio consisting of similar risks with continuance of several years which are expected to decrease the fluctuations in the calculated results.

As regards the lines of business, the biggest share in the Liability for incurred claims (LIC) falls to motor vehicle insurance – 46% (including MTPL – 37% and Casco – 9%). The second position is held by Property with 31 %, followed by TPL with 14%.

By countries, the biggest share of Liability for incurred claims (LIC) ceded to the Company as of 31 December 2023 is attributed to the Czech Republic – 50% (52% in 2022), Poland – 25% (22% in 2022) and Hungary – 6% (5% in 2022).

## C. INSURANCE RISK SENSITIVITY ANALYSIS

The table below illustrates the sensitivity of profit and loss to changes in the risk-free yield curve.

In BGN thousand, for the year ended 31 December 2023

| | Impact on OCI liabilities (+ profit, - loss) | |
|---|---|---|
| | Gross | Net |
| Risk free rates +50 | 10,802 | 12,499 |
| Risk free rates -50 | (11,505) | (13,331) |

In BGN thousand for the year ended 31 December 2022

| | Impact on OCI liabilities (+ profit, - loss) | |
|---|---|---|
| | Gross | Net |
| Risk free rates +50 | (9,470) | (12,009) |
| Risk free rates -50 | 10,087 | 12,808 |

(**all amounts are in BGN thousand, unless specified otherwise**)

The table below shows the sensitivity of profit and loss to changes in exchange rates. The effect that is taken into account is on the liability for claims that have arisen, which is reported through the statement of profit or loss and OCI. The table shows the effect of the two main exposures in the liability for incurred claims as of 31 December, which are EUR and PLN.

| | EUR | | PLN | |
|---|---|---|---|---|
| **2023** | **10%** | **-10%** | **10%** | **-10%** |
| **FX insurance and reinsurance assets and liabilities exposure** | | | | |
| *- Impact on income statement* | (193) | 193 | (3,140) | 3,140 |
| *- Income tax charge* | 19 | (19) | 314 | (314) |

| | EUR | | PLN | |
|---|---|---|---|---|
| **2022** | **10%** | **-10%** | **10%** | **-10%** |
| **FX insurance and reinsurance assets and liabilities exposure** | | | | |
| *- Impact on income statement* | 67 | (67) | 1,088 | (1,088) |
| *- Income tax charge* | (7) | 7 | (109) | 109 |

(all amounts are in BGN thousand, unless specified otherwise)

III. Financial and insurance risk management and fair value measurement (continued)

## D. MARKET RISK

Market risk is the risk that changes in market prices - e.g. exchange rates, interest rates and share prices, will affect the cash flows as well as the fair value or future cash flows of financial instruments. Movements in exchange rates and interest rates also affect insurance and reinsurance contracts. The objective of market risk management is to control market risk exposures within acceptable parameters while optimising risk return.

Market risk arises mainly from the Company's equity investments, interest-bearing financial assets and financial liabilities and financial assets and financial liabilities denominated in foreign currencies. These exposures are largely offset by similar exposures arising from insurance and reinsurance contracts. The nature of the Company's business processes means that it is exposed to market risk in respect of net assets representing shareholders' equity.

Significant fluctuations in share prices, currencies and interest rates may affect the value of the Company's assets and liabilities. Financial investments are initiated to meet obligations to counterparties and to realize returns on capital expected by the shareholder.

## D.1. INTEREST RATE RISK

The Company’s operations are subject to the risk of interest rate fluctuations to the extent that interest-bearing assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities, as well as insurance and reinsurance assets and liabilities, the Company is also exposed to an interest rate cash flow risk. The interest rate risk is managed by the management of the interest rate structure of the investments and with limits on the maximum duration of each portfolio as well. For the purposes of calculation of the effective duration it is assumed that the duration of hedge funds, shares and other non-fixed sources of income equals to zero.

### Financial Assets

| As of 31st December, 2023 | Total | Fixed interest | Floating interest | Non-interest bearing |
|---|---|---|---|---|
| Cash and cash equivalents | 36,696 | - | - | 36,696 |
| Derivative financial instruments | 709 | - | - | 709 |
| Financial assets at fair value through P&L | 133,018 | - | - | 133,018 |
| Financial assets at fair value through OCI | | | | |
| of which debt instruments | 2,125,108 | 2,055,318 | 69,790 | - |
| of which equity instruments | 178,364 | - | - | 178,364 |
| Financial assets at amortized cost | 173,455 | 45,214 | 128,241 | - |
| Other assets | 92 | - | - | 92 |
| Total | **2,647,442** | **2,100,532** | **198,031** | **348,879** |

(all amounts are in BGN thousand, unless specified otherwise)

III. Financial and insurance risk management and fair value measurement (continued)

### Financial Liabilities

| As of 31 December, 2023 | Total | Fixed interest | Floating interest | Non-interest bearing |
|---|---|---|---|---|
| Derivative financial instruments | (3,557) | - | - | (3,557) |
| Trade payables and other liabilities | (4,276) | - | - | (4,276) |
| Lease liabilities | (37) | - | - | (37) |
| **Total** | **(7,870)** | **-** | **-** | **(7,870)** |

### Assets and liabilities from insurance and reinsurance contracts

| As of 31 December, 2023 | Total | Fixed interest | Floating interest | Non-interest bearing |
|---|---|---|---|---|
| Reinsurance contracts assets | 217,110 | - | - | 217,110 |
| Insurance contracts liability | (1,310,961) | - | - | (1,310,961) |
| **Total** | **(1,093,851)** | **-** | **-** | **(1,093,851)** |

### Financial Assets

| As of 31st December, 2022 restated | Total | Fixed interest | Floating interest | Non-interest bearing |
|---|---|---|---|---|
| Cash and cash equivalents | 54,406 | - | - | 54,406 |
| Derivative financial instruments | 14,920 | - | - | 14,920 |
| Financial assets at fair value through P&L | 128,529 | - | - | 128,529 |
| Financial assets at fair value through OCI | | | | |
| of which debt instruments | 1,879,339 | 1,781,285 | 98,054 | - |
| of which equity instruments | 162,972 | - | - | 162,972 |
| Financial assets at amortized cost | 167,841 | 44,155 | 123,686 | - |
| Other assets | 149 | - | - | 149 |
| **Total** | **2,408,156** | **1,825,440** | **221,740** | **360,976** |

### Financial Liabilities

| As of 31 December, 2022 restated | Total | Fixed interest | Floating interest | Non-interest bearing |
|---|---|---|---|---|
| Derivative financial instruments | (1,342) | - | - | (1,342) |
| Trade payables and other liabilities | (16,228) | - | - | (16,228) |
| Lease liabilities | (57) | - | - | (57) |
| **Total** | **(17,627)** | **-** | **-** | **(17,627)** |

### Assets and liabilities from insurance and reinsurance contracts

| As of 31 December, 2022 restated | Total | Fixed interest | Floating interest | Non-interest bearing |
|---|---|---|---|---|
| Reinsurance contracts assets | 247,146 | - | - | 247,146 |
| Insurance contracts liability | (1,226,867) | - | - | (1,226,867) |
| Total | **(979,721)** | **-** | **-** | **(979,721)** |

III. Financial and insurance risk management and fair value measurement (continued)

## D.2. PRICE RISK

The Company is exposed to risk of changes in the price of equity and debt securities held as investments classified in the statement of financial position as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss and other instruments that derive their value from certain equity securities or indices of prices of equity securities.

The Company manages its use of equity investments in response to changing market conditions using the following risk management tools:

a) the portfolio is diversified, according to pre-approved strategic financial asset allocation, which also aims to mitigate the concentration risk;

b) the limits for investments are set and monitored.

## D.3. 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 limits for the total amount of investments denominated in foreign currency are observed according to internally established System of Investment Risks Limits.

The Company as a part of its strategy hedges the currency risk exposures in relation to financial assets and liabilities. The FX positions are regularly monitored, and the hedging instruments are reviewed and adjusted accordingly.

As a result of the action taken, the Company has no significantly risky currency exposures.

The tables below disclose the distribution of the Company's financial assets and liabilities by currencies as of 31 December 2023 and 31 December 2022:

(all amounts are in BGN thousand, unless specified otherwise)

III. Financial and insurance risk management and fair value measurement (continued)

### Financial Assets

| As of 31 December, 2023 | Total | CZK | EUR | USD | PLN | RON | HUF | Other currencies |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 36,696 | 11,015 | 22,173 | 1,322 | 318 | 523 | 533 | 812 |
| Derivative financial instruments | 709 | 666 | 43 | - | - | - | - | - |
| Financial assets at fair value through P&L | 133,018 | - | 109,838 | - | 23,177 | 3 | - | - |
| Financial assets at fair value through OCI | | | | | | | | |
| of which debt instruments | 2,125,108 | 1,112,277 | 473,534 | 40,401 | 367,319 | 55,866 | 75,711 | - |
| of which equity instruments | 178,364 | 129,618 | 48,745 | - | - | - | - | 1 |
| Financial assets at amortised cost | 173,455 | 67,020 | 106,435 | - | - | - | - | - |
| Other assets | 92 | - | 92 | - | - | - | - | - |
| **Total** | **2,647,442** | **1,320,596** | **760,860** | **41,723** | **390,814** | **56,392** | **76,244** | **813** |

### Financial Liabilities

| As of 31 December, 2023 | Total | CZK | EUR | USD | PLN | RON | HUF | Other currencies |
|---|---|---|---|---|---|---|---|---|
| Derivative financial instruments | (3,557) | (3,547) | - | - | - | - | (10) | - |
| Trade payables and other liabilities | (4,276) | - | (4,276) | - | - | - | - | - |
| Lease liabilities | (37) | - | (37) | - | - | - | - | - |
| **Total** | **(7,870)** | **(3,547)** | **(4,313)** | **-** | **-** | **-** | **(10)** | **-** |

### Assets and liabilities from insurance and reinsurance contracts

| As of 31 December, 2023 | Total | CZK | EUR | USD | PLN | RON | HUF | Other currencies |
|---|---|---|---|---|---|---|---|---|
| Reinsurance contracts assets | 217,110 | 57,457 | 112,853 | 115 | 11,126 | 88 | 7,622 | 27,849 |
| Insurance contracts liability | (1,310,961) | (520,389) | (243,394) | (115) | (359,565) | (47,409) | (59,547) | (80,542) |
| **Total** | **(1,093,851)** | **(462,932)** | **(130,541)** | **-** | **(348,439)** | **(47,321)** | **(51,925)** | **(52,693)** |

(all amounts are in BGN thousand, unless specified otherwise)

III. Financial and insurance risk management and fair value measurement (continued)

## Financial Assets

| **As of 31 December, 2022 restated** | **Total** | **CZK** | **EUR** | **USD** | **PLN** | **RON** | **HUF** | **Other currencies** |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 54,406 | 24,056 | 12,543 | 13,450 | 3,035 | 472 | 289 | 561 |
| Derivative financial instruments | 14,920 | 14,083 | 718 | - | - | - | 119 | - |
| Financial assets at fair value through P&L | 128,529 | - | 109,326 | - | 19,172 | 31 | - | - |
| Financial assets at fair value through OCI | | | | | | | | |
| of which debt instruments | 1,879,339 | 943,420 | 390,217 | 31,806 | 370,247 | 45,025 | 98,624 | - |
| of which equity instruments | 162,972 | 99,810 | 60,654 | - | 2,364 | 143 | - | 1 |
| Financial assets at amortised cost | 167,841 | 63,968 | 103,873 | - | - | - | - | - |
| Other assets | 149 | - | 149 | - | - | - | - | - |
| **Total** | **2,408,156** | **1,145,337** | **677,480** | **45,256** | **394,818** | **45,671** | **99,032** | **562** |

## Financial Liabilities

| **As of 31 December, 2022 restated** | **Total** | **CZK** | **EUR** | **USD** | **PLN** | **RON** | **HUF** | **Other currencies** |
|---|---|---|---|---|---|---|---|---|
| Derivative financial instruments | (1,342) | (1,273) | (21) | (48) | - | - | - | - |
| Trade payables and other liabilities | (16,228) | - | (16,228) | - | - | - | - | - |
| Lease liabilities | (57) | - | (57) | - | - | - | - | - |
| **Total** | **(17,627)** | **(1,273)** | **(16,306)** | **(48)** | **-** | **-** | **-** | **-** |

## Assets and liabilities from insurance and reinsurance contracts

| **As of 31 December, 2022 restated** | **Total** | **CZK** | **EUR** | **USD** | **PLN** | **RON** | **HUF** | **Other currencies** |
|---|---|---|---|---|---|---|---|---|
| Reinsurance contracts assets | 247,147 | 50,637 | 160,415 | 170 | 8,339 | 397 | 5,755 | 21,434 |
| Insurance contracts liability | (1,226,867 | (526,304) | (255,132) | (43) | (297,588) | (38,469) | (43,206) | (66,125) |
| **Total** | **(979,721)** | **(475,688)** | **(94,717)** | **127** | **(289,249)** | **(38,072)** | **(37,451)** | **(44,691)** |

(all amounts are in BGN thousand, unless specified otherwise)

III. Financial and insurance risk management and fair value measurement (continued)

## D.4. MARKET RISK SENSITIVITY ANALYSIS

The sensitivity analysis illustrates how the changes in the fair value or the future cash flows of a specific financial instrument will vary due to the changes in the market interest rates, listed financial instruments quotes, exchange rate as of date of reporting. The sensitivity analysis uses the reasonably possible shift of the following risk factors:

What happens if the following possible adjustments are made:

| | |
|---|---|
| Correction in the yield curve | 100 bp |
| Change in the equity quotes | 10% |
| Change in the exchange rate quotes | 10% |

Based on the assumptions used, the reasonably possible shift in the exchange rate is equal for all foreign currencies. The amounts, shown in the tables present the effect on the statement of comprehensive income and equity that would have been recognised at the reporting date if the scenario above had happened.

Sensitivity analysis of financial assets

| | **31.12.2023** | | **31.12.2022 restated** | |
|---|---|---|---|---|
| | **Effect on profit or loss** | **Effect on the equity (other comprehensive income)** | **Effect on profit or loss** | **Effect on the equity (other comprehensive income)** |
| Negative change in the yeld curve | - | 5,775 | - | 5,491 |
| Negative change in price of equity instruments | (6,131) | (5,797) | (6,421) | (6,958) |
| Negative change in exchange rates | (39,459) | - | (20,052) | - |
| Positive change in yeld curve | - | (5,442) | - | (5,180) |
| Positive change in price of equity instruments | 6,131 | 5,797 | 6,421 | 6,958 |
| Positive change in exchange rates | 39,459 | - | 20,052 | - |

## E. CREDIT RISK

Credit risk refers to the economic downturn impact, and defaults on payments of counterparties of the Company. Credit risk concerns also receivables arising from reinsurance contracts and debt instruments. Furthermore, a general rise in spread level, due to a credit or liquidity crisis, impacts the financial strength of any company.

(all amounts are in BGN thousand, unless specified otherwise)

III. Financial and insurance risk management and fair value measurement (continued)

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 low risk of nonfulfillment of the obligation by the counterpart or secured by a reliable guarantee. Also, the rules encourage diversification and dispersion of the portfolio.

Only in exceptional cases the Company invests in securities which issuers do not have investment rating. Investment instruments without investment credit rating can be purchased only after the approval of the Risk Management department. Along with the debt instruments the Company invests in reverse repo operations for short-term period with fixed interest rate. The short-term securities serve as collateral for repo agreements.

The credit limits set the rules for diversification, considering the complexity of the specific credit profiles of each investment instrument in the portfolio. The Company applies these limits for term deposits as well.

The maximum exposure to credit risk of the Company is equal to the carrying amount of financial and insurance assets.

The tables below disclose the distribution of the Company's financial and insurance assets, subject to credit risk, by rating as of 31 December 2023 and 31 December 2022:

(all amounts are in BGN thousand, unless specified otherwise)

III. Financial and insurance risk management and fair value measurement (continued)

## Financial Assets

| As of 31 December, 2023 | Total | AAA | AA | A | BBB | BB | B | CCC | Not rated |
|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 36,696 | - | - | 35,581 | 1,115 | - | - | - | - |
| Derivative financial instruments | 709 | - | - | 569 | 140 | - | - | - | - |
| Financial assets at fair value through P&L | 133,018 | - | - | - | - | - | - | - | 133,018 |
| Financial assets at fair value through OCI | | | | | | | | | |
| of which debt instruments | 2,125,108 | 31,714 | 983,260 | 575,946 | 459,591 | 71,149 | 2,564 | - | 884 |
| of which equity instruments | 178,364 | - | - | 5,920 | 48,550 | - | - | - | 123,894 |
| Financial assets at amortised cost | 173,455 | - | - | - | 44,843 | - | - | - | 128,612 |
| Other assets | 92 | - | - | - | - | - | - | - | 92 |
| **Total** | **2,647,442** | **31,714** | **983,260** | **618,016** | **554,239** | **71,149** | **2,564** | **-** | **386,500** |

## Assets reinsurance contracts

| As of 31 December, 2023 | Total | AAA | AA | A | BBB | BB | B | CCC | Not rated |
|---|---|---|---|---|---|---|---|---|---|
| Resurance contracts assets | 217,110 | - | 8,766 | 207,526 | - | - | - | - | 818 |
| **Total** | **217,110** | **-** | **8,766** | **207,526** | **-** | **-** | **-** | **-** | **818** |

| As of 31 December, 2022 restated | Total | AAA | AA | A | BBB | BB | B | CCC | Not rated |
|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 54,406 | - | - | 52,772 | 1,634 | - | - | - | - |
| Derivative financial instruments | 14,920 | - | - | 5,705 | - | 9,215 | - | - | - |
| Financial assets at fair value through P&L | 128,529 | - | - | - | - | - | - | - | 128,529 |
| Financial assets at fair value through OCI | | | | | | | | | |
| of which debt instruments | 1,879,339 | 19,498 | 864,089 | 472,238 | 445,932 | 65,997 | 2,592 | 7,776 | 1,217 |
| of which equity instruments | 162,972 | - | - | 4,914 | 62,861 | 143 | - | - | 95,054 |
| Financial assets at amortised cost | 167,841 | - | - | - | 167,841 | - | - | - | - |
| Other assets | 149 | - | - | - | - | - | - | - | 149 |
| **Total** | **2,408,156** | **19,498** | **864,089** | **535,629** | **678,268** | **75,355** | **2,592** | **7,776** | **224,949** |

(all amounts are in BGN thousand, unless specified otherwise)

III. Financial and insurance risk management and fair value measurement (continued)

## Assets reinsurance contracts

| As of 31 December, 2022 restated | Total | AAA | AA | A | BBB | BB | B | CCC | Not rated |
|---|---|---|---|---|---|---|---|---|---|
| Reinsurance contracts assets | 247,148 | - | 11,793 | 234,619 | - | - | - | - | 736 |
| **Total** | **247,148** | **-** | **11,793** | **234,619** | **-** | **-** | **-** | **-** | **736** |

According to the principle of IFRS 9, expected losses against the credit risk associated with a financial instrument are determined by considering:

- a target value weighted based on probabilities determined by evaluating a set of possible outcomes; at least default and non-default scenarios should be considered.
- the value of money over time; and
- reasonable and provable information that is available to reference past events, current conditions and forecasts of future economic conditions.

Therefore, the assessment of recoverability of assets is not limited to considering current conditions, but also includes future conditions (so-called predictive factors). In other words, the value of future cash flows considers not only the losses already recognized at the time of valuation based on observable and quantifiable elements, but also the expected losses that will occur in the future.

The methodology for assessing risk parameters in accordance with IFRS 9 for determining expected losses is as follows:

- with a short-term horizon (12 months), for each servicing tranche for which there was no significant deterioration of creditworthiness in relation to the first recognition (Stage 1 classification)
- throughout the remaining term of the credit relationship, for each servicing tranche, for which a significant deterioration in creditworthiness has been observed in relation to the date of first recognition (classification in Stage 2)
- a financial asset classified at Stage 3 is credit impaired and the credit loss is calculated over the lifetime as the difference between all contractual cash flows that are due in accordance with the contract and all cash flows that are expected to be received after the triggering event (recoverable amount), discounted at the original effective interest rate.

The general approach for ECL calculations is described below and the key elements are as follows:

• PD - Probability of Default is an estimate of the probability of default over a given period. It is evaluated in view of economic scenarios and with information about future development.

• EAD - Exposure at Default is an estimate of exposure at a future date of default, considering expected changes in exposure after the reporting date, including payments of principal and interest, whether contractually scheduled, and accrued interest from missed payments.

III. Financial and insurance risk management and fair value measurement (continued)

• LGD - Loss Given Default is an estimate of the loss occurring in the event of default. It is based on the difference between the contractual cash flows due and those that the Company would receive. It is usually presented as a percentage of exposure at default.

**Definition of forecast scenarios**

The IFRS 9 standard provides for the definition of alternative scenarios, at least two, which represent a set of possible manifestations of the economic cycle. The probability of each must then be defined to weight the expected losses of each and estimate the weighted average credit loss. Therefore, the expected credit loss should reflect an unbiased estimate and a weighted value obtained by considering a series of possible scenarios in which forward-looking information is indicated.

The company identified three scenarios:

• Positive scenario: variables are highlighted based on an optimistic macroeconomic scenario, assigned weight is 30%
• Baseline scenario: variables are highlighted based on current macroeconomic conditions, assigned weight is 40%
• Negative scenario: the variables are highlighted based on an unfavourable macroeconomic scenario; the assigned weight is 30%

**Expected credit loss sensitivity**

The material share of expected credit loss recognized by the Company for 2022 and 2023 is related to instruments in Stage 3 for which expected credit loss sensitivity is not applicable. The residual expected credit loss is immaterial, and it is not applicable for the company to disclose a sensitivity analysis for it.

(all amounts are in BGN thousand, unless specified otherwise)

III. Financial and insurance risk management and fair value measurement (continued)

**Distribution of the Company's investments by stages and impairment movements:**

| | 2023 | | 2022 Restated | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 3** | **Stage 1** | **Stage 2** | **Stage 3** |
| Government bonds FVOCI | 1,581,967 | 369 | 1,460,147 | - | - |
| Corporate bonds FVOCI | 450,485 | 511 | 411,595 | 1,764 | 5,832 |
| Financial assets at amortised cost | 173,316 | - | 165,520 | - | |
| Reverse repo | 91,776 | - | - | - | - |
| **Total** | **2,297,544** | **880** | **2,037,262** | **1,764** | **5,832** |

| | 2023 | | 2022 Restated | |
|---|---|---|---|---|
| **Government bonds FVOCI** | **Stage 1** | **Stage 3** | **Stage 1** | **Stage 3** |
| **Balance at 1 January** | **(962)** | **-** | **(538)** | **-** |
| Transfer to Stage 3 | - | (4,595) | - | - |
| Net remeasurment of loss allowance | 707 | 21 | (168) | - |
| New financial assets acquired | (341) | (21) | (368) | - |
| Financial assets derecognised | 345 | - | 105 | - |
| Effect ot movements in exhange rates | (22) | - | (7) | - |
| **Balance at 31 December** | **(273)** | **(4,595)** | **(976)** | **-** |

| | 2023 | | | 2022 Restated | | |
|---|---|---|---|---|---|---|
| **Corporate bonds FVOCI** | **Stage 1** | **Stage 2** | **Stage 3** | **Stage 1** | **Stage 2** | **Stage 3** |
| **Balance at 1 January** | **(10,479)** | **(785)** | **(18,994)** | **(661)** | **(19)** | **(26)** |
| Transfer to Stage 1 | (785) | 785 | - | - | - | - |
| Transfer to Stage 3 | 9,288 | - | (9,280) | - | - | - |
| Net remeasurment of loss allowance | 916 | - | (1,485) | (9 703) | (765) | (18,968) |
| New financial assets acquired | - | - | - | (364) | - | - |
| Financial assets derecognised | 181 | - | 6,339 | 243 | - | 1 |
| Effect ot movements in exhange rates | 137 | - | 174 | 6 | (1) | (1) |
| **Balance at 31 December** | **(742)** | **-** | **(23,246)** | **(10,479)** | **(785)** | **(18,994)** |

(all amounts are in BGN thousand, unless specified otherwise)

III. Financial and insurance risk management and fair value measurement (continued)

| | 2023 | 2022 restated |
|---|---|---|
| **Financial assets at amortised cost** | **Stage 1** | **Stage 1** |
| **Balance at 1 January** | **(487)** | **(232)** |
| Net remeasurment of loss allowance | (57) | (255) |
| **Balance at 31 December** | **(544)** | **(487)** |

| | 2023 | 2022 restated |
|---|---|---|
| **Reverse repo** | **Stage 1** | **Stage 1** |
| **Balance at 1 January** | - | - |
| New financial assets acquired | (1) | - |
| **Balance at 31 December** | **(1)** | **-** |

| | 2023 | 2022 restated |
|---|---|---|
| **Other receivable** | **Stage 1** | **Stage 1** |
| **Balance at 1 January** | - | - |
| New financial assets acquired | (3) | - |
| **Balance at 31 December** | **(3)** | **-** |

## F. LIQUIDITY RISK

Liquidity risk exists when the Company fails to make payments arising from its financial obligations, when these obligations become due, due to the discrepancy in the payment dates or due to inadequate liquidity on the stock markets. The Company aims to maintain a balance between the average duration of the assets and flexibility by using liabilities with different maturity periods.

The Company holds a portfolio of liquid assets (investments available for sale) as part of the strategy for liquidity risk management. For reinsurance contracts the maturity refers to the estimated date on which contractual cash will flow out. This depends on factors such as the timing of insurance event and the probability for its cancelation.

The liquidity risk is also limited because of the highly liquid investments. The liquidity of the new investments is always considered by the management. This risk is further mitigated through long-term planning aiming to provide the needed cash flows generated by investments. Furthermore, a 12-month forecast is prepared on a regular basis.

(all amounts are in BGN thousand, unless specified otherwise)

III. Financial and insurance risk management and fair value measurement (continued)

The following table summarizes the liabilities of the Company according to their contractual maturity:

### Financial Liabilities

| .As of 31 December 2023 | Total | Up to 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|
| Derivative financial instruments | (3,557) | (3,557) | - | - | - | - | - |
| Trade payables and other liabilities | (4,276) | (4,276) | - | - | - | - | - |
| Lease liabilities | (37) | (37) | - | - | - | - | - |
| **Total** | **(7,870)** | **(7,870)** | **-** | **-** | **-** | **-** | **-** |

### Insurance Liabilities

| .As of 31 December 2023 | Total | Up to 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|
| Insurance contracts liability | (1,310,961) | (822,080) | (205,891) | (99,242) | (56,037) | (40,083) | (87,627) |
| **Total** | **(1,310,961)** | **(822,080)** | **(205,891)** | **(99,242)** | **(56,037)** | **(40,083)** | **(87,627)** |

### Financial Liabilities

| As of 31 December, 2022 restated | Total | Up to 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|
| Derivative financial instruments | (1,342) | (1,342) | - | - | - | - | - |
| Trade payables and other liabilities | (16,228) | (16,228) | - | - | - | - | - |
| Lease liabilities | (57) | (57) | - | - | - | | - |
| **Total** | **(17,627)** | **(17,627)** | **-** | **-** | **-** | **-** | **-** |

| .As of 31 December 2022 restated | Total | Up to 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|
| Insurance contracts liability | (1,226,867) | (817,333) | (172,482) | (83,121) | (46,925) | (33,553) | (73,451) |
| **Total** | **(1,226,867)** | **(817,333)** | **(172,482)** | **(83,121)** | **(46,925)** | **(33,553)** | **(73,451)** |

(all amounts are in BGN thousand, unless specified otherwise)

III. Financial and insurance risk management and fair value measurement (continued)

The following table splits the assets between current and non-current according to their maturity.

| As of 31 December, 2023 | Total | Current | Non-current |
|---|---|---|---|
| Cash and cash equivalents | 36,696 | 36,696 | - |
| Derivative financial instruments | 709 | 709 | - |
| Financial assets at fair value through P&L | 133,018 | - | 133,018 |
| Financial assets at fair value through OCI | - | - | - |
| of which debt instruments | 2,125,108 | 152,700 | 1,972,408 |
| of which equity instruments | 178,364 | - | 178,364 |
| Financial assets at amortised cost | 173,455 | 67,391 | 106,064 |
| Investments in associates | 204,290 | - | 204,290 |
| Reinsurance contracts assets | 217,110 | 126,604 | 90,506 |
| Right-of-use assets | 45 | - | 45 |
| Other assets | 2,691 | 2,544 | 147 |
| **Total** | **3,071,486** | **386,644** | **2,684,842** |

In the table below, financial and insurance liabilities are divided between current and non-current according to their expected maturity.

| As of 31 December, 2023 | Total | Current | Non-current |
|---|---|---|---|
| Derivative financial instruments | (3,557) | (3,557) | - |
| Current tax liabilities | (22,625) | (22,625) | - |
| Trade payables and other liabilities | (4,276) | (4,276) | - |
| Insurance contracts liability | (1,310,961) | (822,080) | (488,881) |
| Deferred tax liabilities | (8,401) | - | (8,401) |
| Lease liabilities | (37) | (37) | - |
| **Total** | **(1,349,857)** | **(852,575)** | **(497,282)** |

(all amounts are in BGN thousand, unless specified otherwise)

III. Financial and insurance risk management and fair value measurement (continued)

The following table splits the assets between current and non-current according to their maturity.

| **As of 31 December, 2022 restated** | **Total** | **Current** | **Non-current** |
|---|---|---|---|
| Cash and cash equivalents | 54,406 | 54,406 | - |
| Derivative financial instruments | 14,920 | 14,920 | - |
| Financial assets at fair value through P&L | 128,529 | - | 128,529 |
| Financial assets at fair value through OCI | | | |
| of which debt instruments | 1,879,339 | 114,618 | 1,764,721 |
| of which equity instruments | 162,972 | - | 162,972 |
| Financial assets at amortised cost | 167,841 | 63,481 | 104,360 |
| Investments in associates | 215,209 | - | 215,209 |
| Right-of-use assets | 247,146 | 155,799 | 91,347 |
| Assets with right of use | 59 | 59 | |
| Other assets | 1,985 | 1,836 | 149 |
| **Total** | **2,872,406** | **405,119** | **2,467,287** |

| **As of 31 December, 2022 restated** | **Total** | **Current** | **Non-current** |
|---|---|---|---|
| Derivative financial instruments | (1,342) | (1,342) | - |
| Current tax liabilities | (5,645) | (5,645) | - |
| Trade payables and other liabilities | (16,228) | (16,228) | - |
| Insurance contracts liability | (1,226,867) | (817,333) | (409,534) |
| Deferred tax liabilities | (39,465) | - | (39,465) |
| Lease liabilities | (57) | (57) | - |
| **Total** | **(1,289,604)** | **(840,605)** | **(448,999)** |

## G. CAPITAL RISK

Company’s goals concerning its capital management include:

- To comply with the regulatory requirements for solvency margin according to “Solvency II” limits as set in the European and Bulgarian legislation;
- To guarantee the Company’s ability to continue operating as a going concern and providing return on capital; and
- To provide adequate return to the shareholders by determining the price of products and services proportionally to the risk level.

The Company is in line with the Solvency II requirements as of 31 December 2023.

III. Financial and insurance risk management and fair value measurement (continued)

**Limits of Solvency II margin**

The reinsurance risk is also managed by retroceding part of the business. The company retrocedes part of the risk so that it controls its loss exposure and protects its capital.

The Company enters a combination of proportionate and non-proportionate reinsurance treaties so that the net risk exposure can be decreased. This however does not relieve the Company of its responsibility as main reinsurer. Should a reinsurer fail to pay a certain claim, the Company remains responsible for the amounts due to the ceding companies. An essential method for mitigation of the risk is ceding of a premium portion to a reinsurer.

Ceded reinsurance involves credit risk, and the reinsurance assets are accounted for net of impairment charges resulting from insolvency and uncollectible amounts. The Company has recognized impairment charges, which is disclosed in VII.5 Net loss from impairment of financial instruments. The Company constantly reviews the financial position of the reinsurers and periodically assesses its own reinsurance arrangements.

## H. FAIR VALUE MEASUREMENT AND FAIR VALUE HIERARCHY

The fair value of loans, deposits and other financial instruments carried at amortised cost is approximately equal to their book value due to their short-term nature. As required by IFRS 7, all financial instruments that are measured at fair value are categorised into one of the three fair value hierarchy levels at year-end depending on whether or not their fair values are observed.

Level 1 – includes financial instruments with quoted prices in active markets for identical assets or liabilities. Quoted prices must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 – includes financial instruments measured using valuation techniques where all significant inputs are market observable. This level includes OTC derivative contracts and structured assets and liabilities. The discounted cash flow technique is used for valuation of securities.

This method uses forecast future cash flows and a discount rate, derived from the levels of the risk-free quotations and adjusted with the credit spread. The credit spread is usually derived from investments with analogous terms (ideally from the same issuer, having similar maturity and structure), that reflect most adequately the market price.

The derivatives are valued by means of the discounted cash flows technique. It uses forecast future cash flows and monitored input market data like the levels of the risk-free exchange rate quotations.

Level 3 - includes financial instruments for which market prices are unavailable, and entity specific estimates are necessary. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial instruments also include those for which the determination

III. Financial and insurance risk management and fair value measurement (continued)

of fair value requires significant expert judgment or estimation. A general description of the valuation techniques used for Level 3 assets and liabilities is provided below.

- Independent evaluation by third party of the adequacy of the price results from evaluations, reports or fairness opinions issued by independent third parties.
- Price based on the amount of shareholders' equity.
- Price which incorporates additional information about the value of an instrument (insufficient value of illiquid underlying assets in case of funds/hedge funds, not enough resources to finance junior tranches in case of structured products like CDO, default of an issuer and so on).
- Price where significant expert judgement is used for valuation.
- Indicative price is provided by third party or significant expert judgment is incorporated in the discounted cash flow technique. Bonds are valued using discounted cash flow technique. It uses estimated future cash flows and the discount rate, which is constructed from risk-free rates adjusted by credit spread.

The spread is usually derived from an instrument with similar terms and conditions (ideally from the same issuer, similar maturity, and seniority) which reflects the market price in the best way.

Table below describes unobservable inputs of Level 3 (BGN thousand). Reverse repos have a short maturity, usually up to 1 month after the reporting date, therefore their carrying value is considered to be their approximate fair value and no input data is disclosed for their valuation.

| Description | Fair value as of 31.12.2023 | Valuation technique(s) | Nonmarket observable input(s) | Range |
|---|---|---|---|---|
| Equity securities | 118,658 | Adjusted equity method | Value of underlying instruments | - |
| Bonds-Corporate | 53,188 | Discounted cash flow technique | Level of credit spread | 32-941 bps |
| Bonds-Government | 2,903 | Discounted cash flow technique | Level of credit spread | 131-131 bps |

| Description | Fair value as of 31.12.2022, restated | Valuation technique(s) | Nonmarket observable input(s) | Range |
|---|---|---|---|---|
| Equity securities | 134,384 | Adjusted equity method | Value of underlying instruments | - |
| Bonds-Corporate | 80,011 | Discounted cash flow technique | Level of credit spread | -8-+1328 bps |
| Bonds-Government | 10,300 | Discounted cash flow technique | Level of credit spread | 7-1711 bps |

(all amounts are in BGN thousand, unless specified otherwise)

III. Financial and insurance risk management and fair value measurement (continued)

Based on the methodology outlined above and ranges specified in the table above, the Company can perform sensitivity analysis for BGN 174,749 thousand (2022: 224,695 thousand) of the Company's Level 3 investments.

For these Level 3 investments, changing unobservable valuation inputs to a reasonable alternative would result in a change in fair value by BGN (30,916)/30,916 thousand (2022 BGN (30,579)/30,577.

| | 2023 | 2022 |
|---|---|---|
| Newly purchased bonds in Level 3 | - | 12,870 |
| From Level 1 to Level 3 | - | 7,776 |
| From Level 2 to Level 3 | 4,820 | 5,569 |
| From Level 3 to Level 2 | 20,209 | 49,846 |
| From Level 3 to Level 1 | 6,360 | 1,310 |
| Unchanged classification Level 3 | 39,930 | 35,555 |
| Level 3 related with investment in associate company | - | 140,327 |

| | 2023 | | | | 2022 restated | | | |
|---|---|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Derivative financial instruments- currency swaps | - | 709 | - | 709 | - | 14,920 | - | 14,920 |
| Financial assets at fair value through P&L | **63,108** | **-** | **69,910** | **133,018** | **34,869** | **-** | **74,489** | **109,358** |
| - Equity instruments | 63,108 | - | 69,910 | 133,018 | 34,869 | - | 74,489 | 109,358 |
| Financial assets at fair value through OCI | **1,879,939** | **226,915** | **196,614** | **2,303,468** | **1,700,676** | **210,601** | **150,206** | **2,061,483** |
| - Corporate debt securities | 335,295 | 62,510 | 53,188 | 450,993 | 260,173 | 79,008 | 80,011 | 419,192 |
| - Government debt securities | 1,538,723 | 40,709 | 2,903 | 1,582,335 | 1,412,697 | 37,150 | 10,300 | 1,460,147 |
| - Equity instruments | 5,921 | 123,696 | 48,747 | 178,364 | 27,806 | 94,443 | 59,895 | 182,144 |
| - Reverse repo deals | - | - | 91,776 | 91,776 | - | - | - | - |
| **Total financial assets** | **1,943,047** | **227,624** | **266,524** | **2,437,195** | **1,735,545** | **225,521** | **224,695** | **2,185,761** |
| Derivative financial instruments- currency swaps | | (3,557) | | (3,557) | | (1,342) | | (1,342) |
| **Total financial liabilities** | | **(3,557)** | | **(3,557)** | | **(1,342)** | | **(1,342)** |

## IV. Critical accounting estimates and assumptions in applying the accounting policy

The critical accounting estimates and assumptions are based on accumulated experience and on other factors including the outlook for future events given the current circumstances. The reliability of the accounting estimates and assumptions is regularly reviewed. The Company prepares critical accounting estimates and assumptions for the purposes of accounting and disclosure that may differ from the actual results.

a) Reinsurance contracts

The nature of the business requires the use of actuarial calculations in order to determine the expected claims losses resulting from the reinsurance contracts, entered into on the reporting date.

Each claim is reviewed based on the payment details and any information available to the claim's settlement specialists and is also based on historical trends for such claims.

The assessment of the claims is reviewed regularly and revised when new information is available. Reinsurance liabilities are presented using the accessible information and the statistical and practical estimates.

b) Application of premium allocation approach

See Appendix II.5. Insurance and Reinsurance Contracts Paragraph "Premium Allocation Approach".

c) Estimate of future cash flows

In estimating future cash flows, the Company incorporates, in a neutral and objective manner, all reasonable and substantiated information available without undue cost or effort at the reporting date. This information includes internal and external historical claims data and other experience, updated to reflect current expectations of future events.

Estimates of future cash flows reflect the Company's view of current conditions at the reporting date if estimates of all relevant market variables are consistent with observable market prices for those variables.

In estimating future cash flows, the Company considers current expectations about future events that may affect those cash flows. However, expectations of future changes in legislation that will modify or meet a current obligation or create new obligations under existing contracts are not considered until the change in legislation is substantively enacted.

Cash flows within the scope of the contract are those that are directly attributable to the implementation of the contract, including those for which the Company has the discretion as to the amount or timing. These include payments to (or on behalf of) policyholders, cash flows from the acquisition of insurance and other costs incurred in the performance of contracts. Cash flows from the acquisition of insurance and other costs that are incurred in the performance of contracts include both direct costs and an allocation of fixed and variable overheads.

Cash flows are associated with acquisition activity, other implementation activities and other enterprise level activities in the Company using activity-based costing techniques. Cash flows attributable to acquisition and

(all amounts are in BGN thousand, unless specified otherwise)

IV. Critical accounting estimates and assumptions in applying the accounting policy (continued)

other implementation activities are allocated to groups of contracts using methods that are systematic and rational and will be applied consistently to all costs that have similar characteristics. The Company allocates cash flows from insurance acquisition to contract groups based on total premiums for each group, claims processing expenses based on incurred claims for each group and maintenance and administrative expenses based on insurance revenue for each group.

d) Discounting

The Company determines risk-free discount rates using the observed yield from the risk-free yield curve for the relevant currency. These discount rates are derived from a bottom-up approach based on a risk-free swap curve and contain an implicit non-liquidity premium adjustment and are equal to the risk-free discount rates provided by EIOPA with an adjustment for volatility. For general insurance contracts, the Company discounts future cash flows associated with IBNR.

The table below presents the yield curves used to discount the cash flows of the insurance contracts:

| GMM/PAA ZC spot rates | **2023** | | | | **2022** | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **5 years** | **10 years** | **15 years** | **20 years** | **1 year** | **5 years** | **10 years** | **15 years** | **20 years** |
| | | | | | **Reinsurance contracts** | | | | |
| EUR | 2.52% | 2.59% | 2.67% | 2.61% | 3.37% | 3.32% | 3.28% | 3.21% | 2.95% |
| CZK | 3.56% | 3.53% | 3.57% | 3.58% | 6.75% | 5.29% | 4.84% | 4.73% | 4.60% |
| GBP | 3.54% | 3.47% | 3.59% | 3.62% | 4.70% | 4.30% | 3.95% | 3.86% | 3.77% |
| BGN | 2.59% | 2.66% | 2.74% | 2.68% | 3.48% | 3.43% | 3.39% | 3.32% | 3.07% |
| HUF | 5.80% | 5.87% | 6.09% | 6.09% | 13.85% | 9.86% | 8.81% | 8.71% | 8.22% |
| PLN | 4.98% | 5.24% | 5.23% | 5.06% | 6.57% | 6.91% | 6.82% | 6.54% | 6.15% |
| RON | 6.17% | 6.26% | 6.09% | 5.78% | 7.03% | 7.69% | 8.61% | 8.58% | 8.05% |
| RSD | 4.87% | 5.99% | 6.05% | 5.80% | 3.47% | 6.75% | 7.50% | 7.66% | 7.27% |
| USD | 3.97% | 3.92% | 3.96% | 3.93% | 5.59% | 4.47% | 4.27% | 4.23% | 4.15% |

e) Risk adjustment for non-financial risks

Risk adjustment for non-financial risk has been determined to reflect the offsetting that the Company would require for taking on non-financial risk, and for the extent to which the risk is avoided. They are allocated to groups of contracts based on an analysis of the risk profiles of the groups.

Risk adjustments for non-financial risk have been determined using the following technique:

- Liabilities for incurred claims (LIC). Stochastic models to determine the probability variance of insurance risk materialization. Probability adverse variances are determined according to the result obtained for the $75^{th}$ percentile of the model.

IV. Critical accounting estimates and assumptions in applying the accounting policy (continued)

- Liability for remaining coverage (LRC). Although the liability for remaining coverage under the premium allocation approach generally does not contain a risk adjustment, the Company uses one to test onerous contracts. It is based on stochastic models for determining the probability variances associated with underwriting risk. Probability adverse variances are determined according to the result obtained for the 75$^{th}$ percentile of the model. The Company does not apply a risk adjustment to the remaining non-onerous business.

To determine the risk adjustment for non-financial risk for reinsurance contracts, the Company applies these techniques both gross and net of reinsurance to arrive at the amount of risk that is ceded to the reinsurer as the difference between the two results.

f) Fair value of derivatives and other financial assets

The fair value of financial instruments that are not traded in active markets (e.g., OTC derivatives, shares and participations in companies which are not registered on an official market) is determined by using valuation techniques including forecasted future cash flows and observable market inputs. The Company applies judgment in the selection of the methods and makes assumptions based mainly on the market conditions as of the end of each accounting period.

(all amounts are in BGN thousand, unless specified otherwise)

# V. Assets

## V.1. Financial assets at fair value through other comprehensive income- debt securities

| | 31.12.2023 | 31.12.2022 restated |
|---|---|---|
| Government securities (Note V.1.1.) | 1,582,336 | 1,460,147 |
| Corporate securities - quoted | 450,522 | 418,824 |
| Corporate securities - unquoted | 475 | 368 |
| Reverse repo | 91,775 | - |
| **Total** | **2,125,108** | **1,879,339** |

In the above amount of Government securities are included also securities issued by government agencies and bodies, as well as set of those beyond the borders of one country as an issuer, which can be seen as a difference from classic securities issued by central banks and financial ministries.

As of 31.12.2023 this are international or government investment banks in the total value of these securities included in the value shown as Government securities is 19,736 thousand BGN (61,185 thousand BGN as of 31.12.2022).

(all amounts are in BGN thousand, unless specified otherwise)

V. Assets (continued)

### V.1.1. Government securities, including banks by country exposure

| | 31.12.2023 | 31.12.2022 restated |
|---|---|---|
| Czech Republic | 959,712 | 841,648 |
| Poland | 312,967 | 317,119 |
| Hungary | 83,406 | 100,430 |
| Romania | 74,734 | 61,549 |
| Bulgaria | 30,853 | 24,850 |
| Slovakia | 29,816 | 22,293 |
| Indonesia | - | 9,087 |
| Slovenia | 15,813 | 13,689 |
| Greece | 1,916 | 2,243 |
| Croatia | 18,825 | 18,163 |
| Luxembourg | 14,917 | 12,523 |
| Morocco | 2,456 | 3,903 |
| Mexico | - | 9,751 |
| Kazakhstan | 1,368 | 5,213 |
| Serbia | 10,923 | 10,711 |
| Germany | 16,798 | 6,975 |
| Spain | 7832 | - |
| **Total** | **1,582,336** | **1,460,147** |

(all amounts are in BGN thousand, unless specified otherwise)

V. Assets (continued)

### V.2. Financial assets at fair value through other comprehensive income – capital instruments

| | 31.12.2023 | 31.12.2022 restated |
|---|---|---|
| Quoted shares | 5,921 | 8,634 |
| Shares in investment funds – unquoted | 123,697 | 94,443 |
| Unquoted shares | 48,746 | 59,895 |
| **Total** | **178,364** | **162,972** |

Unquoted shares as of 31.12.2023 include mainly shares in private investment funds in the amount of BGN 172,443 thousand (2022: BGN 154,338 thousand), and the rest of BGN 5,921 thousand (2022: BGN 8,634 thousand) - shares in other companies.

### V.3. Financial Assets at Fair Value through Profit or Loss

| | 31.12.2023 г. | 31.12.2022 г. restated |
|---|---|---|
| Unquoted Shares | 55,143 | 60,228 |
| Shares in investment funds – quoted | 63,108 | 54,040 |
| Shares in investment funds – unquoted | 14,767 | 14,261 |
| **Общо** | **133,018** | **128,529** |

Unquoted shares and funds held as of 31.12.2023 include mainly shares in private investment funds valued at BGN 69,910 thousand (2022: BGN 74,489 thousand).

### V.4. Investments in associates

The investment in associate represents 25,18% of the shares in Generali Real Estate Investment Fund a.s. with a value BGN 204,290 thousand. Each share has one voting right, which in total gives the Company significant influence in decision making.

The associate is incorporated and operates in the Czech Republic as closed-end investment fund that invests in real estate. In 2023 the Company did not receive dividends.

Summarized financial information about the associate is taken from its unaudited financial statements for 2023:

- Current assets: BGN 260,976 thousand;
- Non-current assets: BGN 621,341 thousand;
- Current liabilities: BGN 2,082 thousand;
- Non-current liabilities: BGN 68,175 thousand;

(all amounts are in BGN thousand, unless specified otherwise)

V. Assets (continued)

- Equity – BGN 812,059 thousand;
- Revenue: BGN 42,771 thousand;
- Operating profit: BGN 22,266 thousand;
- Other comprehensive income: none;
- Total comprehensive income: BGN 22,266 thousand.

As of 31.12. 2023, a test for impairment was carried out for the valuation of the investment in the associated company. As a result, a drop in the market price below the acquisition price in the amount of BGN 6,444 thousand was established. The recognized impairment is disclosed in VII.5 Net impairment loss on financial instruments.

### V.5. Reverse repo receivables

Reverse repo transactions are used as an alternative to bank deposits in 2023 with a value as of 31.12.2023 of BGN 91,776 thousand (2022: BGN 0.00), with collateral deposited in Czech debt securities.

### V.6. Derivative financial instruments

The table below represents derivatives for hedging of fair value.

| | 2023 | | | 2022 restated | | |
|---|---|---|---|---|---|---|
| | **Asset** | **Liability** | **Nominal amount** | **Asset** | **Liability** | **Nominal amount** |
| Currency swaps | 709 | (3,557) | 572,164 | 14,772 | (1,342) | 474,018 |
| Currency forward | - | - | | 148 | - | 15,797 |
| **Total** | **709** | **(3,557)** | **572,164** | **14,920** | **(1,342)** | **489,815** |

(all amounts are in BGN thousand, unless specified otherwise)

V. Assets (continued)

### V.7. Movement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss

| | Debt securities FVOCI | Equity securities FVOCI | Financial instruments at FVPL (derivative instruments) | Total |
|---|---|---|---|---|
| **As of 1st January 2023** | **1,879,339** | **162,972** | **142,108** | **2,184,419** |
| Additions | 2,037,768 | 18,369 | 3,539,563 | 5,595,700 |
| Interest accrued | 102,276 | - | - | 102,276 |
| Coupon /interest/ received | (58,570) | - | - | (58,570) |
| Revaluation gains / (losses), net | 103,390 | 3,878 | 5,466 | 112,734 |
| Currency revaluation in accordance with IAS 21 | 4,316 | (2,878) | 2,465 | 3,903 |
| Matured and sold | (1,943,411) | (3,977) | (3,559,431) | (5,506,819) |
| **As of 31 December, 2023** | **2,125,108** | **178,364** | **130,171** | **2,433,643** |

| | Debt securities FVOCI | Equity securities FVOCI | Financial instruments at FVPL (derivative instruments) | Total |
|---|---|---|---|---|
| **As of 1st January 2022 restated** | **1,628,124** | **239,920** | **197,738** | **2,065,782** |
| Additions | 844,517 | 171,416 | 3,670,099 | 4,686,032 |
| Reclassified from financial assets FVOCI shares and units in Investments in Associates | - | (215,209) | - | (215,209) |
| Interest accrued | 38,802 | - | - | 38,802 |
| Coupon /interest/ received | (25,495) | - | - | (25,495) |
| Revaluation gains / (losses), net | (167,664) | (12,091) | (4,139) | (183,894) |
| Currency revaluation in accordance with IAS 21 | (3,710) | 9,051 | 29,844 | 35,185 |
| Matured and sold | (435,235) | (30,115) | (3,751,434) | (4,216,784) |
| **As of 31 December, 2022 restated** | **1,879,339** | **162,972** | **142,108** | **2,184,419** |

In 2023 the Company has recognized income from dividends from equity securities FVOCI in the amount of BGN 8,900 thousand (2022: BGN 3,920 thousand) and from financial instruments at FVPL in the amount of BGN 1,300 thousand (2022: BGN 5,720 thousand).

(all amounts are in BGN thousand, unless specified otherwise)

### V.8. Financial Assets at Amortized Cost - Receivables from loans granted

As of 31st December 2023, the Company has granted loans in the amount of BGN 173,455 thousand (2022: BGN 167,841 thousand). The carrying amount of includes the following loans:

- Investment loan granted to Generali Europe Income Holding S.A. with a total amount of EUR 22,894 thousand (2022: EUR 22,862 thousand), including principal amount of EUR 22,743 thousand (2022: EUR 22,743 thousand), and accrued interest of EUR 151 thousand (2022: EUR 119 thousand), with maturity date: 31.12.2025 and carrying amount of the loan BGN 44,844. The expected credit loss recognized as an asset impairment for 2023 amounts to (309) thousand BGN.
- Investment loan granted to Generali Real Estate Fund with a total amount of CZK 857,544 thousand, including principal of CZK 845,991 thousand (2022: CZK 790,000 thousand), with maturity date: 25.10.2023 and carrying amount of the loan BGN 67,936. The accrued interest due for 2023 has not been paid before the end of reporting period. Accrued interest for the period in the amount of BGN 915 thousand. The expected credit loss recognized as an asset impairment for 2023 amounts to (68) thousand BGN.
- Subordinated loan granted to Generali Zavarovalnica d.d. with a total amount of 31,255 thousand (2022: EUR 30,583) thousand EUR, including a principal of EUR 30,000 thousand (2022: EUR 30,000 thousand), accrued interest of EUR 1,255 thousand (2022: EUR 583 thousand) and maturity date 19.05.2031. The carrying amount of the loan BGN 61,220 thousand BGN. (2022: 59,718 thousand). As at 31 December, 2023 and 31 December, 2022 the receivables from the loan granted are neither overdue, nor impaired. The expected credit loss recognized as an asset impairment for 2023 amounts to (168) thousand BGN.

### V.9. Assets under held reinsurance contracts

| **31.12.2023** | **Total** | **Non-life** | **Life** |
|---|---|---|---|
| Reinsurance contracts assets | **217,110** | 217,110 | - |
| **Total** | **217,110** | **217,110** | **-** |

| **31.12.2022 restated** | **Total** | **Non-life** | **Life** |
|---|---|---|---|
| Reinsurance contracts assets | **247,146** | 247,146 | - |
| **Total** | **247,146** | **247,146** | **-** |

(all amounts are in BGN thousand, unless specified otherwise)

V. Assets (continued)

## V.10. Movements in insurance and reinsurance contract balances

**2023**

| Items | Assets for remaining coverage | Assets for remaining coverage | Assets for incurred claims | Assets for incurred claims | Total |
|---|---|---|---|---|---|
| **Items** | **Excluding loss** | **Loss recovery component** | **PVFCF** | **Risk adjustment** | **Total** |
| **A. Opening balance** | **15,118** | **33,610** | **189,118** | **9,300** | **247,146** |
| Reinsurance contracts that are assets | 15,118 | 33,610 | 189,118 | 9,300 | 247,146 |
| **Net opening balance at 1st January** | **15,117** | **33,610** | **189,118** | **9,300** | **247,145** |
| **B. Net result from reinsurance contracts held** | **-** | **-** | **-** | **-** | **-** |
| 1. Reinsurance service expenses | (111,944) | - | - | - | (111,944) |
| 2. Claims and other expenses recovered | - | - | 72,609 | 151 | 72,760 |
| 3. Adjustments to asset for incurred claims | - | - | (18,016) | (2,721) | (20,737) |
| 4. Loss recovery on onerous contracts | - | (22,558) | - | - | (22,558) |
| 5. Changes in the risk of non-performance of the reinsurer | - | - | 56 | - | 56 |
| **C. Insurance service result (Total B)** | **(111 ,944)** | **(22,558)** | **54,649** | **(2,569)** | **(82,422)** |
| **D. Finance income/expenses** | **-** | **-** | **-** | **-** | **-** |
| 1. Related to reinsurance contracts held | - | - | 6,706 | 436 | 7,142 |
| 1.1 Recognized in the income statement | - | - | 362 | 436 | 798 |
| 1.2. Recognized in the Other Comprehensive Income statement | - | - | 6,344 | - | 6,344 |
| 2. Effects of movements in exchange rates | (5) | (96) | 1,213 | 154 | 1,266 |
| 3. Total | (5) | (96) | 7,919 | 590 | 8,355 |
| **E. Investment components** | **(2,011)** | **-** | **2,011** | **-** | **-** |
| **F. Total amount recorded in IS and OCI (C+ D+E)** | **(113,960)** | **(22,654)** | **64,579** | **(1,979)** | **(74,014)** |
| **G. Other changes** | **-** | **-** | **-** | **-** | **-** |
| **H. Cash flows** | **-** | **-** | **-** | **-** | **-** |
| 1. Premiums paid net of amounts not related to claims recovered from reinsurers | **123,200** | **-** | **-** | **-** | 123,200 |
| 2. Amounts recovered from reinsurers | **-** | **-** | **(79,221)** | **-** | (79,221) |
| 3. Net balance at 31 December (A.3+F+G+H.3) | **24,357** | **10,956** | **174,476** | **7,321** | 217,110 |
| **L. Closing balance** | **-** | **-** | **-** | **-** | **-** |
| Reinsurance contracts which are assets | 24,357 | 10,956 | 174,476 | 7,321 | 217,110 |
| **Net closing balance at 31 December** | **24,357** | **10,956** | **174,476** | **7,321** | **217,110** |

(all amounts are in BGN thousand, unless specified otherwise)

V. Assets (continued)

**2022 restated**

| **Items** | **Assets for remaining coverage** | **Assets for remaining coverage** | **Assets for incurred claims** | **Assets for incurred claimsC** | **Total** |
|---|---|---|---|---|---|
| **Items** | **Excluding loss** | **Loss recovery component** | **PVFCF** | **Risk adjustment** | **Total** |
| **Net opening balance at 1st January** | **3,079** | **9,920** | **363,956** | **9,432** | **386,387** |
| **B. Net result from reinsurance contracts held** | **-** | **-** | **-** | **-** | **-** |
| 1. Reinsurance service expenses | (165,313) | - | - | - | (165,313) |
| 2. Claims and other expenses recovered | - | - | 119,959 | 182 | 120,141 |
| 3. Adjustments to asset for incurred claims | - | - | (120,348) | (327) | (120,675) |
| 4. Loss recovery on onerous contracts | - | 23,022 | - | - | 23,022 |
| 5. Changes in the risk of non-performance of the reinsurer | - | - | 1,687 | - | 1,687 |
| **C. Insurance service result (Total B)** | **(165 313)** | **23,022** | **1,297** | **(145)** | **(141,139)** |
| **D. Finance income/expenses** | **-** | **-** | **-** | **-** | **-** |
| 1. Related to reinsurance contracts held | - | - | (9,859) | 26 | (9,833) |
| 1.1 Recognised in the income statement | - | - | (193) | 26 | (167) |
| 1.2. Recognized in the Other Comprehensive Income statement | - | - | (9,666) | - | (9,666) |
| 2. Effects of movements in exchange rates | 1,764 | 668 | (3,699) | (12) | (1,278) |
| 3. Total | 1,764 | 668 | (13,557) | 13 | (11,112) |
| **E. Investment components** | **(2,620)** | **-** | **2,620** | **-** | **-** |
| **F. Total amount recorded in IS and OCI (C+ D+E)** | **(166,169)** | **23,690** | **(9,640)** | **(132)** | **(152,251)** |
| **G. Other changes** | **-** | **-** | **-** | **-** | **-** |
| **H. Cash flows** | **-** | **-** | **-** | **-** | **-** |
| 1. Premiums paid net of amounts not related to claims recovered from reinsurers | 178,209 | - | - | - | 178,209 |
| 2. Amounts recovered from reinsurers | - | - | (165,198) | - | (165,198) |
| 3. Net balance at 31 December (A.3+F+G+H.3) | **15,118** | **33,610** | **189,118** | **9,300** | **247,146** |
| **L. Closing balance** | **-** | **-** | **-** | **-** | **-** |
| Reinsurance contracts which are assets | 15,118 | 33,610 | 189,118 | 9,300 | 247,146 |
| **Net closing balance at 31 December** | **15,118** | **33,610** | **189,118** | **9,300** | **247,146** |

(all amounts are in BGN thousand, unless specified otherwise)

V. Assets (continued)

## V.11. Other assets

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Intangible assets (Note V.11.2) | - | - |
| Plant and equipment (Note V.11.1) | 79 | 22 |
| Withholding tax refundable | 1,148 | 1,816 |
| Collateral under derivative instrument contract (FX forwards and swaps) | 1,371 | - |
| Other financial assets | 49 | 71 |
| Other non-financial assets | 44 | 76 |
| **Total** | **2,691** | **1,985** |

### V.11.1. Plant and equipment

| | Office and other equipment | Total |
|---|---|---|
| **Cost as of 1 January 2022** | **59** | **59** |
| Movement related to the changes in currency rates - IAS 21 | 1 | 1 |
| Additions | 16 | 16 |
| Disposals | | |
| **Cost as of 31 December 2022** | **76** | **76** |
| **Accumulated depreciation as of 1 January 2022** | **(40)** | **(40)** |
| Movement related to the changes in currency rates - IAS 21 | (1) | (1) |
| Depreciation expense for the year | (13) | (13) |
| Depreciation written off | | |
| **Accumulated depreciation as of 31 December 2022** | **(54)** | **(54)** |
| **Carrying amount as of 31 December 2022** | **22** | **22** |
| **Cost as of 1 January 2023** | **76** | **76** |
| Movement due to the changes in currency rates - IAS 21 | (2) | (2) |
| Additions | 72 | 72 |
| Disposals | - | - |
| **Cost as of 31 December 2023** | **146** | **146** |
| **Accumulated depreciation as of 1 January 2023** | **(54)** | **(54)** |
| Movement due to the changes in currency rates - IAS 21 | 2 | 2 |
| Depreciation expense for the year | (15) | (15) |
| Depreciation written off | - | - |
| **Accumulated depreciation as of 31 December 2023** | **(67)** | **(67)** |
| **Carrying amount as of 31 December 2023** | **79** | **79** |

(all amounts are in BGN thousand, unless specified otherwise)

V. Assets (continued)

### V.11.2. Intangible assets

| Cost or revaluated amount | Software | Total |
|---|---|---|
| **Cost as of 1 January 2022** | **2,158** | **2,158** |
| Movement related to the changes in currency rates - IAS 21 | - | - |
| **Cost as of 31 December 2022** | **2,158** | **2,158** |
| **Accumulated amortization as of 1 January 2022** | **(2,158)** | **(2,158)** |
| Movement related to the changes in currency rates - IAS 21 | - | - |
| Amortization expense for the year | - | - |
| **Accumulated amortization as of 31 December 2022** | **(2,158)** | **(2,158)** |
| **Carrying amount as of 31 December 2022** | **-** | **-** |
| **Cost as of 1 January 2023** | **2,158** | **2,158** |
| Movement related to the changes in currency rates - IAS 21 | - | - |
| **Cost as of 31 December 2023** | **2,158** | **2,158** |
| **Accumulated amortization as of 1 January 2023** | **(2,158)** | **(2,158)** |
| Movement related to the changes in currency rates - IAS 21 | - | - |
| Amortization expense for the year | - | - |
| **Accumulated amortization as of 31 December 2023** | **(2,158)** | **(2,158)** |
| **Carrying amount as of 31 December 2023** | **-** | **-** |

### V.12. Cash and cash equivalents

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Komerční banka a. s., Czech Republic | 35,547 | 52,760 |
| UniCredit Bulbank AD, Bulgaria | 1,114 | 1,633 |
| United Bulgarian Bank / KBC Bank Bulgaria | 35 | 13 |
| **Total** | **36,696** | **54,406** |

Bank deposits with original maturity of up to 3 months are classified as cash equivalents.

Details of the deducted receivables from premiums, liabilities for damages, acquisition costs, etc. which are calculated on a net basis during the year according to the requirements of the respective reinsurance contracts presented separately for active reinsurance and passive reinsurance:

(all amounts are in BGN thousand, unless specified otherwise)

V. Assets (continued)

| | 2023 | 2022 |
|---|---|---|
| **Proceeds from transactions from accepted reinsurance** | | |
| Premiums received | 2,119,158 | 2,157,884 |
| Claims paid | (1,005,513) | (786,819) |
| Paid acquisition commissions | (638,258) | (623,938) |
| Portfolio transfer | 122,299 | (56,356) |
| **Total** | **597,689** | **690,771** |
| **Payments from transactions from accepted reinsurance** | | |
| Claims paid | **(160,039)** | **(105,934)** |
| **Proceeds from transactions from ceded reinsurance** | | |
| Claims received | **54,513** | **136,840** |
| **Payments from transactions from ceded reinsurance** | | |
| Premiums paid | (132,661) | (201,263) |
| Claims received | 27,223 | 44,831 |
| Received acquisition commissions | 7,197 | 6,687 |
| **Total** | **(98,241)** | **(149,745)** |

Details about other cash flows from operating activities are presented in the following table.

| | 2023 | 2022 |
|---|---|---|
| Cash flow on inflation from reinsurance deposits | 463 | 3,759 |
| Bank fees | (28) | (590) |
| Effect of currency differences | (5,398) | 1,792 |
| **Total** | **(4,963)** | **4,961** |

(all amounts are in BGN thousand, unless specified otherwise)

V. Assets (continued)

### V.13. Right-of-use assets and lease liabilities

As of 31.12.2023 the items under IFRS 16 are related to an office lease agreement and are presented as follows:

| | **31.12.2023** | **31.12.2022** |
|---|---|---|
| Carrying amount of right-of-use assets at the beginning of the period | 59 | 4 |
| Carrying amount of right-of-use assets for 2023 | 15 | 79 |
| Movement related to the changes in currency rates - IAS 21 | (1) | 1 |
| Depreciation expense | (28) | (25) |
| **Carrying amount of right-of-use assets** | **45** | **59** |
| | | |
| Lease liabilities at the beginning of the period | (57) | (7) |
| Payments under lease contracts for 2023 | 20 | (50) |
| **Lease liabilities at the end of the period** | **(37)** | **(57)** |

The lease liabilities with a term of up to 12 months amount to BGN 33 thousand and BGN 38 thousand are due with a term of up to 24 months (2022: no long-term liabilities).

(all amounts are in BGN thousand, unless specified otherwise)

# VI. Equity and liabilities

## VI.1. Share capital

As of 31 December 2023, and 2022 the Company's share capital amounts to BGN 53,400,000 (fifty-three million and four hundred thousand) and it is registered and fully paid. It is divided in 53,400 (fifty-three thousand and four hundred) voting shares with par value of BGN 1,000 (one thousand) each.

| | 31.12.2023 | % | 31.12.2022 | % |
|---|---|---|---|---|
| Generali CEE Holding B.V. | 53,400 | 100 | 53,400 | 100 |
| **Total** | **53,400** | **100** | **53,400** | **100** |

## VI.2. Retained earnings, general and additional reserves

| | 31.12.2023 | 31.12.2022 restated |
|---|---|---|
| Profit for the year | 392,675 | 272,414 |
| Profit from previous years | 723,311 | 744,789 |
| Transfer of shares at fair value to retained earnings | 26,414 | 27,394 |
| Retained earnings IFRS 9/17 transition | 288,273 | 288,273 |
| **Retained earnings-Total** | **1,430,673** | **1,332,870** |
| Additional reserves | 153,528 | 153,528 |
| General reserves | 27,929 | 27,929 |
| Share based payments reserve | 7 | - |
| **General and additional reserves - Total** | **181,464** | **181,457** |
| **Total** | **1,612,136** | **1,514,328** |

As of December 31, 2023, the Company shows in the capital section of the statement of financial position the amount of BGN 181,464 thousand (2022: BGN 181,457 thousand), which represents general and additional reserves. The general reserves include the Reserve Fund, created under the art. 246, para. 2, Commercial Law and the Articles of Association of the Company. This reserve is formed by at least 1/10 of the profit that is allocated until the funds in the fund reach 1/10 or more of the capital determined by the Articles of Association.

On 7th April 2023 the Management Board adopted a resolution for proposal of the distribution of dividends from the net profit of GP Reinsurance EAD for 2022, which amounts to BGN 407,791 thousand before restatement as a result of retrospective application of IFRS 9 and IFRS 17 (2021 – BGN 371,674 thousand before restatement as a result of retrospective application of IFRS 9 and IFRS 17). The Company distributed dividend for 2022 in the amount of BGN 293,890 thousand (2021, the distributed dividend amounts to BGN 217,818 thousand). The Company paid the dividend on 18th April 2023 and on 15 June 2023.

(all amounts are in BGN thousand, unless specified otherwise)

VI. Equity and liabilities (continued)

This decision was adopted considering the fact that the Reserve fund of the Company is significantly higher than the one required under Art. 246, Para. 2, p. 1 of the Trade Act. The Reserve Fund can only be used to cover losses from current or previous accounting periods. According to the Articles of Association the Company can create an Additional Reserve Fund that can be used for covering losses from the current and previous reporting periods and for payment of dividends.

Additional Reserve fund is capital in nature and is usually formed at the expense of the distribution of profits by decision of the sole owner of the capital in accordance with Art.118, para.2 p.2 of the Insurance Code. The Additional Reserve fund can be used for capital increase, after a decision of the sole owner of the capital.

### VI.3. Other reserves

| | 31.12.2023 | 31.12.2022 restated |
|---|---|---|
| Revaluation reserve on financial assets FVOCI (Note VI.3.1) | (21,168) | (163,981) |
| Translation to presentation currency reserve (Note VI.3.2) | 31,331 | 76,263 |
| Insurance financial reserve(Note VI.3.3) | 45,928 | 73,516 |
| **Total** | **56,091** | **(14,202)** |

#### VI.3.1.Fair value revaluation reserve of financial assets

| **Revaluation reserve** | 2023 | 2022 restated |
|---|---|---|
| **As of 1 January** | **(163,981)** | **6,123** |
| Realized gains from financial assets FVOCI, before tax | (6,104) | (30,023) |
| Realized losses from financial assets FVOCI, before tax | 23,528 | 24,030 |
| ECL reserve on financial assets FVOCI, before tax | (4,926) | (29,977) |
| Revaluation of financial assets FVOCI in the investment portfolio, before tax | 116,461 | (153,039) |
| Tax effect | 13,854 | 18,904 |
| **As of 31 December** | **(21,168)** | **(163,981)** |

(all amounts are in BGN thousand, unless specified otherwise)

VI. Equity and liabilities (continued)

### VI.3.2. Translation to presentation currency reserve

As of 31 December 2023, the Company discloses as a separate component of equity the amount of BGN 31,332 thousand, which represents the effect from the translation of balances and transactions from functional currency to the presentation currency (2022: BGN 72,262 thousand). It is formed in compliance with the requirements of IAS 21.

| **Translation to presentation currency reserve** | **2023** | **2022 restated** |
|---|---|---|
| **As of 1 January** | 76,263 | 58,167 |
| Effect from translation to presentation currency | (44,931) | 18,096 |
| **As of 31 December** | **31,332** | **72,263** |

### VI.3.3. Insurance finance reserve

| **Insurance OCI finance reserve** | **Reserve for insurance contracts issued** | **Reserve for reinsurance contracts issued** |
|---|---|---|
| **As of 1 January 2023** | **113,518** | **(10,725)** |
| Insurance finance (expense)/income for insurance contracts issued, net of tax | (62,641) | - |
| Reinsurance finance (expense)/income for reinsurance contracts held, net of tax | - | 5,775 |
| **As of 31 December 2023** | **50,877** | **(4,950)** |

| **Insurance OCI finance reserve** | **Reserve for insurance contracts issued** | **Reserve for reinsurance contracts issued** |
|---|---|---|
| **As of 1 January 2022** | **31,341** | **(2,064)** |
| Insurance finance (expense)/income for insurance contracts issued, net of tax | **82,177** | **-** |
| Reinsurance finance (expense)/income for reinsurance contracts held, net of tax | **-** | **(8,661)** |
| **As of 31 December 2022** | **113,518** | **(10,725)** |

### VI.3.4. Share-based payments reserve

As of 31 December 2023, the Company presents in the equity section of the statement of financial position an amount of 7 thousand BGN, which represents the reserve for share-based payments. The reserve set aside in 2023 relates to 2,783 shares of the ultimate parent company Assicurazioni Generali S.P.A where:

- share-based payments are made only when certain indicators are met;

(all amounts are in BGN thousand, unless specified otherwise)

VI. Equity and liabilities (continued)

- linking the payment to the average share price for the last three months before management approves the annual individual and consolidated statements of the Group;
- setting a three-year continuous operating period for the Generali Group;
- definition of specific malus clauses and reimbursement clauses. The amount of shares reserved for the 2023 plan will be authorized for payment after the end of a three-year period and after evaluating the performance of the set objectives, taking into account their performance throughout the three-year period.

## VI.4. Liabilities from Insurance and Reinsurance Contracts

Insurance and reinsurance obligations include the following:

| **31.12.2023** | **Total** | **Non-Life** | **Life** |
|---|---|---|---|
| Payables for Insurance Contracts | **(1,310,961)** | **(1,289,333)** | **(21,628)** |
| **Total** | **(1,310,961)** | **(1,289,333)** | **(21,628)** |

| **31.12.2022 restated** | **Total** | **Non-Life** | **Life** |
|---|---|---|---|
| Payables for Insurance Contracts | **(1,226,867)** | **(1,191,923)** | **(34,944)** |
| **Total** | **(1,226,867)** | **(1,191,923)** | **(34,944)** |

(all amounts are in BGN thousand, unless specified otherwise)

VI. Equity and liabilities (continued)

## VI.5. Movements in the Balances of Insurance Contracts

| 2023<br>Items | Liability for remaining coverage | Liability for remaining coverage | Liability for incurred claims | Liability for incurred claims | Total |
|---|---|---|---|---|---|
| **Items** | **Excluding Loss** | **Loss** | **PVFCF** | **Risk Adjustment** | **Total** |
| **A. Opening balance** | **290,436** | **(85,508)** | **(1,376,293)** | **(55,502)** | **(1,226,867)** |
| Insurance contracts that are liabilities | **290,436** | **(85,508)** | **(1,376,293)** | **(55,502)** | **(1,226,867)** |
| **Net opening balance at 1st January** | **290,436** | **(85,508)** | **(1,376,293)** | **(55,502)** | **(1,226,867)** |
| **B. Insurance revenue** | 1,552,545 | **-** | **-** | **-** | **1,552,545** |
| **C. Insurance service expenses** | - | - | - | - | - |
| 1. Incurred claims and other directly attributable expenses | - | 68,146 | (1,125,266) | (22.912) | (1,148,178) |
| 2. Adjustment to liability for Incurred Claims | - | - | (4,391) | 25.971 | 21,580 |
| 3. Losses and reversal of losses on onerous contracts | - | (32,918) | - | - | (32,918) |
| 4. Amortisation of insurance acquisition cash flows | - | - | - | - | - |
| **5. Total** | **-** | **35,228** | **(1,129,657)** | **3,059** | **(1,091,370)** |
| **D. Insurance service result (Total B+C+D+E)** | **1,552,545** | **35,228** | **(1,129,657)** | **3,059** | **461,175** |
| **E. Finance expenses/income** | - | - | - | - | - |
| 1. Related to insurance contracts issued | - | - | (96,663) | (3,702) | (100,365) |
| 1.1 Recognised in the income statement | - | - | (27,779) | (3,702) | (31,481) |
| 1.2 Recognised in the other comprehensive income statement | - | - | (68,884) | - | (68,884) |
| 2. Effects of movements in exchange rates | (1,110) | 864 | (10,853) | (922) | (12,020) |
| 3. Total | (1,110) | 864 | (107,516) | (4,624) | (112,386) |
| **F. Investment component** | 2,098 | - | (2,098) | - | **-** |
| **G. Total amount of changes recognized in IS and OCI (D+E+F)** | **1,553,532** | **36,092** | **(1,239,271)** | **(1,565)** | **348,788** |
| **H. Other changes** | - | - | - | - | **-** |
| **I. Cash flows** | - | - | - | - | **-** |
| 1. Premium received | (1,479,259) | - | - | - | (1,479,259) |
| 2. Claims paid and other cash outflows | - | - | 1,046,377 | - | 1,046,377 |
| **3. Total** | **(1,479,259)** | **-** | **1,046,377** | **-** | **(432,882)** |
| **Net balance at 31 December (A.3+G+H+I.3)** | **364,709** | **(49,416)** | **(1,569,187)** | **(57,067)** | **(1,310,961)** |
| **M. Closing balance** | **-** | **-** | **-** | **-** | **-** |
| Insurance contracts that are liabilities | 364,709 | (49,416) | (1,569,187) | (57,067) | (1,310,961) |
| **Net closing balance at 31 December** | **364,709** | **(49,416)** | **(1,569,187)** | **(57,067)** | **(1,310,961)** |

(all amounts are in BGN thousand, unless specified otherwise)

VI. Equity and liabilities (continued)

**2022 restated**

| **Items** | **Liability for remaining coverage** | **Liability for remaining coverage** | **Liability for incurred claims** | **Liability for incurred claims** | **Total** |
|---|---|---|---|---|---|
| **Items** | **Excluding Loss** | **Loss** | **PVFCF** | **Risk Adjustment** | **Total** |
| **A. Opening balance** | **301,505** | **(75,735)** | **(1,225,471)** | **(35,981)** | **(1,035,682)** |
| Insurance contracts that are liabilities | **301,505** | **(75,735)** | **(1,225,471)** | **(35,981)** | **(1,035,682)** |
| **Net opening balance at 1st January** | **301,505** | **(75,735)** | **(1,225,471)** | **(35,981)** | **(1,035,682)** |
| **B. Insurance revenue** | 1,473,171 | **-** | **-** | **-** | **1,473,171** |
| **C. Insurance service expenses** | - | - | - | - | - |
| 1. Incurred claims and other directly attributable expenses | - | 152,229 | (1,356,840) | (20,716) | (1,118,717) |
| 2. Adjustment to liability for Incurred Claims | - | - | 75,406 | 2,780 | 78,186 |
| 3. Losses and reversal of losses on onerous contracts | - | (159,700) | - | - | (159,700) |
| 4. Amortisation of insurance acquisition cash flows | - | - | - | - | - |
| **5. Total** | **-** | **(7,471)** | **(1,022,594)** | **(17,936)** | **(1,048,001)** |
| **D. Insurance service result (Total B+C+D+E)** | **1,473,171** | **(7,471)** | **(1,022,594)** | **(17,936)** | **425,170** |
| **E. Finance expenses/income** | - | - | - | - | - |
| 1. Related to insurance contracts issued | - | - | 82,114 | (989) | 81,125 |
| 1.1 Recognised in the income statement | - | - | (6,809) | (989) | (7,798) |
| 1.2 Recognised in the other comprehensive income statement | - | - | 88,923 | - | 88,923 |
| 2. Effects of movements in exchange rates | 6,821 | (2,303) | (6,993) | (596) | (3,071) |
| 3. Total | 6,821 | (2,303) | 75,121 | (1,585) | 78,054 |
| **F. Investment component** | 33,916 | - | (33,916) | - | **-** |
| **G. Total amount of changes recognized in IS and OCI (D+E+F)** | **1,513,908** | **(9,773)** | **(981,388)** | **(19,521)** | **503,226** |
| **H. Other changes** | - | - | - | - | **-** |
| **I. Cash flows** | - | - | - | - | - |
| 1. Premium received | (1,524,977) | - | - | - | (1,524,977) |
| 2. Claims paid and other cash outflows | - | - | 830,567 | - | 830,567 |
| **3. Total** | **(1,524,977)** | **-** | **830,567** | **-** | **(694,410)** |
| **Net balance at 31 December (A.3+G+H+I.3)** | **290,436** | **(85,508)** | **(1,376,293)** | **(55,502)** | **(1,226,867)** |
| **M. Closing balance** | **-** | **-** | **-** | **-** | **-** |
| Insurance contracts that are liabilities | 290,436 | (85,508) | **(1,376,293)** | (55,502) | (1,226,867) |
| **Net closing balance at 31 December** | **290,436** | **(85,508)** | **(1,376,293)** | **(55,502)** | **(1,226,867)** |

(all amounts are in BGN thousand, unless specified otherwise)

VI. Equity and liabilities (continued)

### VI.6. Income tax payables

Corporate income tax payables of the Company amount to BGN 22,625 thousand (2022 - BGN 5,645 thousand), where a large part of the increase is due to the positive effect of temporary differences between the financial result and the tax result arising from negative market revaluations of financial assets in 2023.

### VI.7. Trade and other payables, retirement benefit provision

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Cash collateral under contract for derivative instruments (FX forwards and swaps) | - | 11,598 |
| Payables to social security and other government authorities | 71 | 644 |
| Payables to related parties | 1 | - |
| Payables to suppliers | 160 | 5 |
| Payables to banks | - | 4 |
| Other accruals | 4,044 | 3,977 |
| **Total** | **4,276** | **16,228** |

Other accruals include amounts for IT activities, audit services and personnel. The fair value of the trade and other current liabilities approximates their carrying amount due to their short-term nature.

## Payables to employees under defined benefit plans

| | 2023 | 2022 |
|---|---|---|
| **Amount recognised in the statement of financial position:** | | |
| Present value of the liability | 26 | 38 |
| **Carrying amount of the liability** | **26** | **38** |
| **Liability movements for the year** | | |
| **At the beginning of the year** | 38 | 38 |
| (Income)/Expense in the statement of comprehensive income | (12) | - |
| **At the end of the year** | **26** | **38** |
| **Main actuarial assumptions** | | |
| Discount rate (%) | 0,3% | 0,3% |
| Salaries increase | - | - |

The amount of the provision for retirement is immaterial to the Company and the whole movement for the period is recognized directly in the profit or loss for the current period without calculating actuarial gains and losses in other comprehensive income. There are no reasonably expected changes in the key assumptions that might influence significantly the payable under the retirement provisions as of the end of the reporting period.

# VII. Statement of comprehensive income

## VII.1. Insurance revenue

| 31.12.2023 | Total | Non-life | Life |
|---|---|---|---|
| Contracts mesured under the PAA | **1,552,545** | 1,526,791 | 25,754 |

| 31.12.2022 restated | Total | Non-life | Life |
|---|---|---|---|
| Contracts mesured under the PAA | **1,473,171** | 1,447,906 | 25,265 |

## VII.2. Insurance service expenses

| In BGN thousand | 2023 | 2022 restated |
|---|---|---|
| Claims and benefits | (1,119,146) | (1,024,917) |
| Fees and commissions | (2,839) | (10,670) |
| Gains/(Losses) on onerous insurance contracts | 35,228 | (7,471) |
| Employee benefits | (2,012) | (1,540) |
| Asset management | (3,303) | (2,191) |
| Other administrative expenses | (646) | (825) |
| Depreciation and amortisation | (42) | (37) |
| Professional and consultancy | (917) | (1,217) |
| Software maintenance and IT services | (1,224) | (1,509) |
| Business trips expenses, alternative taxes,representative expenses and other related expenses | (63) | (43) |
| Hired services | (984) | (852) |
| Expenses for materials | (7) | (9) |
| Represented by: | | |
| Insurance service expense | **(1,091,370)** | **(1,048,001)** |
| Other operating expenses | **(4,585)** | **(3,279)** |
| **Total** | **(1,095,955)** | **(1,051,281)** |

**A. Employees benefit expenses**

| In BGN thousand | 2023 | 2022 restated |
|---|---|---|
| Wages and salaries | (1,808) | (1,375) |
| Social security contribution | (205) | (165) |
| **Total** | **(2,013)** | **(1,540)** |

(all amounts are in BGN thousand, unless specified otherwise)

VII. Statement of comprehensive income (continued)

Expenditures on hired services include the following amounts with VAT:

1) Independent financial audit services provided jointly by the registered auditors in the amount of BGN 161 thousand (2022: BGN 150 thousand). During 2023 KPMG Audit OOD has performed audit procedures in relation to the effects of the transition to IFRS 17 and IFRS 9 on the comparative information in the 2023 annual financial statements. The services were contracted in 2023 and amounted to BGN 146 thousand. The Company has accrued this expense in 2022;
2) Other non-audit services provided jointly by the Statutory Registered Auditors under Solvency II Balance Sheet Review 2023 amounting to BGN 132 thousand (2022: BGN 103 thousand);
3) Audit services related to the Group consolidated reporting package in the amount of BGN 48 thousand (2022: BGN 42 thousand). In 2023, KPMG Audit OOD performed other assurance services amounting to BGN 223 thousand. The services were provided to and paid for by the group auditor (KPMG Italy).
4) Non-audit services provided in 2023 by companies members of KPMG's auditors network to the Company included agreed upon procedures amounting to BGN 19 thousand.

### VII.3. Claims Net expense from reinsurance contracts

| **Allocation of reinsurance premiums** | **2023** | **2022 restated** |
|---|---|---|
| Loss from portfolio transfers - Retroceded | (642) | - |
| Reinsurance expenses from reinsurance contracts held (GM/PAA) - Retroceded | (111,280) | (163,651) |
| Changes that relate to past/current services (GM/PAA) - Retroceded | (22) | (1,663) |
| **Total** | **(111,944)** | **(165,314)** |

(all amounts are in BGN thousand, unless specified otherwise)

VII. Statement of comprehensive income (continued)

| **Amounts recovered from the reinsurers** | **2023** | **2022 restated** |
|---|---|---|
| Recoveries on onerous contracts (GM/PAA) – Retroceded | (22,558) | 23,022 |
| Current year claims received (GM/PAA) – Retroceded | (3,739) | (13,935) |
| Prior year claims received (GM/PAA) – Retroceded | 70,459 | 134,613 |
| CY change in assets for incurred claims (PAA) – Retroceded | 2,928 | 3,193 |
| Change in assets for incurred claims: change in Risk Adjustments (GM/PAA) – Retroceded | (12,988) | (119,954) |
| CY Change in assets for incurred claims: change in Risk Adjustments (GM/PAA) – Retroceded | 151 | 182 |
| Change in assets for incurred claims (current year) - change in risk provision | (2,721) | (327) |
| Non-distinct investment component, change in AIC (GM/PAA) - Retroceded | (2,011) | (2,620) |
| **Total** | **29,521** | **24,174** |

## VII.4. Other investment losses/gains, net

### Interest revenue calculated using the effective interest method

| **Debt investment measured at FVOCI** | **2023** | **2022 restated** |
|---|---|---|
| Government bonds | 54,701 | 34,474 |
| Corporate bonds | 18,551 | 14,698 |
| Reverse repurchase agreement | 3,626 | 1,885 |
| **Total** | **76,878** | **51,057** |

| **Financial assets measured at amortised cost** | **2023** | **2022 restated** |
|---|---|---|
| Cash and cash equivalents | 118 | 44 |
| Interests from Term deposits with credit institutions | 2,292 | 1,862 |
| Interest income from loans | 9,876 | 5,285 |
| **Total** | **12,286** | **7,191** |

### Other investment revenue

| **Net gains/(losses) on financial instruments measured at FVTPL** | **2023** | **2022 restated** |
|---|---|---|
| Investment fund unit | 12,219 | (294) |
| Private equity | 641 | 5,115 |
| Derivatives | 299 | 36,016 |
| **Total** | **13,159** | **40,837** |

(all amounts are in BGN thousand, unless specified otherwise)

VII. Statement of comprehensive income (continued)

| **Net gains/(losses) on financial instruments measured at FVOCI** | **2023** | **2022 restated** |
|---|---|---|
| Equities | (4,291) | 1,474 |
| Private equity | 1,316 | 2,449 |
| Investment fund unit | 4,622 | - |
| Debt instruments | (17,573) | (22,775) |
| **Total** | **(15,926)** | **(18,852)** |

## VII.5. Net impairment loss on financial assets

| **Net impairment loss on financial assets** | **2023** | **2022 restated** |
|---|---|---|
| Impairment on other associated companies | (6,444) | - |
| ECL allocation on FA FVOCI: Corporate bonds | (338) | (31,563) |
| ECL allocation on Government bonds | (4,703) | (571) |
| ECL allocation on loans | (61) | (105) |
| ECL allocation on Reverse repo | (1) | - |
| ECL Allocation on Other Receivables | (4) | - |
| **Total** | **(11,551)** | **(32,239)** |

The net impairment loss mainly comprises the expected credit loss from bonds. In 2022, exposure to Russian bonds resulted in an expected credit loss on corporate bonds of BGN (31,563) thousand, while in 2023, it amounted to BGN (338) thousand. Additionally, in 2023, there is impairment of the investment in the associated company Generali Real Estate Investment Fund in the amount of BGN (6,444) thousand.

## VII.6. Net foreign exchange gain/(loss)

| | **2023** | **2022 restated** |
|---|---|---|
| Foreign exchange gain/(loss) FVTPL | 1,422 | (1,931) |
| Foreign exchange gain/(loss) FVOCI | 51,785 | (31,085) |
| Foreign exchange gain/(loss) insurance/reisnurance assets and liabilities | (35,634) | 21,297 |
| Foreign exchange gain/(loss) other | 1,954 | (5,114) |
| **Total** | **19,527** | **(16,833)** |

(all amounts are in BGN thousand, unless specified otherwise)

VII. Statement of comprehensive income (continued)

### VII.7. Insurance and reinsurance finance income/(expense)

| | 2023 | 2022 restated |
|---|---|---|
| Interest accretion on LIC Risk Adjustment component | (27,779) | (989) |
| Interest accretion on LIC claims reserve component | (3,702) | (11,200) |
| Interest income from deposits transferred to ceding insurer | - | 4,391 |
| Interest accretion on AIC Risk Adjustment component | 362 | 26 |
| Interest accretion on AIC claims reserve component | 436 | (193) |
| **Total** | **(30,683)** | **(7,965)** |

(all amounts are in BGN thousand, unless specified otherwise)

VII. Statement of comprehensive income (continued)

### VII.8. Income tax

The next table is a summary of taxes recognised in the statement of profit and loss:

| | 2023 | 2022 |
|---|---|---|
| Current income tax | 69,329 | 44,723 |
| Foreign tax | 142 | 329 |
| Deferred income tax | (24,289) | (13,519) |
| **Total tax recognized in the statement of Profit and Loss for the period** | **45,182** | **31,532** |

The next table is a summary of the taxes recognized directly in equity during the period.

| | 2023 | 2022 restated |
|---|---|---|
| Current tax on profit in other comprehensive income | (13,854) | (18,904) |
| Deferred tax on profit in other comprehensive income | 6,776 | (10,611) |
| **Total expense/(savings) from tax recognized in other comprehensive income for the period(Note VI.3.1 and Note VI.3.2** | **(7,078)** | **(29,515)** |

The actual tax on the accounting profit differs from the hypothetical amount hypothetical amount it would have had if the nominal tax rate were applied to it as follows:

| | 2023 | 2022 |
|---|---|---|
| **Profit before tax** | **437,857** | **303,946** |
| Tax at the applicable tax rate of 10 % | 43,786 | 30,394 |
| Effect of expense/(income) unrecognized for tax purposes, net | 863 | (1,033) |
| Foreign tax | 142 | 329 |
| Effect of currency differences | 391 | (141) |
| Change in estimated provisions for prior years | - | 1,983 |
| **Income tax expense on profit** | **45,182** | **31,532** |
| **Effective tax rate** | **10.32%** | **10.37%** |

The official tax rate for 2023 is 10% (2022: 10%) on the taxable profit under the Law on Corporate Income Tax. The tax authorities may at any time inspect the books and records of the Company within 5 years after the reported tax year and may impose additional taxes and penalties. The latest audited tax period of the Company is 2013.

(all amounts are in BGN thousand, unless specified otherwise)

VII. Statement of comprehensive income (continued)

As from 01.01.2024 the additional tax for multinational and large national enterprise groups has been effectively adopted. The surtax rate is the positive difference between 15 percent and the effective tax rate for the multinational or large national enterprise group for the legal entity. Initial estimates suggest that the surtax will have a significant effect on the Company, contributing to a further increase in the tax burden. The indicative calculation of the effects at the entity level based on accounting and tax data for 2022 suggests that the effect of the additional tax if it were already in place would be an additional tax of 8M BGN on the entity. The Company is in the process of refining the assessment of the disclosed effects.

## VII.9. Deferred tax assets, net

| | Retirement benefit provisions – IAS 19 | Unrealized net gain on Financial intruments in OCI | Provision for trade liabilities | **ECL** | **OCI RI** | **DT IFRS9/17 transition** | **Total** |
|---|---|---|---|---|---|---|---|
| **As of 1st January, 2022** | | **3,613** | **62** | **(138)** | **(3,253)** | **(42,658)** | **(42,374)** |
| (Expense)/Savings in the statement of comprehensive income | 4 | 313 | 272 | (2,355) | (8,256) | 12,930 | 2,908 |
| **As of 31st December, 2022** | **4** | **3,926** | **334** | **(2,493)** | **(11,509)** | **(29,728)** | **(39,465)** |
| (Expense)/Savings in the statement of comprehensive income | (1) | (5,452) | 14 | 379 | 6,397 | 29,728 | 31,065 |
| **As of 31st December, 2023** | **3** | **(1,526)** | **348** | **(2,114)** | **(5,112)** | **-** | **(8,401)** |

# VIII. Related party transactions

***Related parties of the Company***

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

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

- All ceding companies (Note III, p.A);
- Generali Investment CEE;
- Generali Development;
- Generali Insurance EAD;
- Generali Zakrila MDC OOD;
- 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 oil and energy fund;
- Generali fund Emerging Europe Bond Y EUR;
- Generali fund Emerging Europe Y EUR;
- Generali fund GMPS SICAV EM Currencies Supranat Fd-3YH EUR;
- Generali fund „GENERALI NEW ECONOMIES A EUR“ (previously „New Economies Fund, Generali Invest CEE plc“);
- Generali fund „GENERALI FUND SFIO-GEN PROFIT PL“;
- Generali fund „GENERALI CORPORATE BONDS B EUR“;
- Generali fund „Generali Fond nemovitostních akcií“;
- Generali fund „APERTURE-SHRT DUR H/Y-AY EUR“.
- Generali fund„Fasanara Investments SA, SICAV-RAIF“
- Generali Zavarovalnica d.d.

## *Related party transactions*

The related party transactions of the Company for 2023 and 2022 are presented below as follows:

- All transactions related to accepted reinsurance are with intra-group companies;
- Service agreement between the Company and Generali CEE Holding B.V;
- Service agreement between the Company and Generali Development;
- Part of the accepted business has been ceded to Assicurazioni Generali S.P.A;
- Transactions related to Generali Investment CEE – based on a signed contract between the Company and Generali Investment CEE for investment portfolio management for and on behalf of the Company;
- Service agreement between the Company and Generali Versicherung A.G.;
- Service agreement between the Company and Generali Insurance EAD;
- Service agreement between the Company and Generali Zakrila MDC OOD;
- Transactions related to purchased equity shares from Generali Real Estate Investment Fund;
- Transactions related to a loan granted to Generali Real Estate Investment Fund;

VIII. Related party transactions (continued)

- Transactions related to purchased shares of Generali Osiguranje, Republic of Serbia;
- Transactions related to purchased shares of Generali Reosiguranje, Republic of Serbia;
- Transactions related to purchased shares of Lion River Investment fund;
- Transactions related to purchased shares of Generali Europe Income Holding S.A.;
- Transactions related to purchased shares of Generali oil and energy fund;
- Transactions related to purchased shares of Generali fund Emerging Europe Bond Y EUR;
- Transactions related to purchased shares of Generali fund Emerging Europe Y EUR;
- Transactions related with purchased shares of Generali fund GMPS SICAV EM Currencies Supranat Fd-3YH EUR;
- Transactions related to loans granted to Generali Europe Income Holding S.A.;
- Transactions related to purchased shares of „GENERALI NEW ECONOMIES A EUR“ (previously „New Economies Fund, Generali Invest CEE plc“);
- Transactions related to purchased shares of „GENERALI FUND SFIO-GEN PROFIT PL“;
- Transactions related to purchased shares of „GENERALI CORPORATE BONDS B EUR“;
- Transactions related to purchased shares of „Generali Fond nemovitostních akcií“;
- Transactions related to purchased shares of „APERTURE-SHRT DUR H/Y-AY EUR“;
- Transactions related to purchased shares of Generali Zavarovalnica d.d.;
- Transactions related to purchased shares of „Fasanara Investments SA, SICAV-RAIF“;
- Transactions related to purchased shares of “Generali US Fund Class A CZK“;
- Transactions related to purchased shares of „Generali EM Fund Class A CZK“;
- Transactions related to purchased shares of „Generali CEE Fund Class A CZK“;
- Transactions related to purchased shares of „Generali WE Fund Class A CZK“.

(all amounts are in BGN thousand, unless specified otherwise)

## VIII. Related party transactions (continued)

All transactions with related parties of the Company are based on contract terms.

### VIII.1. Income from/ (expenses to) related parties

| **Parent company:** | **2023** | **2022 restated** |
|---|---|---|
| Generali CEE Holding B.V. - service agreement | (697) | (678) |
| **Other related parties:** | **2023** | **2022 restated** |
| ASSICURAZIONI GENERALI S.P.A – premium ceded | 127,055 | 178,095 |
| ASSICURAZIONI GENERALI S.P.A – claims paid ceded | (67,227) | (116,494) |
| ASSICURAZIONI GENERALI S.P.A – changes in AIG | 15,385 | 114,227 |
| ASSICURAZIONI GENERALI S.P.A – commissions ceded | (6,642) | (5,388) |
| ASSICURAZIONI GENERALI S.P.A – changes in ARC | 13,111 | (27,268) |
| ASSICURAZIONI GENERALI S.P.A commissions accepted | | |
| ASSICURAZIONI GENERALI S.P.A claims paid accepted | | |
| **Other related parties:** | **2023** | **2022 restated** |
| Legal entities which are controlled by the mother company – Net written premium | (2,207,301) | (2,122,409) |
| Legal entities which are controlled by the mother company – Claims | 1,021,294 | 935,407 |
| Legal entities which are controlled by the mother company – Acquisition Commissions | 648,969 | 599,405 |
| Legal entities which are controlled by the mother company – changes in LIC | 97,316 | 90,271 |
| Legal entities which are controlled by the mother company – LRC | (28,604) | 63,729 |
| Generali Investment CEE – management commission | (2,737) | (1,782) |
| Generali Versicherung A.G – service agreement | (102) | (132) |
| Generali Insurance EAD – Bulgaria – service agreement | (22) | (21) |
| Generali Zakrila MDC OOD - service agreement | (34) | (29) |
| Generali Česká pojištovna a.s. – service agreement | (188) | (143) |
| Generali Real Estate Fund – dividend income | - | 714 |
| Generali Real Estate Fund – interest income | 5,504 | 2,599 |
| Generali Europe Income Holding SA – interest income | 1,174 | 921 |
| Generali Europe Income Holding SA – dividend income | 1,316 | 1,735 |
| Lion River Investment fund - dividend income | 2,441 | 4,369 |
| Generali fund GMPS SICAV EM Currencies Supranat Fd 3YH EUR- dividend income | 161 | 165 |
| „APERTURE-SHRT DUR H/Y-AY EUR – dividend income | 421 | 324 |
| Fasanara Investments SA, SICAV-RAIF – dividend income | 564 | 479 |
| Generali Zavarovalnica d.d. – interest income | 3,198 | 1,690 |

(all amounts are in BGN thousand, unless specified otherwise)

VIII. Related party transactions (continued)

### VIII.2. Payables to/receivables from related parties

| **Parent company:** | **31.12.2023** | **31.12.2022 restated** |
|---|---|---|
| Generali CEE Holding B.V. – payables under service agreement | 340 | 341 |
| **Other related parties:** | **31.12.2023** | **31.12.2022** restated |
| ASSICURAZIONI GENERALI S.P.A – premium ceded, RI payables | (17,338) | (16,048) |
| ASSICURAZIONI GENERALI S.P.A – claims paid ceded, RI receivables | 28,742 | 20,993 |
| **Other related parties:** | **31.12.2023** | **31.12.2022** restated |
| ASSICURAZIONI GENERALI S.P.A – other receivables | 1,704 | 2,733 |
| ASSICURAZIONI GENERALI S.P.A. - AIC | 169,675 | 160,802 |
| ASSICURAZIONI GENERALI S.P.A. - ARC | 64,361 | 48,628 |
| Legal entities which are controlled by the mother company – RI Receivables | 477,157 | 555,139 |
| Legal entities which are controlled by the mother company – RI payables | (489,635) | (469,450) |
| Legal entities which are controlled by the mother company – LIC | (1,110,004) | (1,323,695) |
| Legal entities which are controlled by the mother company – LRC | (104,885) | (72,976) |
| Payable to Generali Investment CEE | 248 | 169 |
| Generali Real Estate Investment Fund a.s.-associate company | 204,290 | 215,209 |
| Generali Real Estate Investment Fund a.s. – loan granted | 67,868 | 63,873 |
| Generali Osiguranje, Republic of Serbia – FVOCI investment | 196 | 158 |
| Generali Reosiguranje, Republic of Serbia - FVOCI investment | 1 | 1 |
| Generali Europe Income Holding S.A. – FVOCI investment | 48,550 | 59,736 |
| Generali Europe Income Holding S.A. – loans granted | 44,535 | 44,419 |
| Lion River Investment fund – FVTPL investment | 55,144 | 60,228 |
| Generali fund „EMERGING EUROPE BOND Y EUR“ | 12,266 | 10,973 |
| Generali fund „EMERGING EUROPE Y EUR“ | 11,466 | 8,232 |
| Generali fund „GMPS SICAV EM Currencies Supranat Fd 3YH EUR“ | 3,356 | 3,285 |
| Generali fund „GENERALI FUND SFIO-GEN PROFIT PL“ | 23,177 | 19,172 |
| Generali fund „GENERALI CORPORATE BONDS B EUR“ | 5,378 | 5,072 |
| Generali fund „APERTURE-SHRT DUR H/Y-AY EUR“ | 7,461 | 7,274 |
| Generali fund„Fasanara Investments SA, SICAV-RAIF“ | 14,308 | 14,261 |

(all amounts are in BGN thousand, unless specified otherwise)

IX. Events after end of the reporting period (continued)

| | | |
|---|---|---|
| Generali Zavarovalnica d.d. – subordinated loan | 61,052 | 59,549 |
| Generali US Fund Class A CZK“ | 48,598 | 36,453 |
| Generali EM Fund Class A CZK | 16,955 | 16,567 |
| Generali CEE Fund Class A CZK | 26,337 | 14,349 |
| Generali WE Fund Class A CZK | 31,807 | 27,075 |
| Generali Direct Private Debt Fund - European Direct Private Debt Fund 1 | 459 | - |

### VIII.3. Dividends paid

Based on a Resolution of the Management Board from 18th April 2023 and following a decision of the Sole Owner Generali CEE Holding B.V, the Company has paid dividends to the parent company for 2022 in the amount of BGN 293,890 thousand.

On 14.03.2024 The management board has approved the interim dividend distribution for 2023 amounting to 2,600,000,000 CZK, representing 54% of the profit according to the 2023 Annual Financial Statement, which will be paid as interim dividend to the sole owner of the company’s capital by 18th of March 2024.

### VIII.4. Remuneration to key management personnel

The remunerations to key management personnel for the year ending on 31st December 2023 amount to BGN 556 thousand (2022: BGN 522 thousand) and have a short-term nature. The distribution among the management bodies is described below:

| | **2023** | **2022** |
|---|---|---|
| Supervisory Board | 16 | 16 |
| Management Board | 540 | 506 |
| **Remunerations - Total** | **556** | **522** |

## IX. Events after end of the reporting period

No events occurred between the date of the statement of financial position and the date of its approval, that require additional adjustments and/or disclosures in the financial statements of the Company for the year ending on 31 December 2023.