GP Reinsurance EAD

SOLVENCY AND FINANCIAL CONDITION REPORT

generali.com

Index

Index 2
Introduction 4
Summary 5
A. Business and Performance 9
A.1. Business 9
A.2. Underwriting performance 11
A.3. Investment performance 12
A.4. Performance of other activities 15
A.5. Any other information 15
A.5.1. Intragroup transactions 15
A.5.2. Information about Conflict in Ukraine 20
Annex 21
B. System of Governance 27
B.1. General information on the system of governance 27
B.1.1. Information on general governance: structure of administrative, management or supervisory bodies, description of roles and responsibilities, details on the segregation of responsibilities 27
B.1.2. Information on key functions 28
B.1.3. Material changes in the system of governance 29
B.1.4. Remuneration policy 29
B.1.5. Material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the management and supervisory bodies 30
B.2. Fit and proper requirements 31
B.3. Risk management system including the own risk and solvency assessment 32
B.3.1. Risk management system 32
B.3.2. ORSA process 33
B.3.3. Risk embedding in capital management process 34
B.4. Internal control system 34
B.5. Internal audit function 35
B.6. Actuarial function 37
B.7. Outsourcing 37
B.7.1. Information on outsourcing policy 37
B.8. Any other information 38
C. Risk Profile 39
C.1. Underwriting risk 39
C.1.1. Life Underwriting Risk 39
C.1.2. Non-life Underwriting risk 39
C.2. Market risk 41
C.3. Credit risk 44
C.4. Liquidity risk 44
C.4.1. Expected profit included in future premiums 45

C.5. Operational risk 45
C.6. Other material risk 46
C.6.1. Risk concentration 46
C.7. Any other information 47
C.7.1. Other risks 47
C.7.2. Information on sensitivities 47
C.7.3. Major Development 47
D. Valuation for Solvency Purposes 48
D.1. Assets 50
D.2. TECHNICAL PROVISIONS 56
D.3. Other liabilities 61
D.4. Alternative methods for valuation 66
Assets 66
D.4.2. Liabilities 66
D.5. Any other information 67
Annex 68
E. Capital Management 81
E.1. Own funds 81
E.1.1. Policies and processes related to own funds management, information on the time horizon used for business planning and on any material changes over the reporting period 81
E.1.2. Amount and quality of eligible own funds 81
E.1.3. Eligible of own funds to meet the Minimum Capital Requirement 84
E.1.4. Expected profit included in future premiums 84
E.1.5. Reconciliation between statutory shareholder funds as per IFRS Group view and own funds for solvency purposes 85
E.2. Solvency Capital Requirement and Minimum Capital Requirement 85
E.2.1. SCR and MCR values 85
E.2.2. SCR breakdown 86
E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement 86
E.4. Differences between the standard formula and any internal model used 86
E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement 86
E.6. Any other information 87
E.6.1. Major Development 87
E.6.2. Sensitivities 87
Annex 88

Introduction

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

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

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

The document has been approved by the Supervisory Board and Management Board on 6th April 2023.

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

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

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

GP Reinsurance EAD is falling under the scope of Solvency II Directive reporting and is required to disclose publicly SFCR with reference to the financial year starting from 1/1/2022.

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

Summary

Section	Summary
A.1. Business	GP Reinsurance is the captive reinsurer of Generali in CEE region. In 2022 the Company provides proportional and non-proportional treaty reinsurance. Due to the Group´s diversity across the Central and Eastern Europe region, the Company is able to mitigate local specifics and risks for lower cost of capital than each insurance company on its own. This provides the Group companies with a lower cost of capital, protects their balance sheets, significantly helps with meeting solvency requirements and provides a competitive advantage in the insurance market as it provides capacity to make additional room for underwriting additional risks and offer higher limits than it would otherwise be allowed.
A.2. Underwriting Performance	The Company's underwriting performance is reflecting the business performance of the primary insurers (cedants). In 2022 the reinsurance portfolio followed a stable course of development with gross written premium of BGN 2.116m (both life and non-life), gross combined ratio of 75% and gross technical result of BGN 516m. The net technical result of the company for 2022 is BGN 374m.
A.3. Investment Performance	GP Reinsurance aims at maximizing investment returns while maintaining appropriate level of risk and liquidity which is compatible with targeted returns and to achieve the Strategic Plan objectives through portfolio diversification and an accurate liability-driven investment strategy. Those objectives are incorporated in the strategy to ensure the establishment of appropriate return potential while ensuring that the Company can always meet its obligations without undue costs and in accordance with its internal and external Regulatory Capital Requirements. The Company´s investment strategy is based on the 'Prudent Person Principle'.
A.4. Performance of other activities	The Company doesn't have leasing arrangements which can be considered material.
A.5. Any other information	This section includes information on transactions with related parties, ceded reinsurance receivables, dividends paid during 2022 in relation to 2021 profit and management remunerations.
B.1. General information on the system of governance	The Company has as at 31 December 2022 a two-tier management system with Management Board (MB) and Supervisory Board (SB). Audit Committee and Risk Committees are functioning with their main goal to support the MB and SB in terms of improving the internal control and risk management system. GP Re internal control and risk management system is founded on the three lines of defence – operational functions (Risk Owners) as a first line, compliance, risk management and actuarial functions as second line and internal audit as a third line.
B.2. Fit and proper requirements	The Company follows the Internal Fit and Proper Rules which are defined in line with: • The guidelines and procedures, by means of which the Company ensures compliance with the Insurance code fit and proper requirements for the members of the Management and Supervisory Boards and for other personnel who are not in the Boards but are authorized to manage and represent the Company, as well as of the personnel performing key functions. • The requirements in terms of fitness and experience of the members of the management bodies, performing management functions according to the Company's organizational structure. • The fit and proper requirements for the employees where the Company evaluates their fitness and proper in terms of the Generali Group Fit and Proper Policy. The objective of these Rules is to ensure compliance and strict implementation of the legal requirements and the Generali Group Policy by defining minimum fit and proper standards.

B.3. Risk management system including the own risk and solvency assessment	The Risk Management system ensures that all risks, to which the Company is exposed to, are properly and effectively managed on the basis of the risk strategy defined. GP Re Risk Management process, also aligned with the Group one, is defined on the following phases – risk identification, risk measurement, risk management and control and risk reporting. The Own Risk and Solvency Assessment (ORSA process is a key component of the Risk Management system which aims at assessing the adequacy of the solvency position and the risk profile of the Company on a current and forward-looking basis. Capital Management and Risk Management are strongly integrated processes. This integration is deemed essential to ensure alignment between business and risk strategies.
B.4. Internal control system	The Internal Control System framework, whose design and structure are approved by the Management and Supervisory Boards, is defined as the system that operates to ensure that business activity complies with the law in force and with the various directives and procedures in place. It also ensures that company processes are efficient and effective where their respective objectives are concerned, and that accounting and management information is reliable and complete. Internal Control therefore comprises a set of tools that helps the business to reach its targets in line with the level of risk selected by top management. Such targets are not restricted solely to business targets but extend also to those connected with financial reporting as well as compliance with all internal and external rules and regulations and take on varying importance depending on the risk that has been identified. It follows that the relevant internal control mechanisms take on a varying nature and form too, depending on the particular process or processes under the spotlight.
B.5. Internal audit function	The Internal Audit Department is an independent, effective and objective function established to examine and evaluate the adequacy, functioning, effectiveness and efficiency of the internal control system and all other elements of the system of governance, with a view of improving the efficacy and efficiency of the internal control system of the organization and of the governance processes. The Internal Audit Department supports the Management Board in identifying the strategies and guidelines on internal control and risk management, ensuring they are appropriate and valid over time and provides the Management Board and the Audit Committee with analysis, appraisals, recommendations and information concerning the activities reviewed; it also carries out assurance and advisory activities for the benefit of the Management Board, the Supervisory Board, the Top Management and other departments.
B.6. Actuarial function	According to local legislation and Group policy Actuarial function is in place with separation of calculation and validation roles.
B.7. Outsourcing	The company has adopted Generali Group Outsourcing Policy for direct application. The policy intends to set consistent minimum mandatory outsourcing standards for all Generali Group entities, assign main outsourcing responsibilities and ensure that appropriate controls and governance structures are established within any outsourcing initiative. The Policy outlines the main principles to be followed when implementing outsourcing. In addition to the Group Outsourcing Policy, the company has adopted Internal Outsourcing Guidelines which are designed as a local supplement to the Group Outsourcing Policy and aim at providing a structured view to the managing of the outsourcing activities in the company, defining the roles and responsibilities for the administration and management of the Outsourcing activities and contracts, as well as setting the criteria based on which an outsourced activity/function shall be classified as critical or important. The Internal Guidelines also define the local regulatory framework applicable to outsourced functions and activities.
B.8. Any other information	The Management Board is obliged to revise at least once per year the internal control programs, relevant documents and policies composing the Internal control system and to amend it where necessary.
C.1. Underwriting risk	These are risks arising from:

	- P&C reinsurance obligations in relation to the perils covered and the processes used in the conduct of business. It includes at least the risk of underestimating the frequency and/or severity of the claims in defining pricing and reserves (respectively Pricing Risk and Reserving Risk) and the risk of losses arising from extreme or exceptional events (Catastrophe Risk). Those risks are successfully managed and mitigated mainly via external reinsurance program. - Life and health underwriting risks derived from the accepted reinsurance business in the life and health segment. They are accepted across the CEE (Central and Eastern Europe) region and refers to new life business which started in 2018 and some specialized Health insurer classified as SLT.
C.2. Market risk & C.3. Credit risk	The Company manages its investments in a prudent way according to the so-called 'Prudent Person Principle' and strives to optimize the return of its assets while minimizing the negative impact of short term market fluctuations on its solvency. For the evaluation of its Market & Credit Risks, it makes use of the EIOPA Standard Formula. In line with the Strategic Asset Allocation the Company is mainly exposed to fixed income exposure, and consequently to interest rate risk.
C.4. Liquidity risk	The Liquidity Risk Management relies on projecting cash obligations and available cash resources into the future, so as to monitor that available liquid resources are at all times sufficient to cover the cash obligations that will come due in the same period. The Liquidity Metrics show stable liquidity position without relevant deviations.
C.5. Operational risk	The Company has implemented operational risk management system with the primary focus on identifying, assessing and evaluating operational risk events that may occur and evaluating the strength of the company's processes and mitigation activities to prevent or respond to such events. In 2022 no significant operational loss has occurred in GP Re.
C.6. Other material risk	This section discusses concentration risk, i.e. the risk stemming from all risk exposures with a potential loss which is large enough to threaten the solvency or the financial position of the company. Risk concentrations are significant when they could threaten the solvency or the liquidity position of the company, thus substantially impacting its risk profile.
C.7. Any other information	Other risks and their relevance to the company are discussed (emerging, reputational and contagion risks).
D.1. Assets	The section provides an overall description of the SII valuation methods for Assets.
D.2. Technical provisions	The amount of the technical provisions after reinsurance recoverables calculated according to IFRS standards amounts to 1.383.198 ths BGN at year-end 2022. This amount has been revaluated according to Solvency II principles to market value which is 551.378 ths BGN at year-end 2022.
D.3. Other liabilities	In this section, an overall description of the SII valuation methods for Liabilities other than technical provision is given, complementary to the general Valuation for Solvency Purposes (paragraph D - introduction).
D.4. Alternative methods for valuation	Assets: In respect of the official SII data valuation, there are no significant changes to valuation models used and to model inputs. In general terms, it must be noticed that the vast majority of assets portfolio owned by GP Re is recognized at IFRS fair value. The determination of the fair value is mostly done by using the market quotes. The Company does not apply any kind of the alternative methods of valuation on liabilities, different from the described in the relevant chapters earlier. Liabilities: The Company does not apply any kind of the alternative methods of valuation on liabilities, different from the described in the relevant chapters above.
E.1. Own Funds	The amount of eligible own funds at YE22 reached 1.59bn BGN (after 294m BGN of foreseeable dividend to be paid during this year from last year's profit). The same items previous year were 1.61bn BGN (after 218m BGN of foreseeable dividend).

	The solvency ratio is stable at **210%** (last year **211**%). All own funds items to cover SCR (and MCR) are classified as Tier 1.
E.2. Solvency Capital Requirement and Minimum Capital Requirement	The SCR calculated according to the solvency regulation is 756m BGN, more than a half of this amount coming from Non-Life underwriting risks (last year 764m BGN). The MCR calculated according to solvency regulation is about 248m BGN (last year 221m BGN).
E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement	The Company does not use duration-based equity risk sub-module in the calculation of the SCR
E.4. Differences between the standard formula and any internal model used	The company does not use internal model for the calculation of regulatory SCR.
E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement	The Company has a sound solvency position with solvency ratios exceeding significantly the statutory requirements.
E.6. Any other information	This section provides information on sensitivity testing analyses, The impact of simple changes in specific risk drivers (e.g. Interest Rates, equity shocks, credit spreads and Interest Rate volatility) on the variability of the Own Funds and Solvency Ratio.

A. Business and Performance

A.1. BUSINESS

Details GP Re

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

The sole owner of the capital as at 31.12.2022 is Generali CEE Holding B.V. with seat in the Kingdom of the Netherlands. The ultimate parent of the Company is Assicurazioni Generali S.p.A with seat in Trieste, Italy which owns 100 % of Generali CEE Holding B.V.

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

Details Financial Supervision Commission (BG Regulator)

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

1000 Sofia, 16 Budapeshta str.

Call center: +3592 94 04 999

Press center: +3592 94 04 582

Fax: +3592 829 43 24

E-mail: bg_fsc@fsc.bg

Details external auditors

In 2022 the external audit has been performed by 2 auditors jointly with the following contact details:

KPMG Audit

45/A, Bulgaria Bld., 1404 Sofia Bulgaria

Tel: +359 2 9697 300

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

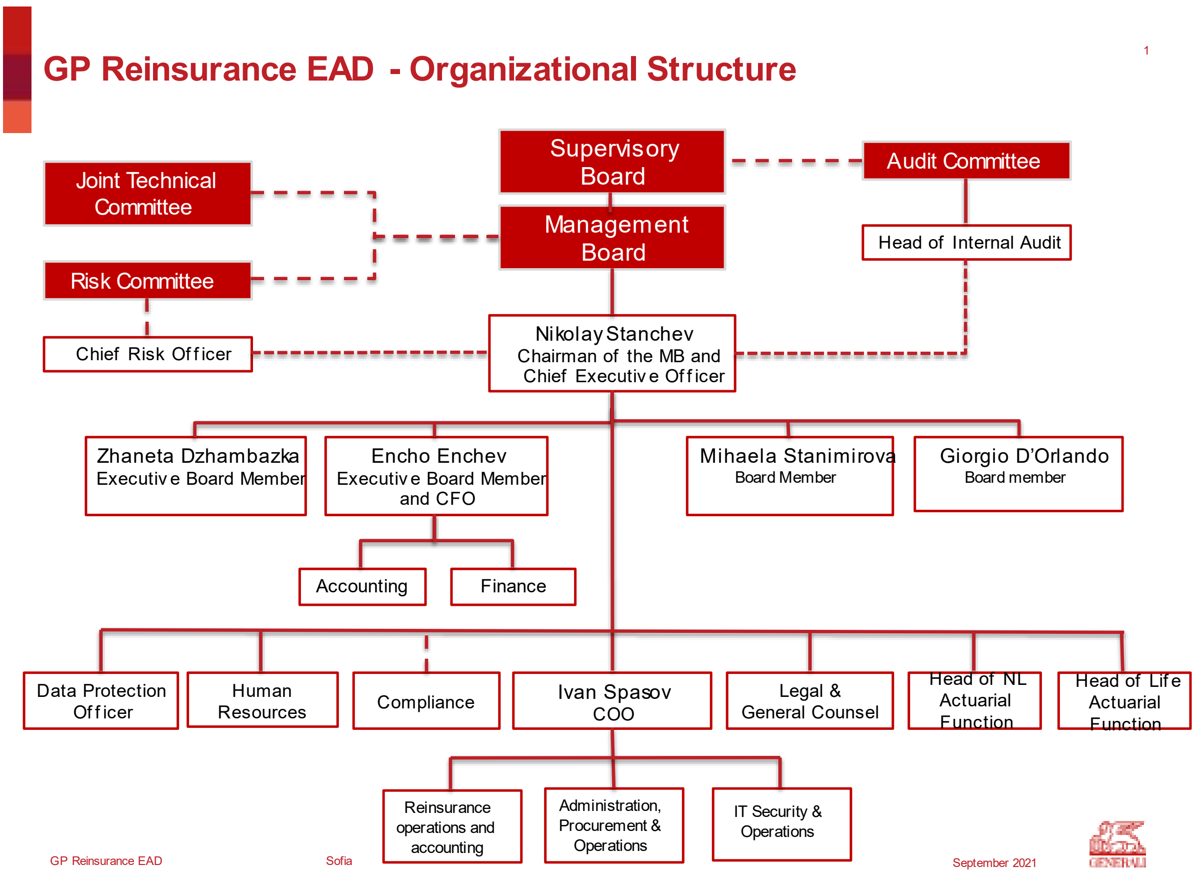
AFA OOD

38, Oborishte Str., 1504 Sofia, Bulgaria

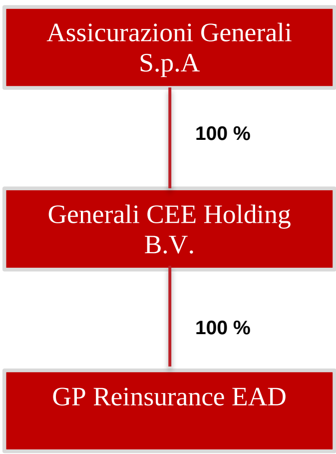
Tel: +359 2 943 37 00

Website: http://www.afa.bg

Organizational structure of GP Re as at 31 December 2022



Position in the legal structure of Generali Group as at 31 December 2022



Lines of business, geographical areas and performance

The Company provides reinsurance services mainly to insurance companies from Generali CEE Holding B.V. group, covering the portfolio of companies on the territory of Bulgaria, Serbia, Montenegro, Romania, Czech Republic, Hungary, Slovakia, Croatia, Slovenia, Poland

and from 2019 Austria. In the last quarter of 2019, the Company concluded a reinsurance contract, accepting mainly life business from Bosna Reinsurance Company Ltd. The latter is not part of Generali Group.

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

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

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

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

The ceded reinsurance proportional programs are Bonds QS and Cyber QS. GP Reinsurance has ceded reinsurance non-proportional treaties for the following lines of business: Agriculture, Property, Engineering, General Third Party Liability and Professional Indemnity, Directors and Officers Liability, Motor Third Party Liability, Marine (including Cargo) and Catastrophic Events. The main change in the external reinsurance program for 2022 is the increased capacity of the external CAT treaty from EUR 900 m in 2021 to EUR 925 m in 2022.

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

GP Reinsurance EAD profit after tax in 2022 is BGN 408 m which is a 10% increase in comparison to 2021 (BGN 372 m). The profit of the Company was generated mainly from its reinsurance business.

A.2. UNDERWRITING PERFORMANCE

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

The company’s underwriting performance is ultimately reflecting the business performance of the primary insurers (cedants). In 2022 the reinsurance portfolio followed a stable course of development despite the Covid crisis. The key underwriting indicators are summarized in the below table:

Key indicators (Figures in BGN/mln)	YE22	YE21	Change (%)
Gross Written Premium	2.116	1.978	7%
Ceded Reinsurance Premium	178	219	-23%
Gross Combined Ratio	75%	89%	(14bp)
Net Combined Ratio	80%	78%	2bp
Gross Technical Result	516	214	59%
Net Technical Result	374	391	18%
Net Technical Provisions	1.389	1.333	4%

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

(Figures in BGN/mln)	YE22	% of Total	YE21	% of Total
AHD	132	6%	127	6%
Casco	457	22%	441	22%
Credit and suretyship	29	1%	29	1%
Fire and Property Damage	726	34%	662	34%
MAT	51	2%	44	2%
Misc financial losses	4	0%	2	0%
MTPL	461	22%	440	22%
TPL	203	10%	190	10%
Assistance	9	1%	10	1%
Life	44	2%	33	2%
TOTAL	2.116	100%	1.978	100%

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

On Non-Life side, a more noticeable effect that should be pointed out is the increased number of MTPL losses compared to 2021. The reason for this is the gradual lifting of restrictions from the Covid-19 pandemic in 2022.

A.3. INVESTMENT PERFORMANCE

GP Reinsurance aims at maximizing investment returns while maintaining appropriate level of risk and liquidity which is compatible with targeted returns and to achieve the Strategic Plan objectives through portfolio diversification and an accurate liability-driven investment strategy. Those objectives are incorporated in the strategy to ensure the establishment of appropriate return potential while ensuring that the Company can always meet its obligations without undue costs and in accordance with its internal and external Regulatory Capital Requirements.

Accounting result was significantly influenced by rising inflation and the geopolitical risk related with Russian invasion of Ukraine which affected both the operating and non-operating part. The war and its consequences caused a dramatic fall of most of assets traded on financial markets. The highest losses were realized on assets connected directly or indirectly with Russian regime and on markets that are geographically close to Russia and Ukraine.

Impact of this “annus horribilis” on GP Re portfolios is deeply negative measured by mark-to-market numbers. However, financial result eventually reached the original plan as impairments of Russian assets in the non-operating part of the 2022 profit were successfully offset by higher rates and bond yields in the operating part.

MARKET ENVIRONMENT

2022 was supposed to be the year of post-pandemic and post-lockdown re-openings. But it became the year of war, inflation, energy and commodity price crises, drought, and floods. Inflation pressures were hot already in 2Q 2021 due to a mix of strong domestic demand at the national levels and growing commodity prices at the global level. The Ukraine war accelerated inflation tensions by pressure on energy and food prices. Central banks further tightened monetary conditions and bond markets reacted by a rapid growth of yields across the world. Governments in post Covid era focused on consolidation of public finance and were not drivers of GDP growth. Demonstrated geopolitical risk together with higher rates hit credit and equity markets. The close geographical proximity of central Europe to war region and dependence on energy transfers from Russia played a role in negative reaction of investors to CEE assets. All these factors resulted in negative performance of almost all assets relevant for GP Re portfolios.

Liquidation of Russian investments realized in several steps led to deep losses in comparison with book values. These investments were impaired in the first half of the year. Therefore, their sales in the second half improved the last forecasted impairments and worsened realized losses. The second important series of realizations was connected with process of implementation of new equity funds (ICAVs). Most of existing single name and ETF equity positions was sold with positive impact on P/L. Realized losses on government bonds are given by several sales connected with cash withdrawals from portfolios.

Total value of impairments in 2022 dramatically exceeded the original plan due to losses on Russian credit. However, we have to take into account that a part of the impairments has been transformed to realized losses on corporate bonds.

GOVERNMENT BONDS

Government bonds suffered huge losses globally in 2022. Dramatic increase of yields was driven by inflation pressures and geopolitics – war in Ukraine. The latter factor had the most negative effect in central Europe. Inflation tensions existing before the war were further amplified by high energy prices and weakening currencies. Therefore, monthly reported inflation numbers exceeded numbers from

Western Europe. On the other hand, CEE central banks launched their anti-inflation fight already in 2021 and local markets priced future tightening. As a result, majority of CEE bond markets declined less than their West European peers

FX REPOS/SWAPS

The Russian invasion of Ukraine led to an immediate press on CEE markets including currencies. Obviously the relatively short geographical distance to Ukraine played the most important role. However, this stress period turned to be short specially for Czech crown and thus the press on GP Re liquidity via collateral payments were manageable. Polish zloty and Hungarian forint underperformed CZK where forint is the main looser in the whole region in 2022. FX swap markets remained liquid during the whole year with pricing corresponding to monetary policy of relevant central banks.

CREDIT

Rising global rates, shock from war in Ukraine and still continuing disruptions in global supply chains were the main reasons of negative performance of credit. Credit indices widened across the world to reflect tougher conditions for lending subjects. The overall negative performance was at least partially offset by new investments realized at higher credit spreads and higher yields to maturity which will positively influence financial results in next years. Credit related to Russia was obviously the worst asset class, we comment it in a special section below. We were more defensive in 2022 in comparison with previous years.

RUSSIAN CREDIT

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

- to minimize negative economic effects on GP Re portfolios,

- to avoid any violation of all in-force measures and sanctions imposed on Russia.

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

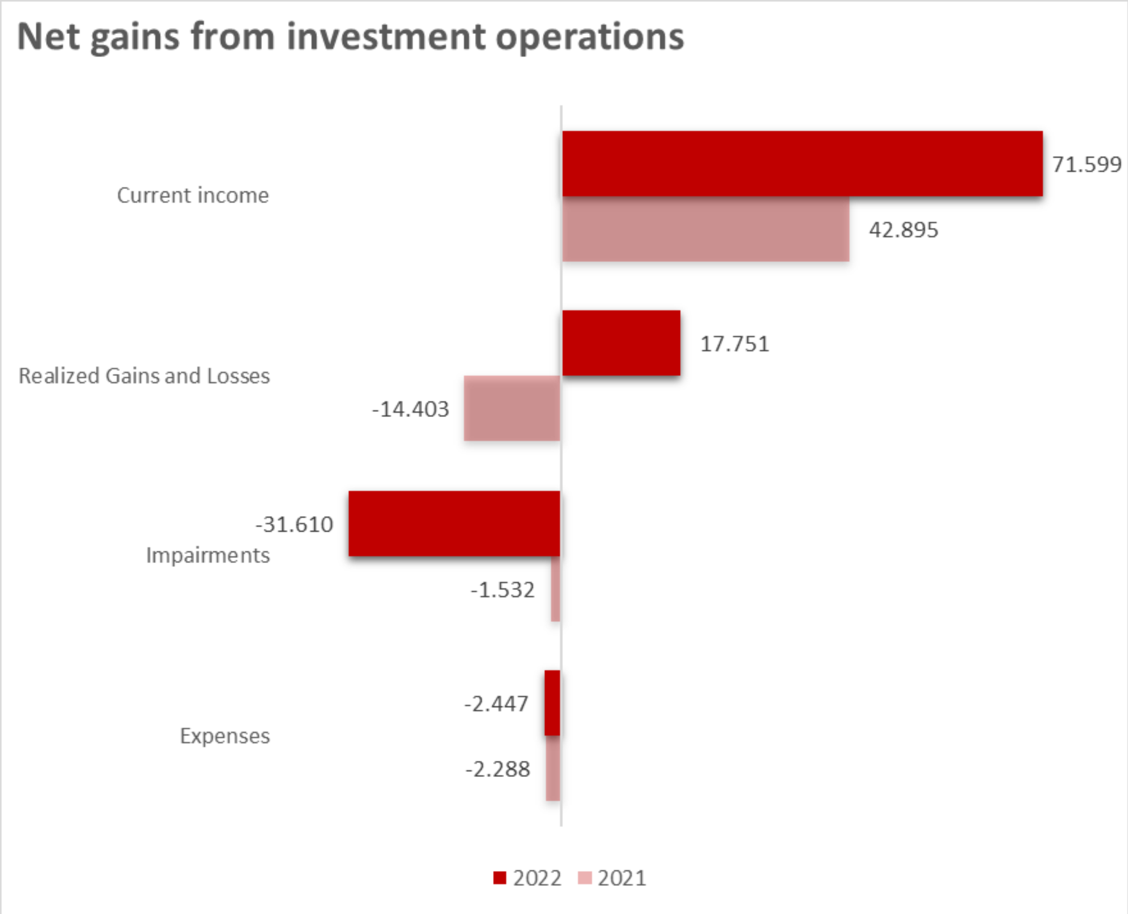
EQUITIES

All major global equity indices ended 2022 deep in red as markets were hit by war in Ukraine, record inflation rates, monetary tightening and global recession fears. However, equity returns started picking up towards the end of the year with most of global equity indices closing the fourth quarter significantly higher following the news of China gradually reopening and after latest CPI readings showed signs of easing inflation while suggesting that the US Fed would raise interest rates without causing a recession. We entered the year slightly overweight however during the start of the year we underweighted our portfolios and realized gains accumulated from previous years.

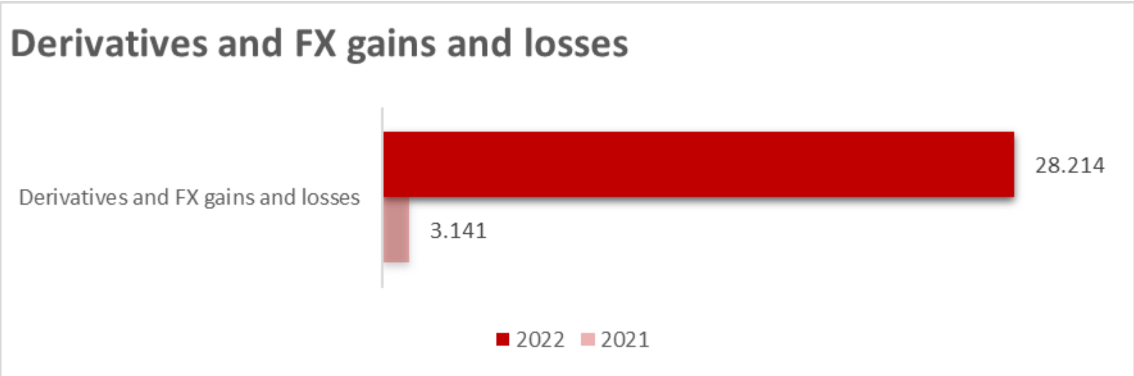
MONEY MARKET

Dramatic events of last year completely overwrote the original expectations. In case of inflation, we thought the worst was over for Czech Republic and see mild hikes in other CEE countries and the U.S. and no hikes yet in the Euro area. In reality we got a brutal tightening of monetary conditions with significant impact on all asset classes. However, it was a pretty positive effect for of money market instruments that naturally generated higher income from higher interest rates. Czech, Polish and Romanian base rates have converged to the roughly same level which is probably the peak for all three countries during current monetary cycle. Contrary to that, mix of macroeconomic imbalances, irresponsible political reaction and strong dependency on supply of energy commodities from Russia led to a weakening of currency and higher inflation in Hungary. Central bank had to protect the forint and, in the end, pushed the effective money market rate to unbelievable 18 %. The realized rate hikes had positive effects on income from deposits and reverse repos. Average interest rate from CNB repos increase from 4.12 % in 1st quarter to 6.56 % in 4th quarter, average CZK depo rate increase from 4.12 % to 6.83 %. Equivalent numbers for HUF are 3.27 %/15.96 % and for PLN 2.06 %/6.86 %. EUR deposit rate were negative until mid of September. Since that EUR rates increased to 1.8 % at the end of 2022. USD depo rates entered positive territory in May at 0.85 % and finished at 4.25 % in December. CEE central banks have probably reached their peak of rates in this monetary cycle. Hungarian central bank will try to cut rates from the current extreme level of 18 % to a more standard value as soon as possible in dependence on currency strength and inflation outlook. Major central banks are behind their CEE peers and should further hike this year. Overall, the average interest rate from deposits or reverse repos should increase again in comparison with previous year.

The total financial performance in accounting terms shows that the net gains from investment operations in 2022 is BGN 55 m (BGN 25 m in 2021). The overall decrease of BGN 31 m is due to BGN 29 m increase in current income, BGN 32 m higher result from realizations, compensated by BGN (30) m impairments.

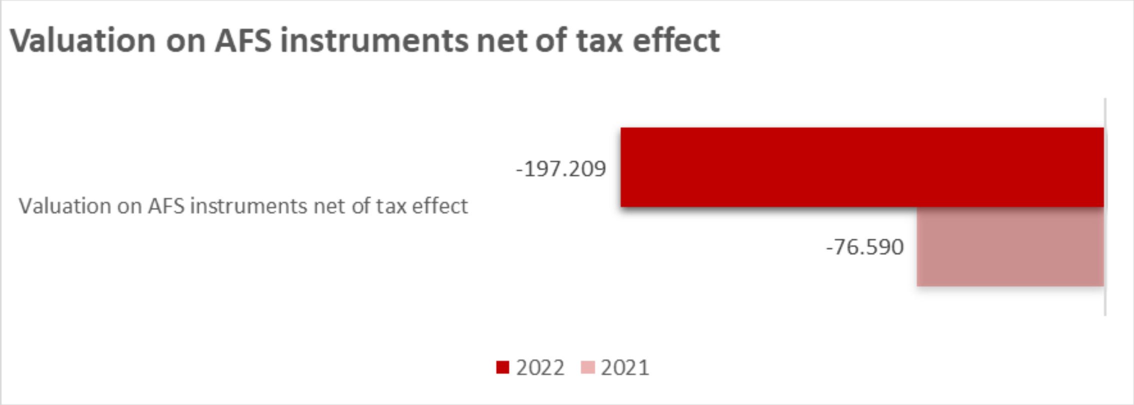


Other operating investment result relates to derivatives and foreign currency gains and losses, in 2022 the result is positive BGN 28 m vs BGN 3 m in 2021.



The net of tax market valuation of AFS instruments resulted in BGN 197 m unrealized losses in 2022 compared to BGN 76 m unrealized losses in 2021.

Valuation of AFS Instruments



A.4. PERFORMANCE OF OTHER ACTIVITIES

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

A.5. ANY OTHER INFORMATION

A.5.1. INTRAGROUP TRANSACTIONS

Related party transactions

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

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

- Assicurazioni Generali S.P.A.
- All ceding companies
- Generali Investment CEE
- Generali Development
- Generali Insurance EAD
- Generali Zakrila MDC EOOD
- Generali Ceska Pojistovna A.S.
- Generali Versicherung A.G.
- Generali real estate investment fund a.s.
- Generali Osiguranje, Republic of Serbia
- Generali Reosiguranje, Republic of Serbia
- Lion River Investment fund
- Generali Europe Income Holding S.A.
- Generali fund Emer. Europe Bond y EUR S.A.
- Generali fund Emerging Europe y EUR DIV S.A.
- Generali Fond ropy a energetiky
- GMPSS EM CRNCY SUPERN-3Y EUR
- GENERALI NEW ECONOMIES A EUR (previous: “New Economies Fund, Generali Invest CEE plc.”;
- GENERALI FUND SFIO-GEN PROFIT PL;
- GENERALI CORPORATE BONDS B EUR;

- Generali Fond nemovitostních akcií;
- APERTURE-SHRT DUR H/Y-AY EUR.
- FASANARA INVESTMENT SA, SICAV-RAIF
- Generali Zavarovalnitsa d.d.
- Generali US Fund Class A CZK“
- Generali EM Fund Class A CZK
- Generali CEE Fund Class A CZK
- Generali WE Fund Class A CZK

The related party transactions of the Company for 2022 are presented below as follows:

- All transactions related to accepted reinsurance are with intra-group companies
- Services agreement between the Company and Generali CEE Holding B.V
- Services agreement between the Company and Generali Development
- Part of the accepted business has been ceded to Assicurazioni Generali S.P.A
- Transactions related with Generali Investment CEE– there is a contract between the Company and Generali Investment CEE for management of the investments
- Services agreement between the Company and Generali Versicherung A.G.
- Services agreement between the Company and Generali Insurance EAD
- Services agreement between the Company and Generali Zakrila MDC EOOD
- Transaction related with purchased equity shares from Generali Real Estate Fund a.s.;
- Transactions related with a loan granted to Generali Real Estate Fund a.s.;
- Transactions related with purchased shares of Generali Osiguranje, Republic of Serbia
- Transactions related with purchased shares of Generali Reosiguranje, Republic of Serbia
- Transactions related with purchased shares of Lion River Investment fund
- Transactions related with purchased shares of Generali Europe Income Holding S.A.
- Transactions related with provided loan to Generali Europe Income Holding S.A.
- Transactions related with purchased shares of Generali fund Emer. Europe Bond y EUR S.A.
- Transactions related with purchased shares of Generali fund Emerging Europe y EUR DIV S.A.
- Transactions related with purchased shares of Generali Fond ropy a energetiky
- Transactions related with purchased shares of GMPSS EM CRNCY SUPERN-3Y EUR
- Transactions related with purchased shares of „GENERALI NEW ECONOMIES A EUR“; (ex. „New Economies Fund, Generali Invest CEE plc“);
- Transactions related with purchased shares of „GENERALI FUND SFIO-GEN PROFIT PL“;
- Transactions related with purchased shares of „GENERALI CORPORATE BONDS B EUR“;
- Transactions related with purchased shares of „Generali Fond nemovitostních akcií“;
- Transactions related with purchased shares of „APERTURE-SHRT DUR H/Y-AY EUR“.
- Transactions related with provided loan to Generali Zavarovalnitsa d.d.
- Transactions related with purchase shares of Fasanara Investments SA, SICAV-RAIF
- Transactions related with purchased shares of Generali US Fund Class A CZK“
- Transactions related with purchased shares of Generali EM Fund Class A CZK
- Transactions related with purchased shares of Generali CEE Fund Class A CZK
- Transactions related with purchased shares of Generali WE Fund Class A CZK

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

Mother company:	2022	2021
Generali CEE Holding B.V. - service agreement	(678)	(670)

Other related parties:	2022	2021
ASSICURAZIONI GENERALI S.P.A – premium ceded	(178.345)	259.182
ASSICURAZIONI GENERALI S.P.A – claims paid ceded reinsurance	136.668	7.403
ASSICURAZIONI GENERALI S.P.A – changes in the reinsurer's share in technical reserves (ceded reinsurance)	(102.583)	419
ASSICURAZIONI GENERALI S.P.A – commissions ceded reinsurance	5.100	2.714
ASSICURAZIONI GENERALI S.P.A – deferred acquisition costs under ceded reinsurance	1.572	(908)
ASSICURAZIONI GENERALI S.P.A – premium accepted	85	3.288
ASSICURAZIONI GENERALI S.P.A – claims paid accepted reinsurance	(908)	(1.100)
ASSICURAZIONI GENERALI S.P.A – changes in the reinsurer's share in technical reserves (accepted reinsurance)	2.387	1.965.331
ASSICURAZIONI GENERALI S.P.A – commissions accepted reinsurance	(14)	(880.496)
Legal entities which are controlled by the parent company – net written premium	2.097.336	(556.849)
Legal entities which are controlled by the parent company – claims	(1.003.724)	(11.052)
Legal entities which are controlled by the parent company – acquisition commissions	(600.211)	(306.242)
Legal entities which are controlled by the parent company – other operating expenses	(10.676)	649
Legal entities which are controlled by the parent company – reserves net	35.117	(1.899)
Legal entities which are controlled by the parent company – interest income	6.426	-
Generali Investment CEE – management commission	1.782	(148)
Generali Development – depreciation expense	-	(16)
Generali Versicherung A.G. – service agreement	(132)	(59)
Generali Insurance – Bulgaria – service agreement	(21)	(152)
Generali Zakrila MDC OOD - service agreement	(29)	507
Generali Česká pojištovna a.s. – service agreement	(143)	1.281
Generali Real Estate Fund – dividend income	714	19
Generali Real Estate Fund – interest income	2.599	1.380
Generali Osiguranje, Republic of Serbia – dividend income	-	1.295
Generali Europe Income Holding S.A. – interest income	921	4.323
Generali Europe Income Holding S.A. – dividend income	1.735	205

Lion River Investment fund - dividend income	4.369	129
Generali fund GMPS SICAV EM Currencies Supranat Fd 3YH EUR- dividend income	165	222
Generali Corporate Bonds – dividend income	-	294
Generali Fund “APERTURE-SHRT DUR H/Y-AY EUR” – dividend income	324	259.182
Generali Fund “Fasanara Investments SA, SICAV-RAIF” – dividend income	479	7.403
Generali Zavarovalnitsa d.d. – interest income	1.690	1.033

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

	31.12.2022	31.12.2021
Mother company:		
Generali – CEE Holding B.V. - service agreement	341	340
Generali – CEE Holding B.V. – other receivables	-	63
Other related parties:		
ASSICURAZIONI GENERALI S.P.A – premium ceded, reinsurance payables	10,193	26.144
ASSICURAZIONI GENERALI S.P.A – other payables ceded	9,675	25.636
ASSICURAZIONI GENERALI S.P.A – claims paid, ceded reinsurance receivables	22.307	76.330
ASSICURAZIONI GENERALI S.P.A – reinsurer’s share in technical reserves (ceded reinsurance)	245.796	348.310
ASSICURAZIONI GENERALI S.P.A – premium accepted, reinsurance receivables	69	4.585
ASSICURAZIONI GENERALI S.P.A – claims paid, accepted reinsurance payables	131	1.030
ASSICURAZIONI GENERALI S.P.A – other receivables, accepted reinsurance payables	-	1
ASSICURAZIONI GENERALI S.P.A – reinsurer’s share in technical reserves (accepted reinsurance)	1.969	3.992
ASSICURAZIONI GENERALI S.P.A – other receivables	-	81
Legal entities which are controlled by the parent company – reinsurance receivables	110.049	467.663
Legal entities which are controlled by the parent company – reinsurance payables	123.471	383.708
Legal entities which are controlled by the parent company – other assets	9.277	23.629
Legal entities which are controlled by the parent company – other liabilities	12.658	7.873
Legal entities which are controlled by the parent company – reinsurance reserves	1.656.006	1.693.172
Legal entities which are controlled by the parent company – reinsurance deposits	446	110.359
Payable to Generali Investment CEE	169	160
Generali real estate investment fund a.s.– equities AFS as of 31.12.2019; investment in associates as of 31.12.2018	215.209	140.327
Generali real estate investment fund a.s. – loan	63.968	62.180
Generali Osiguranje, Republic of Serbia - equities AFS portfolio	158	139

Generali Reosiguranje, Republic of Serbia - equities AFS portfolio	1	1
Generali Europe Income Holding S.A. – equities AFS portfolio	59.736	60.606
Generali Europe Income Holding S.A. – loan	44.642	44.734
Lion River Investment fund – equities AFS portfolio	60.228	59.127
Generali fund „EMERGING EUROPE BOND Y EUR“;- equities AFS portfolio	10.973	12.334
Generali fund „EMERGING EUROPE Y EUR“ – equities AFS portfolio	8.232	9.989
Generali fund „GMPS SICAV EM Currencies Supranat Fd 3YH EUR“ – equities AFS portfolio	3.285	3.485
Generali fund „GENERALI NEW ECONOMIES A EUR“ - equities AFS portfolio	0	4.379
Generali fund „GENERALI FUND SFIO-GEN PROFIT PL“ - equities AFS portfolio	19.172	20.032
Generali fund „GENERALI CORPORATE BONDS B EUR“ - equities AFS portfolio	5.072	5.876
Generali fund „Generali Fond nemovitostních akcií“ - equities AFS portfolio	-	3.893
Generali fund „APERTURE-SHRT DUR H/Y-AY EUR“ - equities AFS portfolio	7.274	7.981
Generali fund “Fasanara Investments SA, SICAV-RAIF” – equities AFS portfolio	14.261	14.441
Generali Zavarovalnitsa d.d. - loan	59.718	59.767
Generali US Fund Class A CZK“	36.441	-
Generali EM Fund Class A CZK	16.567	-
Generali CEE Fund Class A CZK	14.331	-
Generali WE Fund Class A CZK	10,193	26.144

3. Ceded reinsurance receivables and payables

As at 31 December 2022 the Company has receivables on ceded reinsurance from Assicurazioni Generali S.P.A in the amount of BGN 22.307 thousand (2021: BGN 76.330 thousand). As at 31 December 2022 the Company has payables on ceded reinsurance to Assicurazioni Generali S.P.A in the amount of BGN 19.868 thousand (2021: BGN 51.780 thousand).

In 2022 the Company has analytical accounting data on reinsurance receivables and payables split on individual contracts level and item level: premiums, losses and commissions, etc. Presentation in this way, the receivables on ceded reinsurance from Assicurazioni Generali S.P.A are BGN 22.307 thousand, and the payables BGN 19.868 thousand.

4. Dividends paid

Based on a decision made at the Management Board meeting on 6 April 2022 and on the decision of the sole owner Generali CEE Holding B.V, the Company has paid dividends to the parent company for year 2021 in the amount of BGN 217.918 thousand (BGN 4 thousand er share) (2020: in the amount of BGN 333.321 thousand. (BGN 6.2 thousand per share).

5. Management remunerations

As at 31 December 2022 the short-term management remunerations amounted to BGN 538 thousand (2021: BGN 556 thousand).

6. Collaterals and commitments

As at 31 December 2022 the Company has commitments to invest in Generali Europe Income Holding S.A. the amount of BGN 6 thousand (2021: BGN 5 thousand) and in Lion River Investment fund the amount of BGN 5.150 thousand (2021: BGN 20.063 thousand).

The table below presents the value of collateral liabilities held:

(BGN thousands)	**31.12.2022**	**31.12.2021**
Collateral held for loans made or bonds purchased	-	14.246

Collateral held for derivatives	13.579	11.368
Total	**13.579**	**25.614**

A.5.2. INFORMATION ABOUT CONFLICT IN UKRAINE

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

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

Annex

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

(Thousand BGN)	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
Premiums written									
Gross - Direct Business	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	15	118.791	0	432.727	407.744	46.800	532.375	201.458	16.993
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	6	46	16.741
Net	15	118.791	0	432.727	407.744	46.800	532.369	201.412	251
Premiums earned									
Gross - Direct Business	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	15	118.791	0	432.727	407.744	46.800	528.674	201.096	12.104
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	6	46	11.853
Net	15	118.791	0	432.727	407.744	46.800	528.668	201.050	251
Claims incurred									
Gross - Direct Business	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	235	33.598	0	254.591	235.270	14.294	304.427	63.885	10.498
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	-21	-180	181	10.498
Net	235	33.598	0	254.591	235.270	14.315	304.607	63.704	-0
Changes in other technical provisions									
Gross - Direct Business	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0	0	0

Net	0	0	0	0	0	0	0	0	0
Expenses incurred	8	39.554	0	141.196	136.983	15.874	172.808	67.583	738
Other expenses	0	0	0	0	0	0	0	0	0
Total expenses	0	0	0	0	0	0	0	0	0

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

(Thousand BGN)	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of Business for: accepted non-proportional reinsurance				Total
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
Premiums written								
Gross - Direct Business	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	0	8.540	3.469	0	0	0	0	1.768.910
Gross - Non-proportional reinsurance accepted	0	0	0	5.470	29.443	4.061	244.014	282.988
Reinsurers' share	0	0	0	253	12.973	1.913	146.377	178.309
Net	0	8.540	3.469	5.217	16.471	2.148	97.637	1.873.590
Premiums earned								
Gross - Direct Business	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	0	8.540	3.469	0	0	0	0	1.759.959
Gross - Non-proportional reinsurance accepted	0	0	0	5.470	29.500	4.064	244.193	283.226
Reinsurers' share	0	0	0	253	13.147	1.903	144.783	171.990
Net	0	8.540	3.469	5.217	16.353	2.161	99.410	1.871.195
Claims incurred								
Gross - Direct Business	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	0	5.127	1.560	0	0	0	0	923.485
Gross - Non-proportional reinsurance accepted	0	0	0	1.759	12.747	-69	19.528	33.966
Reinsurers' share	0	0	0	0	2.620	-1.091	15.250	27.258
Net	0	5.127	1.560	1.759	10.127	1.022	4.278	930.193
Changes in other technical provisions								
Gross - Direct Business	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0

Reinsurers' share	0	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0	0
Expenses incurred	0	2.592	1.867	100	565	44	1.742	581.655
Other expenses	0	0	0	0	0	0	0	410
Total expenses	0	0	0	0	0	0	0	582.065

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

(Thousand BGN)		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C210	C220	C230	C240	C250	C260	C270	C280	C300
Premiums written										
Gross	R1410	0	0	0	0	0	0	0	64.552	64.552
Reinsurers' share	R1420	0	0	0	0	0	0	0	0	0
Net	**R1500**	0	0	0	0	0	0	0	64.552	64.552
Premiums earned										
Gross	R1510	0	0	0	0	0	0	0	64.552	64.552
Reinsurers' share	R1520	0	0	0	0	0	0	0	0	0
Net	**R1600**	0	0	0	0	0	0	0	64.552	64.552
Claims incurred										
Gross	R1610	0	0	0	0	0	0	0	20.448	20.448
Reinsurers' share	R1620	0	0	0	0	0	0	0	0	0
Net	**R1700**	0	0	0	0	0	0	0	20.448	20.448
Changes in other technical provisions										
Gross	R1710	0	0	0	0	0	0	0	0	0
Reinsurers' share	R1720	0	0	0	0	0	0	0	0	0
Net	**R1800**	0	0	0	0	0	0	0	0	0
Other expenses	**R2500**	0	0	0	0	0	0	0	0	0
Total expenses	**R2600**	0	0	0	0	0	0	0	0	36.651

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

(Thousand BGN)	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
	BG	CZ	PL	HU	AT	RO	
Premium written							
Gross - Direct Business	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	0	1.101.208	276.989	230.602	59.755	43.374	1.711.929
Gross - Non-proportional reinsurance accepted	0	95.725	25.459	51.360	65.443	16.988	254.976
Reinsurers' share	0	0	-0	0	0	0	-0
Net	**0**	**1.196.934**	**302.449**	**281.963**	**125.198**	**60.362**	**1.966.906**
Premium earned							
Gross - Direct Business	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	0	1.101.347	271.392	230.899	56.048	43.411	1.703.097
Gross - Non-proportional reinsurance accepted	0	95.725	25.459	51.360	65.443	16.988	254.976
Reinsurers' share	0	0	-0	0	0	0	-0
Net	**0**	**1.197.072**	**296.852**	**282.259**	**121.491**	**60.399**	**1.958.073**
Claims paid							
Gross - Direct Business	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	0	520.121	206.154	98.567	38.471	35.409	898.722
Gross - Non-proportional reinsurance accepted	0	6.780	5.705	7.514	-770	7.106	26.334
Reinsurers' share	0	0	1	0	0	0	1
Net	**0**	**526.901**	**211.858**	**106.081**	**37.700**	**42.515**	**925.056**
Changes in other technical provisions							
Gross - Direct Business	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0
Net	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses incurred	**47**	**365.993**	**85.870**	**82.552**	**19.937**	**11.269**	**565.669**
Other expenses	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total expenses	**0**	**0**	**0**	**0**	**0**	**0**	**565.669**

B. System of Governance

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

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

The Company had as at 31 December 2022 a two-tier management system according to the adopted Articles of Association with Management Board and Supervisory Board. The organizational structure was approved by the Management Board and if necessary, it can be amended or supplemented.

The bodies of the Company are as follows:

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

Their powers are explicitly specified in the Articles of Association.

The Supervisory Board as at 31.12.2022 consists of the following members:

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

The Management Board as at 31.12.2022 consists of the following members:

- 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

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

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

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

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

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

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

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

Below are the responsibilities of the 2 committees.

COMMITTEES	
Key role	**Description**
Audit Committee	With resolution of the Sole Shareholder and following the requirements of the Independent Financial Audit Act, an Audit Committee has been established in the company. The members and mandate of the Audit Committee members are decided by the Sole Shareholder in compliance with the Independent Financial Audit Act. The Audit Committee is established as an independent advisory body to the Supervisory Board, which observes the financial reporting processes in the company; the effectiveness and efficiency of the internal control and risk management system; observes the independent financial audit in the company; recommends to the Sole Shareholder the appointment of an auditor to perform the independent financial audit of the company; and performs a review of the independence of the registered auditor in accordance with the Law and the Ethical Code of the Professional Accountants, including the provision of non-audit (ancillary) services by the registered auditor. The Audit Committee provides recommendations to the Management and Supervisory Boards regarding the internal control and risk management system. The Audit Committee reviews and provides opinion on the Annual Audit Plan and the Annual Report of the Internal Audit Department. The Audit Committee reports on its activities to the Sole Shareholder, once every year.
Risk Committee	The Risk Committee acts as an advisory body to provide support to the Company's Top Management in defining the Company's target risk and the related levels of economic capital; in monitoring the risk profile on the basis of reports prepared by the Company's Risk Management function and in setting any corrective strategies. The Risk Committee includes top management and representatives from GCEE Holding Risk Management department to which part of the risk management activities are outsourced.
Joint Technical Committee	At the end of 2018, the Company formed a Joint Technical Committee between the Risk Management and Actuarial Functions. The Committee continues its activities also in 2022. The aim of the Committee is to integrate the activities and allow for coordinated decisions between the two functions.

B.1.2. INFORMATION ON KEY FUNCTIONS

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

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

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

Key role	**Description**
Risk Management Function	The Risk Management is in charge of implementing and overseeing the risk management system. In particular it is responsible for providing information and suggestions to the Risk Committee and for working in close relation with the Heads of the business areas. Moreover, the Risk Management is in charge of the coordination of risk management policies, the execution of risk controlling activities and the development of risk evaluation methodologies. The Chief Risk Officer (CRO) leads the Risk Management and reports to the Risk Committee and to the regional Risk Management department.

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

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

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

B.1.3. MATERIAL CHANGES IN THE SYSTEM OF GOVERNANCE

No important changes in the system of governance have occurred during 2022.

B.1.4. REMUNERATION POLICY

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

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

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

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The components forming the overall remuneration are as follows:

- Basic (permanent) remuneration. It is determined on the basis of the job position in the management and organizational structure of the Company, the assigned responsibilities, targets and long-term interests of the Company, the individual personal characteristics and the state and conditions of the labor market
- Additional (permanent) remuneration. It is determined with the labor conditions on the basis of the law parameters and opportunities. The additional remuneration is permanent when paid permanently together with the basic remuneration and it is determined only on the number of years of employment

- Additional (nonpermanent, flexible) remuneration based on the achieved results. It is determined on the basis of the achieved results that were preliminary assigned as targets for a certain period of time. Variable remuneration is determined through annual plans and multi-year /deferred/ incentives linked to individual and company performance metrics that also take into account sustainability requirements in terms of the risks assumed.
- Other material motivations and benefits. They are determined Other material motivations and benefits. They are determined based on the job position in the management and organization structure in the Company and the assigned responsibilities and are not related to achieving certain results or taking certain risks.

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

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

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

- Criteria and indicators predetermined in the Policy have not been met;
- There is a significant deterioration of the financial condition of the Company, especially in cases whereas a result of which the termination of the activity can be expected;
- Extraordinary circumstances have occurred, leading to a significant risk to the financial stability or other long-term interests of the company.

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

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

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

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

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

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

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

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

B.2. FIT AND PROPER REQUIREMENTS

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

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

1) Each member of the Management Board shall at any time meet the fitness requirements under Art. 80, para. 1, It, 1 and 2, and Art. 83, para. 1 of the Insurance code (IC).
2) Each member of the Supervisory Board shall at any time meet the fitness requirements under Art. 80, para. 1, It, 1 and 2, and Art. 83, para. 2 of the IC. Independent members of the Supervisory board shall at any time meet the fitness requirements under Art. 81, para 2 of the IC as well.
3) The members of the Management Board who have been appointed to perform the Chief Executive Officer or the Executive Officer function shall at any time meet also the requirements under Art.80, para.4 of the IC.
4) The members of the Boards shall at any time meet the proper requirements under Art.80, para.1, It. 3 - 9 and para.3 of the IC.
5) for the rest of the personnel subject to these guidelines – by the appointing Body.
6) for the employees entrusted with the product distribution – for the head of the management and control function, ensuring the compliance with the fit and proper requirements for the employees, engaged in the distribution of (re)insurance products and of the relevant personnel in the management and supervisory bodies responsible for the scope of activity of the Head of the Human Resources Department.

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

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

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

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

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

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

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

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

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

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

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

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

B.3.1. RISK MANAGEMENT SYSTEM

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

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

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

1. Risk identification

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

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

Risk Map

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

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

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

2. Risk measurement

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

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

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

3. Risk Management and control

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

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

4. Risk reporting

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

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

5. Risk governance

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

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

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

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

B.3.2. ORSA PROCESS

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

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

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

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

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

B.3.3. RISK EMBEDDING IN CAPITAL MANAGEMENT PROCESS

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

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

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

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

B.4. INTERNAL CONTROL SYSTEM

Generali Group Internal Control Policy sets out the basic principles of the internal control system that should govern the activities of the Company. The aim of this policy is to guarantee that all processes are designed in the most suitable manner and puts an emphasis on having in place effective and proper internal control measures, which will ensure reliable protection against and mitigation of the risks to which the Company is exposed to.

The Company aims at maintaining the highest standards of business integrity and impeccable reputation, and therefore requires from its managers and employees to be fully acquainted with the internal control framework, the best practice standards and to observe these regulations at all times. Showing integrity and adhering to ethical values should be first and foremost part of the business conduct of top management, therefore one of the basic values in the Compliance Policy is the principle of “Leading by example”.

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

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

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

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

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

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

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

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

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

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

B.5. INTERNAL AUDIT FUNCTION

In GP Reinsurance EAD the internal audit activities are performed by the Internal Audit Department in line with the organizational rules defined in the Audit Group Policy approved by the Board of Directors of Assicurazioni Generali S.p.A. (Generali Group ultimate parent company) and in the Local Audit Policy approved by the Management Board of GP Reinsurance EAD.

The Internal Audit Department is an independent and objective function established by the Management Board and the Supervisory Board with the aim to examine and evaluate the adequacy, effectiveness and efficiency of the internal control system and of all the other elements of the governance system, through assurance and advisory activities for the benefit of the Management Board, the Senior Management and other stakeholders.

It supports the Management Board in identifying the strategies and guidelines on internal control and risk management, ensuring that they are appropriate and valid over time, and provides the Management Board and the Audit Committee with analysis, appraisals, recommendations and information concerning the activities reviewed.

In line with the Audit Group Policy on the basis of a solid line reporting model, the Head of Internal Audit reports to the Management Board, the Supervisory Board and to the Audit Committee, of GP Reinsurance EAD, and ultimately to the Head of Group Audit, through the Head of CEE Audit.

This ensures autonomy to act and independence from operational management as well as more effective communication flows. It covers the methodologies to be used, the organizational structure to be adopted (recruiting, appointment, dismissal, remuneration, sizing and budget in agreement with the Management Board), target setting and the year-end appraisal, the reporting methods, as well as the proposed audit activities to be included in the Internal Audit Plan to be submitted to the Management Board for approval.

The Internal Audit Department is provided with appropriate human, technical and financial resources and its staff possess and obtains the knowledge, skills and competencies needed to perform its role and mission, including technical capabilities to perform audit activities with the support of data analytics as well as the knowledge to perform audit activities on digital processes, including robotics and artificial intelligence.

Internal Audit Department has full, free, unrestricted and timely access to any of the organization's records, physical properties, and personnel pertinent to carry out any engagement, with strict accountability for confidentiality and safeguarding records and information. The Head of Internal Audit has free and unrestricted access to the Management Board and the Supervisory Board of GP Reinsurance EAD.

The Internal Audit Department acts in compliance with the guidelines issued by The Institute of Internal Auditors' (i.e. International Professional Practices Framework – IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.

The Head of the Internal Audit Department does not assume any responsibility for any other operational function and has an open, constructive and cooperative relationship with regulators, which supports sharing of information relevant to carry out their respective responsibilities.

All personnel of the Internal Audit Department complies with the specific fit and proper requirements as requested by the Fit & Proper Policy and avoids to the maximum extent possible, activities that could create conflicts of interest or be perceived as such. The internal auditors of the Internal Audit Department behave in an impeccable manner at all times, and information coming to their knowledge when carrying out their tasks shall always be kept strictly confidential.

The activity of Internal Audit Department remains free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to ensure the necessary independent and objective mental attitude.

Internal Auditors do not have direct operational responsibility or authority over any of the activities audited. Accordingly, they are not involved in operational organization of the undertaking or in developing, introducing or implementing organizational or internal control measures. However, the need of impartiality does not exclude the possibility to request from the Internal Audit Function an opinion on specific matters related to the internal control principles to be complied with.

The Internal Audit Department is not a part of, nor responsible for, the Risk Management, Compliance, Actuarial or Anti-Money Laundering Functions. It cooperates with other key functions, as well as Anti-Money Laundering Function, and external auditors to continuously foster the efficiency and effectiveness of the internal control system.

At least annually, the Head of Internal Audit Department proposes an Internal Audit Plan for GP Reinsurance EAD to the Management Board for its approval.

The Plan is developed based on a prioritization of the audit universe using a risk-based methodology and it takes into account all the activities, the system of governance, the expected developments of activities and innovations, the organization's strategies, the key business objectives, the inputs from the Senior Management and the members of the Management Board and the Audit Committee. Furthermore, the Plan takes into account any deficiencies found during audits already performed and any new risks detected.

The Audit Plan submitted by the Head of the Internal Audit Department for the approval of the Management Board at least the audit engagements, the criteria on the basis of which they have been selected, their timing as well as the budget and human resources requirements and any other relevant information. The Head of Internal Audit communicates to the Audit Committee and the Management Board the impact of any resource limitations and significant changes occurred during the year. The Management Board discuss and approves the plan along with the budget and human resources required to deliver it.

All audit activities are carried out following a consistent Group methodology (detailed in the Group Audit Manual), including the use of the Group audit IT tool. The scope of auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal control processes in relation to the organization's defined goals and objectives.

Following the conclusion of each engagement, a written audit report is prepared and issued by the Internal Audit Department to the auditee and the auditee's hierarchy. This report indicates the significance of the issues found and covers any issues regarding the effectiveness, efficiency and suitability of the internal control system, as well as major shortcomings regarding the compliance with internal policies, procedures, processes and company's objectives. It includes the proposal of the corrective actions taken or to be taken concerning the issues identified and the proposed deadlines for their implementation.

While the responsibility for addressing issues raised remains with business management, the Internal Audit Department is responsible for implementing appropriate follow-up activities on issues raised and their corresponding remedial actions.

Based on its activity and in accordance with Group methodology, the Internal Audit Department is responsible for reporting significant risk exposures and identified control issues to the Audit Committee and the Management Board, including fraud risks, governance issues and other matters needed or requested by the Management Board.

The Head of Internal Audit, at least on a semiannual basis, provides the Audit Committee and the Management Board with a report at local level on the activities performed, their results, the issues identified, the action plans for their resolution, their status and the timing for their implementation. It also includes the results of the follow-up activities, indication of the persons and/or functions responsible for the implementation of the action plans, timing and effectiveness of the actions implemented to remove the issues initially found. The Management Board determines what actions shall be taken with respect to each issue and ensures that those actions are carried out. However, in the event of any particularly serious situations arising in between the normal reporting cycle, the Head of Internal Audit will immediately inform the Management Board, the local Senior Management, Audit Committee, Supervisory Board, the Head of CEE Audit and the Head of Group Audit.

The Internal Audit Department maintains a quality assurance program, which includes both internal and external assessments aimed at covering all aspects of the audit activity, and a continuous improvement program. These programs include an evaluation of the audit activity's conformance with professional standards, Audit Group Policy, audit methodology detailed in the Group Audit Manual and The Institute of Internal Auditors Code of Ethics. The program also assesses the efficiency and effectiveness of the audit activity and identifies opportunities for improvement.

B.6. ACTUARIAL FUNCTION

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

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

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

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

In terms of resources, the Actuarial Function currently consists of several people. All of them possess an actuarial preparation, with a degree in actuarial sciences, statistics or mathematics, or otherwise finance/insurance specific post degree qualifications.

In detail, in addition to the head of the function, two persons in Non-Life and one person in Life are dedicated to the calculation and coordination of the activities (methodology, reporting, processes), while two persons are specifically dedicated to the independent validation of the technical provisions in Solvency II, separately for Non-Life and Life. Calculation validation activities are outsourced to Actuarial teams in Generali CEE Holding while validation activities are performed by the Head of the Actuarial function who is performed by internal resources (Appointed Actuary).

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

B.7. OUTSOURCING

B.7.1. INFORMATION ON OUTSOURCING POLICY

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

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

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

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

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

B.8. ANY OTHER INFORMATION

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

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

C. Risk Profile

C.1. UNDERWRITING RISK

C.1.1. LIFE UNDERWRITING RISK

RISK EXPOSURE AND ASSESSMENT

Life and health underwriting risks derive from the accepted reinsurance business in the life and health segment. It is accepted across the CEE region and refers to life business which started in 2018 and some specialized Health insurance classified as SLT.

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

Life and health underwriting risks are:

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

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

Life underwriting risks are measured by means of standard formula.

RISK MANAGEMENT AND MITIGATION

Life underwriting risk management is based on two main processes:

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

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

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

Life and health underwriting risks form just small part in comparison to NL portfolio. These risks are fully retained within Company. No transfers of life underwriting risks to reinsurers or SPVs are reported at YE2022 (also annuities are reported in Life only on gross part – ceded part stays in NL due to calculation issues).

C.1.2. NON-LIFE UNDERWRITING RISK

RISK EXPOSURE AND ASSESSMENT

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

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

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

In 2022 GP Reinsurance EAD has continued its main reinsurance activities within the region. The Company provides reinsurance services mainly to companies from Generali CEE Holding B.V. on the territory of Bulgaria, Serbia, Montenegro, Romania, Czech Republic, Hungary, Slovakia, Croatia, Slovenia and Poland.

Most of the external reinsurance treaties are retro-ceded directly to Assicurazioni Generali S.p.A

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

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

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

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

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

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

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

RISK MANAGEMENT AND MITIGATION

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

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

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

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

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

The Property Catastrophe Reinsurance Program for 2022 was designed as follows:

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

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

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

C.2. MARKET RISK

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

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

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

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

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

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

The Company invests the premiums collected in financial instruments ensuring that benefits to cedants can be timely paid. If the value of the financial investments sufficiently decreases at the moment when benefits to cedants need to be paid, the Company may fail to maintain its promises to cedants. Therefore, the Company must ensure that the value of the financial investments backing the insurance contracts do not fall below the value of its obligations.

Asset allocation	Market value (thousand BGN) 2022	Market value (thousand BGN) 2021
Government bonds	1.460.147	1.088.394
Corporate bonds	399.115	514.148
Investment funds	162.680	127.243
Equity	346.406	299.047
Structured notes	20.077	25.582
Cash and deposits	54.852	151.607
Mortgages and loans	165.520	165.807
Reverse REPO	-	14.244
Derivatives	13.579	11.368

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

Property	83	23
Total	**2.622.459**	**2.397.463**

In the asset allocation we can see decrease in Corporate bonds (decreasing exposure mainly thanks to sale of Russian corporate bonds) and Cash and deposits (cancellation of the reinsurance deposit) in favour of Government bonds (higher yields).

RISK EXPOSURE AND ASSESSMENT

The Market Risks included in the Company Risk Map are:

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

The current allocation to Market Risks is the following:

Asset allocation	Market value (thousand BGN) 2022	Market value (thousand BGN) 2021
Concentration risk	2.675.441	2.338.659
Property risk	326.582	262.323
Equity risk	159.614	175.309
Interest rate risk	2.033.881	1.889.131
Currency risk	660.472	677.512
Spread risk	2.189.306	1.901.090
Total	**8.045.296**	**7.244.024**

We can see the increasing exposure in Interest rate, Concentration and Spread risk thanks to the increase of fixed income exposure (government bonds). In 2022 the Company increased the capital in Generali Real Estate fund which resulted in the growing exposure in Property risk.

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

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

RISK MANAGEMENT AND MITIGATION

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

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

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

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

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

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

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

The annual SAA proposal:

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

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

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

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

Currency risk

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

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

The Company implements the hedge accounting to reflect its hedging strategy within the financial statements. Within the hedge accounting activities, effectiveness of hedging is measured based on comparison of the change in the fair value of the hedging instrument and change in the fair value of hedged item with respect to the hedged risk. The hedge relationship is considered to be effective for the test result within 80-125%.

At the same time, it should be noted that FX hedging relates to IFRS technical provisions. The more S2 technical provisions differs from IFRS ones the higher FX risk for the purpose of S2 appears.

C.3. CREDIT RISK

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

RISK EXPOSURE AND ASSESSMENT

The Credit Risk included in the Company Risk Map is:

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

The current allocation to Credit Risk is the following:

Exposure to risk type	Market value (thousand BGN) 2022	Market value (thousand BGN) 2021
Counterparty Default Risk	956.825	1.285.555

The reasons for the decrease in assets that fall under Counterparty default risk are decreasing reinsurance recoverables/receivables and cancellation of reinsurance deposit to Generali Ceska pojistovna.

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

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

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

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

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

RISK MANAGEMENT AND MITIGATION

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

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

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

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

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

C.4. LIQUIDITY RISK

RISK EXPOSURE AND ASSESSMENT

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

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

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

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

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

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

C.4.1. EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

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

The amount of EPIFP for the Life business written by the Company has been calculated in accordance with article 260(2) of the Delegated Acts and amounts to 36.257 thousand BGN at year-end 2022. Slight decreased to the last year (38.847 thousand BGN) is driven by the portfolio development .

The amount of EPIFP for the Nonlife business written by the Company has been calculated in accordance with article 260(2) of the Delegated Acts and amounts to 329.297 thousand BGN at year-end 2022. The increase of the profit compared to the last year (269.024 thousand BGN) is driven by improving of assumed Loss ratio for business accepted via CAT treaties,

C.5. OPERATIONAL RISK

RISK EXPOSURE AND ASSESSMENT

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

RISK MEASUREMENT

Operational risks are measured following the standard formula approach.

The SCR for operational risks amounts to 66 m BGN (equal to 6% of total SCR before diversification and 8% of total SCR after diversification).

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

RISK MANAGEMENT AND MITIGATION

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

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

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

MAIN ACTIVITIES WITHIN THE OPERATIONAL RISK MANAGEMENT FRAMEWORK

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

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

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

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

During 2022, the company was monitoring and collecting loss data and performed Overall Risk Assessment, which was a joint activity between Operational Risk and Compliance.

MAIN COMPANY RISKS

Based on the last assessments, the most relevant scenarios at company level are related to cyber-attacks and IT Data Loss. The IT Data Loss risk only considers loss of information as a results of human error. The exposure increases compared to 2021 due to the chosen approach to file storage in the company. The use of a file server cannot fully mitigate the risk of information loss or alteration. The opinion of the risk owner leads to the need to change the approach so that the risk can be reduced to an acceptable level. As of October 2022, the Management has taken the recommendation into account and the company has started a migration process to OneDrive which will mitigate and lower the risk to acceptable levels

The company has established an ongoing Loss Data Collection process according to the Group methodology. In 2022 no significant operational loss has occurred in the company.

C.6. OTHER MATERIAL RISK

C.6.1. RISK CONCENTRATION

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

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

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

The annual assessment has outlined no significant risk concentrations at year-end 2022 that could undermine the solvency or liquidity situation of the Company.

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C.7. ANY OTHER INFORMATION

C.7.1. OTHER RISKS

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

- Emerging Risks arising from new trends or risks difficult to perceive and quantify, although typically systemic. These usually include internal or external environment changes, social trends, regulatory developments, technological achievements, etc. For the assessment of these risks, the Company relies on the information set provided by Head Office and ensures a proper discussion with all main Business Functions
- Reputational Risk referring to potential losses arising from deterioration or a negative perception of the Company or among its customers, counterparties and Supervisory Authority. The processes in place in order to manage this risk are: communication and media monitoring activities, corporate and social responsibility, ethics and compliance. Overall, due to the nature of GP Reinsurance EAD operations, i.e. a captive reinsurer for Generali insurance companies in the CEE region, the exposure to reputational risk is limited.
- Contagion risk refers to potential negative implications that events occurring within one Group company may negatively affect also GP Re.

C.7.2. INFORMATION ON SENSITIVITIES

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

C.7.3. MAJOR DEVELOPMENT

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

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

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

D. Valuation for Solvency Purposes

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

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

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

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

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

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

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

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

1) the valuation method is:

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

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

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

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

Fair value hierarchy

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

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

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

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

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

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

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

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

Level 1 inputs

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

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

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

Level 2 inputs

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

They include:

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

Level 3 inputs

Level 3 inputs are unobservable inputs for the asset.

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

Fair value measurement approach

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

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

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

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

Guidance on measurement

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

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

Valuation techniques

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

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

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

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

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

D.1. ASSETS

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

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

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

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

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

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

In particular, the exceptions refer to:

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

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

GOODWILL, DAC AND INTANGIBLE ASSETS

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

All intangible assets and DAC are valued at zero in MVBS balance sheet. The Company does not have any goodwill as at 31.12. 2021.

DEFERRED TAXES

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

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

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

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

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

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

While a DTL can be recognized in the balance sheet without further justification, the recognition of a DTA is subject to a recoverability test, which aims at showing that sufficient profits will be available in the future to absorb the tax credit, since a DTA can only be recognized "to the extent that it is probable that future taxable profit will be available against which the DTA can be utilized". In case the deferred taxes after shock (= initial deferred taxes + adjustment) result in a situation of DTA, a recoverability test will be needed to verify if the

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

whole tax can be recognized. In order to test this recoverability, it is necessary not only to take into account any sources of future profits, including the ones which are not already recognized in the balance sheet, but also "any legal or regulatory requirements on the time limits relating to the carry forward of unused tax losses / credits".

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

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

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

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

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

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

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

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

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

Table below presents deferred tax asset and liability recognized by the Company in the economic balance sheet.

SII BS item (Thousand BGN)	DTA	DTL
Other investments	19.234	(12.362)
Receivables, payables	64	-
Insurance provisions and amount ceded to reinsurers from insurance provisions	-	(77.973)
Deferred acquisition costs	17	-
Other provisions	280	-
Any other assets, liabilities, not elsewhere shown	-	(6)
Netting	(19.595)	19.595
Total	-	**(70.746)**

Material deferred tax asset was recognized from Other investments and Other provisions. Deferred tax liabilities arise mostly from difference between technical provision tax value and technical provision calculated according to SII.

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

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

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

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

Net Deferred Taxes

(Thousand BGN)	Expiry Date Total	Up to 1 year	Between 1 and 5 years	More than 5 years	Unlimited
Net Deferred Taxes	**(70.746)**	0	**(70.746)**	0	0
Deferred Tax Assets	**15.595**	0	**15.595**	0	0
DAC & Intangible assets	**0**	0	**0**	0	0
Investments (including Real Estate self-used)	**19.234**	0	**19.234**	0	0
Net Insurance Provision and Reinsurance Deposits	**0**	0	**0**	0	0
Financial Liabilities	**0**	0	**0**	0	0
Other Items	**361**	0	**361**	0	0
Deferred Tax Liabilities	**(90.341)**	0	**(90.341)**	0	0
DAC & Intangible assets	**0**	0	**0**	0	0
Investment (including Real Estate self-used)	**(12.362)**	0	**(12.362)**	0	0
Net Insurance Provision and Reinsurance Deposits	**(77.973)**	0	**(77.973)**	0	0
Financial Liabilities	**0**	0	**0**	0	0
Other Items	**(6)**	0	**(6)**	0	0

INVESTMENTS – HOLDINGS IN RELATED UNDERTAKINGS

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

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

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

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

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

Valuation

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

[5] L3 Guidelines states that when identifying a related undertaking pursuant to Article 212 (2) of Directive 2009/138/EC on the basis that the participating undertaking can exert a dominant or significant influence over another undertaking, supervisory authorities should consider the following:
current shareholdings and potential increases due to the holding of options, warrants or similar instruments
membership rights of a mutual or mutual-type undertaking and potential increases in such rights
representation on the administrative, management or supervisory board of the potential related undertaking
involvement in policy-making processes, including decision making about dividends or other distributions
material transactions between the participating undertaking and potential related undertaking
interchange of managerial personnel
provision of essential technical information
management on a unified basis.

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

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

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

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

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

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

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

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

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

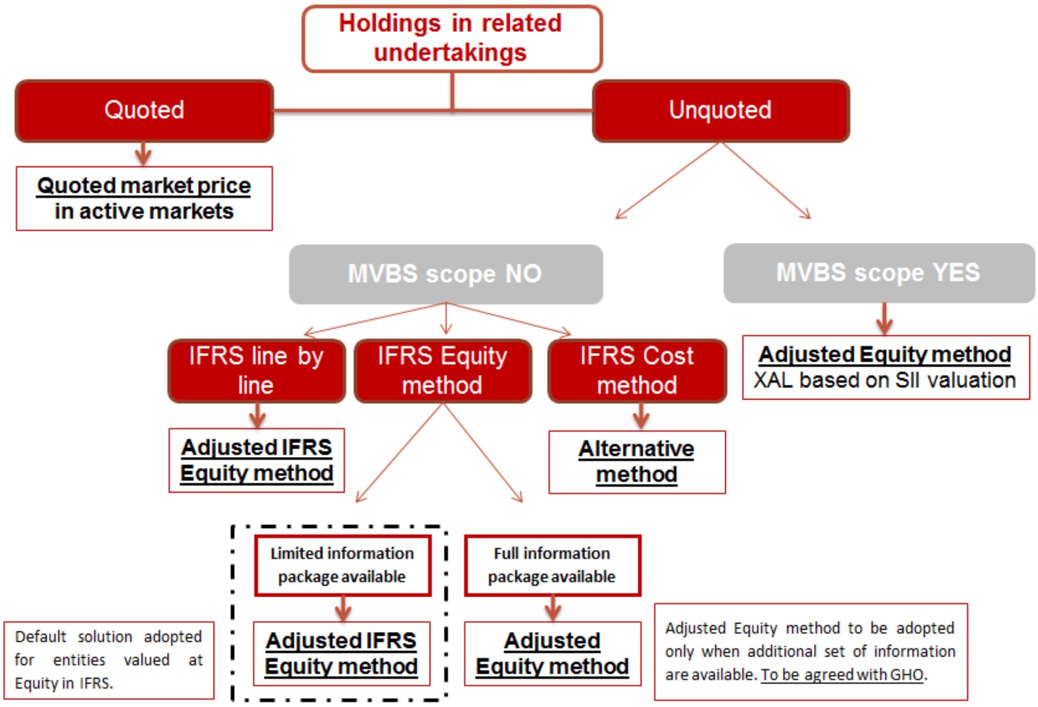
In general terms, using the Adjusted IFRS equity method instead of the adjusted equity method based on Solvency II valuation principles may not lead to a proper economic value because, in many cases, not all balance items will be measured at fair value. However, this method is introduced to facilitate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

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

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

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

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



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

INVESTMENTS – EQUITIES

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

INVESTMENTS – GOVERNMENT BONDS

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

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

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

COLLECTIVE INVESTMENTS UNDERTAKINGS

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

DERIVATIVES

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

DEPOSITS OTHER THAN CASH EQUIVALENTS

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

OTHER INVESTMENTS

Residual class of investments items.

LOANS AND MORTGAGES

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

DEPOSITS TO CEDANTS

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

RECEIVABLES (INSURANCE, REINSURANCE, TRADE NOT INSURANCE)

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

CASH AND CASH EQUIVALENTS

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

ANY OTHER ASSETS, NOT ELSEWHERE SHOWN

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

D.2. TECHNICAL PROVISIONS

LIFE TECHNICAL PROVISIONS

SII Group life technical provisions: overview and details by component

The Solvency II Life Technical Provisions at the end of 2022 have been calculated according to articles 77 to 83 of the Solvency II Directive 2009/138/EC. In line with Solvency II rules and the policy conditions, contract boundaries are determined by the length of reinsurance contract for CPI protection business and accidental riders which is set as one year.

The following table shows the amount of Solvency II Group Technical Provisions at 31 December 2022 and at 31 December 2021, broken down by main components: best estimate of liabilities, risk margin and reinsurance recoverables net of the counterparty default adjustment.

(SII Life technical provisions

(thsBGN)	31.12.2022	31.12.2021
Best estimate of liabilities - gross of reinsurance	95.355	-34.417
Risk margin	4.004	1.417
Technical provisions - gross of reinsurance	**99.359**	**-33.000**
Reinsurance recoverables	0	0
Technical provisions - net of reinsurance	**99.359**	**-33.000**
Transitional measures	0	0
Technical Provision – net of reinsurance and transitional measures	**99.359**	**-33.000**

The Best Estimate of liabilities are composed of three parts with opposite impact. Accepted claim reserves which are not revaluated (not modelled business), accepted CPI business and accepted annuities stemming from nonlife from CEE entities. The Technical provision related to CPI products generates negative liability, as this segment is very profitable. The technical provisions related to nonlife annuities generates positive liability. BEL for unmodelled business is equal to the IFRS reserve (positive part of BEL). The main driver of the change in BEL is inclusion of annuities stemming from nonlife. They were part of nonlife in previous years. Risk Margin reflects these changes.

SII Group life technical provisions: details by line of business

The following table reports the amount of Solvency II Group life technical provisions (and of its main components) at 31 December 2022 with breakdown by main lines of business.

SII Life technical provisions at 31.12.2022

(thsBGN)	BEL gross of reins.	Risk margin	SII TP gross of reins.
Life insurance other than index and unit linked	-95.355	4.004	99.359
Index and unit linked	0	0	0
Health insurance similar to life	0	0	0
Total	**-95.355**	**4.004**	**99.359**

Life Technical provisions of GPRe are composed only of Life insurance other than index and unit linked, covering accidental riders, CPI product underwritten in CEE subsidiaries and annuities stemming from nonlife.

SII Group life technical provisions: comparison with IFRS reserves

The following table compares IFRS reserves, which for Solvency II purposes are calculated using life techniques at 31 December 2021.

Life statutory reserves and SII technical provisions at 31.12.2022

(thsBGN)	Statutory reserves gross of reins.	SII TP gross of reins.
Life insurance other than index and unit linked	181.381	99.359
Index and unit linked	0	0
Health insurance similar to life	0	0
Total	**181.381**	**99.359**

The difference between IFRS reserves and Solvency II life technical provisions is due to the substantial methodological differences between their respective valuation approaches. The valuation of the IFRS reserves is based on technical provisions calculated in accordance with local accounting principles and thus generally uses demographic pricing assumptions, discounts the contractual flows at the technical interest rate defined at the issue of the contract. The Solvency II valuation, instead, is based on the projection of future cash flows performed using best estimate operating assumptions, and discounting using the current interest rate term structure. Moreover, under the Solvency II framework, the valuation of technical provisions includes the risk margin, whilst this component is not included in the valuation of IFRS reserves.

SII Group life technical provisions: source of uncertainty

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

Given the nature of the portfolio, in terms of operating assumptions, the most relevant is the impact of morbidity sensitivity (+/-4.8% in +/-10% scenario).

NON-LIFE TECHNICAL PROVISIONS

The P&C technical provisions, both related to

- outstanding claims reported or not and occurred before the evaluation date, whose costs and related expenses have not been completely paid by that date (outstanding claims reserve)
- future claims of contracts that are either in force at the valuation date or for which a legal obligation to provide coverage exists (premiums reserve)

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

$$TP = BEL + RM$$

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

Outstanding Claims Reserve

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

Claims and Grouping

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

Expenses

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

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

Inflation

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

Actuarial Methods

The actuarial methods used for projecting the experienced history of claims and reserves are the ones implemented in the Group Reserving Tool (ResQ) and described in the Generali group methodology. In particular, the following methods have been considered:

- Link ratio methods on paid (or development factor models - DFM) are a generalization of the chain ladder method, based on an analysis of cumulative payments along the years. This class of methods is based on the hypothesis that the settlement process is stable across origin periods
- Link ratio methods on incurred technically work as the previous ones but are based on incurred developments, i.e. the sum of cumulative paid and outstanding amounts
- Bornhuetter-Ferguson methods on paid or incurred combine the projected ultimate (obtained, e.g., by means of a development factor method) with an alternative (a priori) value, using a weighted credibility approach
- Cape Cod methods on paid or incurred, which, similarly to the Bornhuetter-Ferguson method combines already emerged claims with expected claims to be paid or reported late, based on assumptions derived from the emerged proportion of claims

An analysis using more than one of the methods listed above was done to confirm the results.

To obtain the final gross UBEL, all excluded or separately evaluated items (e.g. un-/semi-modelled parts) are added to the ultimate claims cost.

Net Evaluation

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

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

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

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

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

Premiums Reserve

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

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

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

- cash in-flows arising from future premiums
- cash out-flows arising from future claims, net of salvage and subrogation, including allocated and unallocated claims
- cash out-flows arising from administration expenses in respect of claims occurring after the valuation date as well as costs arising from on-going administration of in-force policies and acquisition costs, insofar related to the considered portfolio.

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

Discounting

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

Risk Margin

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

Overview of Technical Provisions

SII technical provisions - Claims provisions

(BGN thousand)	31.12.2022	31.12.2021
Best estimate of liabilities - gross of reinsurance	928.420	1.087.137
Risk margin	37.792	57.173
Technical provisions - gross of reinsurance	**966.212**	**1.144.311**
Reinsurance recoverables	(165.768)	(311.066)
Technical provisions - net of reinsurance	**800.443**	**833.245**

SII technical provisions - Premium provisions

(BGN thousand)	31.12.2022	31.12.2021
Best estimate of liabilities - gross of reinsurance	(316.607)	(258.992)
Risk margin	53.959	62.366
Technical provisions - gross of reinsurance	**(262.648)**	**(196.626)**
Reinsurance recoverables	13.582	(86)
Technical provisions - net of reinsurance	**(249.066)**	**(196.712)**

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

- NL annuities claims newly separated from NL claims and analyzed in Life for SII purposes -> BEL, RM decrease
- Inflation -> BEL increase, mainly on Motor
- Positive development in 2022. Low amounts of large claims compared to 2021 -> big effect on reinsurance recovarables

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

- Large amount of un-incepted business cause that the liabilities of premium provisions are negative
- Improving of assumed Loss ratio for business accepted via CAT treaties -> BEL, RM decrease

Details by Line of Business

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

SII Non-life technical provisions - Claims provisions at 31/12/2022

(BGN thousand)	BEL net of reins. after CDA	Risk margin	SII TP net of reins.
Total	**762.652**	**37.792**	**800.443**
Direct and accepted proportional	**786.184**	**27.290**	**813.474**
Non-life motor	318.243	14.572	332.815
Non-life non motor excl. AHD	422.187	11.820	434.007
Accident, Health and Disability	45.754	898	46.652
Accepted non-proportional	**(29.289)**	**10.502**	**(18.787)**
Non-life motor	(10.870)	7.668	(3.202)
Non-life non motor excl. AHD	(19.876)	2.793	(17.083)
Accident, Health and Disability	1.457	41	1.498
Simplified approach	**5.757**	**0**	**5.757**

SII Non-life technical provisions - Premium provisions at 31/12/2022

(BGN thousand)	BEL net of reins. after CDA	Risk margin	SII TP net of reins.
Total	**(303.025)**	**53.959**	**(249.066)**
Direct and accepted proportional	**(254.725)**	**30.467**	**(224.258)**
Non-life motor	(56.598)	13.071	(43.526)
Non-life non motor excl. AHD	(190.191)	16.591	(173.600)
Accident, Health and Disability	(7.937)	805	(7.132)
Accepted non-proportional	**(48.300)**	**23.492**	**(24.808)**
Non-life motor	(31.533)	9.837	(21.696)
Non-life non motor excl. AHD	(16.136)	13.537	(2.599)
Accident, Health and Disability	(631)	118	(513)

Comparison with Statutory Reserves

Non-life statutory reserves and SII TP - Claims and premium provisions at 31/12/2022

(BGN thousand)	Statutory reserves net of reins.	SII TP net of reins.
Non-life motor	682.150	264.390
Non-life non motor excl. AHD	635.972	240.725
Accident, Health and Disability	65.076	40.505
Simplified approach	0	5.757
Total	**1.383.198**	**551.378**

Both IFRS outstanding provisions (RBNS + IBNR) and UBEL OC amounts were overtaken from cedants by mirroring approach. The cedants use obvious prudence for setting IFRS IBNR and IFRS RBNS. Therefore, IFRS outstanding provisions are held at a higher level than UBEL in order to be able not only to cover the mean expected value of unsettled claims but also to be able to absorb possible negative deviations in claims run-off. Such deviations can be caused by higher counts of late reported claims, by a higher than average severity or by the unfavorable development of already reported claims in a given calendar year. The random behavior of the claims development requires keeping an uncertainty margin in IFRS provisions. Consequently, this margin represents the difference between UBEL and IFRS. The size of this margin is monitored and manages to be in the reasonable range, considering the risk appetite of the Company.

IFRS UP provisions are booked on the pro rata temporis accounting principle reflecting the unearned part of a written premium proportional to the undue part of the period for which the premium has been written. This is done individually for each reinsurance policy. Contrary to this, Solvency II principles require the evaluation of a premium provision as a difference between future outflows (claims and expenses) and future inflows (premium). This means that the IFRS approach is not strictly dependent on the profitability of the business (only in case of the premium's insufficiency) whilst the evaluation according to Solvency II principles is strictly driven by loss and expense assumptions. In addition, only the written part of the premium can serve as the basis for the recognition of unearned premiums in IFRS, but Solvency II principles require the inclusion of future premiums coming from contracted business, which have not yet been written. This includes future instalments of policies in force and premiums from already contracted policies with future inception.

Use of Long-term Guarantee Measures

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

Source of Uncertainty and Sensitivity Analyses

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

The second type of uncertainty is represented by external factors such as claims inflation, interest rates and changes in legislation. These factors are not driven by the Company, but their impact can be reduced by the ongoing monitoring of the market and legal environment and early identification or even anticipation of possible changes. Sensitivity analyses of external factors are performed by the Company. A decrease of the risk-free rate by 50 basis points would result in an increase of BEL by 3,2%.

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

D.3. OTHER LIABILITIES

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

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

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

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

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

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

CONTINGENT LIABILITIES

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

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

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

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

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

Valuation

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

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

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

The Company does not have any contingent liabilities as at 31.12.2020.

PROVISIONS OTHER THAN TECHNICAL PROVISIONS

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

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

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

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

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

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

Other current liabilities (BGN thousand)

	31.12.2022	31.12.2021
Corporate income tax liabilities	5.645	10.731
Payables to suppliers and to related parties	345	466
Payables to social security and other government authorities	644	630
Lease liabilities	57	7
Accruals for unused paid leave	69	52
Cash collateral under a contract	11.599	11.349
Payables to banks	4	2
Other accruals	2.936	2.340
Consultant contracts payables	184	196
Total	**21.482**	**25.773**

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

PENSION BENEFIT OBLIGATIONS

Retirement provisions (BGN thousand)

	2022	2021
Amount recognized in the balance sheet:		
Present value of the liability	38	38
Carrying amount of the liability	**38**	**38**
Liability movements for the year		
At the beginning of the year	**38**	**25**
Income/Expense through the statement of comprehensive income	-	13
At the end of the year	**38**	**38**
Actuarial assumptions		
Discount rate (%)	0,3%	0,3%
Salaries increase	-	-

DEFERRED TAX LIABILITIES

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

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

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

As the tax for local purposes is being calculated annually, we do assume that the expiration period is by the next year-end of 2022 year.

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

SII BS item (Thousand BGN)	DTA	DTL
Other investments	19.234	(12.362)
Receivables, payables	64	-
Insurance provisions and amount ceded to reinsurers from insurance provisions	-	(77.973)
Deferred acquisition costs	17	-
Other provisions	280	-
Any other assets, liabilities, not elsewhere shown	-	(6)
Netting	(19.595)	19.595
Total	-	**(70.746)**

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

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

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

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

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

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

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

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

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

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

FINANCIAL LIABILITIES (INCLUDING SUBORDINATED LIABILTIES)

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

IAS 39 - Financial instruments: recognition and measurement states that financial liabilities have to be intended with the meanings specified in paragraph 11 of IAS 32 - Financial instruments: presentation, where it is defined that a financial liability is any liability that is:

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

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

Valuation

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

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

- mark to market approach (default approach): this approach is based on readily available prices in orderly transactions that are sourced independently (quoted market prices in active markets);
- mark to model Approach: is any valuation technique which has to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input (maximize market inputs, minimize unobservable inputs).

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

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

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

The financial liabilities valued at amortized cost according to IAS 39 shall be valued at Fair Value for the Solvency II balance sheet according to art. 75 (1) of L1 - Dir.

For financial liabilities valuation purposes, IAS 39 Fair Value definition is consistent with Solvency II principle taking into account that:

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

[9] The same conclusions also apply to investments in branches.
[10] In accordance with IFRS 9 paragraph B5.7.16 and following.

GP Re has classified the currency SWAPs and forwards as financial liabilities as at 31.12.2021. The table below represents derivatives for hedging at fair value (thousand BGN).

	2022			2021		
	Asset	Liability	Nominal Value	Asset	Liability	Nominal Value
Currency short term swaps	14.772	(1.342)	474.018	15.914	(3.464)	757.213
Currency short term forward	148	0	15.797	130	(1.211)	(57.419)
Total	14.920	(1.342)	489.815	16.044	(4.675)	699.794

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

PAYABLES (INSURANCE, REINSURANCE, TRADE NOT INSURANCE)

As noted in Section D RECEIVABLES (INSURANCE, REINSURANCE, TRADE NOT INSURANCE), as at 31.12.2022 for Solvency II the Company presents its receivables and payables on proportional reinsurance contracts on net basis, which equals the net basis presentation in the 2022 IFRS Report.

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

Reinsurance contracts payables (BGN thousand)

Reinsurance payables for Solvency II purposes are as follows:

	31.12.2022	31.12.2021
Accepted reinsurance liabilities	123.618	380.674
Ceded reinsurance liabilities	10.205	26.120
Reinsurance brokerage liabilities	410	501
Reinsurance profit commission liabilities	-	7.873
Total	**134.233**	**415.168**

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

D.4. ALTERNATIVE METHODS FOR VALUATION

ASSETS

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

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

D.4.2. LIABILITIES

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

D.5. ANY OTHER INFORMATION

No other information to be disclosed in this section.

Annex

QRT TEMPLATES VALID FOR SOLO LOCAL PURPOSES (BGN THOUSAND)

Balance sheet – Assets

(Thousand BGN)	Solvency II value
Assets	
Intangible assets	0
Deferred tax assets	0
Pension benefit surplus	0
Property, plant & equipment held for own use	81.752
Investments including assets held for index-linked and unit-linked contracts)	**2.403.680**
Property (other than for own use)	0
Holdings in related undertakings, including participations	297.735
Equities	*128.758*
Equities - listed	8.634
Equities - unlisted	120.124
Bonds	*1.879.339*
Government Bonds	1.460.147
Corporate Bonds	399.115
Structured notes	20.077
Collateralised securities	0
Collective Investments Undertakings	82.650
Derivatives	14.920
Deposits other than cash equivalents	278
Other investments	0
Assets held for index-linked and unit-linked contracts	0
Loans and mortgages	**165.520**
Loans on policies	0
Loans and mortgages to individuals	0
Other loans and mortgages	165.520
Reinsurance recoverables from:	**152.186**
Non-life and health similar to non-life	**152.186**
Non-life excluding health	**152.185**
Health similar to non-life	881
Life and health similar to life, excluding health and index-linked and unit-linked	0
Health similar to life	0
Life excluding health and index-linked and unit-linked	0
Life index-linked and unit-linked	0
Deposits to cedants	446
Insurance and intermediaries receivables	111.125
Ceded reinsurance receivables	23.310
Receivables (trade, not insurance)	1.933
Own shares (held directly)	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	54.127
Any other assets, not elsewhere shown	27.541
Total assets	**2.912.438**

Balance sheet – Liabilities

(Thousand BGN)	Solvency II value
Liabilities	
Technical provisions - non-life	**703.564**
Technical provisions - non-life (excluding health)	**662.979**
TP calculated as a whole	.
Best estimate	573.091
Risk margin	89.889
Technical provisions - health (similar to non-life)	**40.584**
TP calculated as a whole	0.
Best estimate	38.772
Risk margin	1.862
TP - life (excluding index-linked and unit-linked)	**99.359**
Technical provisions - health (similar to life)	**0**
TP calculated as a whole	0
Best estimate	0
Risk margin	0
TP - life (excluding health and index-linked and unit-linked)	**99.359**
TP calculated as a whole	.
Best estimate	95.355
Risk margin	4.004
TP - index-linked and unit-linked	**0**
TP calculated as a whole	0
Best estimate	0
Risk margin	0
Contingent liabilities	0
Provisions other than technical provisions	0
Pension benefit obligations	0
Deposits from reinsurers	0
Deferred tax liabilities	70.746
Derivatives	1.342
Debts owed to credit institutions	4
Financial liabilities other than debts owed to credit institutions	57
(Re)insurance payables & intermediaries payables	123.617
Ceded reinsurance payables	10.205
Payables (trade, not insurance)	21.459
Subordinated liabilities	0
Subordinated liabilities not in BOF	0
Subordinated liabilities in BOF	0
Any other liabilities, not elsewhere shown	410
Total liabilities	**1.030.762**
Excess of assets over liabilities	**1.881.675**

Balance Sheet – Assets under Solvency II and IFRS

(Thousand BGN)	Solvency II value	IFRS value
Assets		
Intangible assets	0	0
Deferred tax assets	0	4.150
Pension benefit surplus	0	0
Property, plant & equipment held for own use	81.752	82
Investments including assets held for index-linked and unit-linked contracts)	**2.403.680**	**2.401.248**
Property (other than for own use)	0	0
Holdings in related undertakings, including participations	297.735	215.209
Equities	*128.758*	*128.758*
Equities - listed	8.634	8.634
Equities - unlisted	120.124	120.124
Bonds	*1.879.339*	*1.879.339*
Government Bonds	1.460.147	1.460.147
Corporate Bonds	399.115	399.115
Structured notes	20.077	20.077
Collateralised securities	0	0
Collective Investments Undertakings	82.650	162.744
Derivatives	14.920	14.920
Deposits other than cash equivalents	278	278
Other investments	0	0
Assets held for index-linked and unit-linked contracts	0	0
Loans and mortgages	**165.520**	**168.328**
Loans on policies	0	0
Loans and mortgages to individuals	0	0
Other loans and mortgages	165.520	168.328
Reinsurance recoverables from:	**152.186**	**268.847**
Non-life and health similar to non-life	**152.186**	**268.847**
Non-life excluding health	**152.185**	**268.847**
Health similar to non-life	881	0
Life and health similar to life, excluding health and index-linked and unit-linked	0	0
Health similar to life	0	0
Life excluding health and index-linked and unit-linked	0	0
Life index-linked and unit-linked	0	0

Deposits to cedants	446	446
Insurance and intermediaries receivables	111.125	130.157
Ceded reinsurance receivables	23.310	23.306
Receivables (trade, not insurance)	1.933	1.933
Own shares (held directly)	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0
Cash and cash equivalents	54.127	54.127
Any other assets, not elsewhere shown	27.541	9.471
Total assets	**2.912.438**	**3.062.094**

Balance Sheet – Liabilities under Solvency II and IFRS

(Thousand BGN)	Solvency II value	IFRS value
Liabilities		
Technical provisions - non-life	**703.564**	**1.663.908***
Technical provisions - non-life (excluding health)	**662.979**	**1.586.967***
TP calculated as a whole	-	
Best estimate	573.091	
Risk margin	89.889	
Technical provisions - health (similar to non-life)	**40.584**	**66.940***
TP calculated as a whole	0.	
Best estimate	38.772	
Risk margin	1.862	
TP - life (excluding index-linked and unit-linked)	**99.359**	**4.402***
Technical provisions - health (similar to life)	**0**	
TP calculated as a whole	0	
Best estimate	0	
Risk margin	0	
TP - life (excluding health and index-linked and unit-linked)	**99.359**	**4.402**
TP calculated as a whole	-	
Best estimate	95.355	
Risk margin	4.004	
TP - index-linked and unit-linked	**0**	
TP calculated as a whole	0	
Best estimate	0	
Risk margin	0	
Contingent liabilities	0	0
Provisions other than technical provisions	0	0
Pension benefit obligations	0	0
Deposits from reinsurers	0	0
Deferred tax liabilities	70.746	0
Derivatives	1.342	1.342
Debts owed to credit institutions	4	4
Financial liabilities other than debts owed to credit institutions	57	57
(Re)insurance payables & intermediaries payables	123.617	142.649
Ceded reinsurance payables	10.205	10.200
Payables (trade, not insurance)	21.459	21.459

Subordinated liabilities	0	0
Subordinated liabilities not in BOF	0	0
Subordinated liabilities in BOF	0	0
Any other liabilities, not elsewhere shown	410	28.891
Total liabilities	**1.030.762**	**1.856.911**
Excess of assets over liabilities	**1.881.675**	**1.205.183**

**The IFRS value presented in the tables above is as per the information included in the Balance Sheet QRT as at 31.12.2022*

Non-life Technical Provisions (1/2)

(Thousand BGN)	Direct business and accepted proportional reinsurance								
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
Technical provisions calculated as a whole									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole									
Technical Provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross - Total	-15	-7.922		-35.207	-21.390	-12.992	-107.785	-66.752	11.249
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default							49	-1.467	12.633
Net Best Estimate of Premium Provisions	-15	-7.922		-35.207	-21.390	-12.992	-107.834	-65.284	-1.326
Claims provisions									
Gross - Total	0	45.831		273.616	40.180	17.371	216.482	166.035	14.038
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				-2.577	-5.637	77	-20.689	-325	14.068
Net Best Estimate of Claims Provisions	**0**	**45.830**		**276.194**	45.817	**17.294**	**237.175**	**166.360**	**25**
Total Best estimate - gross	**-15**	**37.908**		**238.409**	18.789	**4.379**	**108.696**	**99.284**	**25.287**
Total Best estimate - net	**-15**	**37.908**		**240.986**	24.426	**4.302**	**129.342**	**101.076**	**-1.301**
Risk margin	0	**1.703**		**23.493**	4.150	2.091	**10.034**	**13.203**	**2.857**
Amount of the transitional on Technical Provisions									
TP as a whole									
Best estimate									

Risk margin									
Technical provisions - total									
Technical provisions - total	-15	39.611		261.903	29.940	6.470	118.730	112.486	28.145
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total		0		-2.577	-5.637	**77**	-20.645	-1.792	26.588
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	-15	39.611		264.480	28.579	6.393	139.376	114.279	1.556

Non-life Technical Provisions (2/2)

(Thousand BGN)	Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance:				
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligations
Technical provisions calculated as a whole								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole								
Technical Provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross - Total		-2.439	-316	-631	-9.667	-1.249	-61.492	-316.607
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default					-1.140	-124	-23.474	-13.582
Net Best Estimate of Premium Provisions		-2.439	-316	-631	-8.527	-1.125	-38.018	-303.025
Claims provisions								
Gross - Total		35	3.043	1.459	30.655	1.301	118.374	928.420
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default					28.060	150	153.191	166.319
Net Best Estimate of Claims Provisions		**35**	**3.043**	**1.459**	**2.838**	**1.151**	**-34.571**	**762.652**
Total Best estimate - gross		**-2.404**	**2.727**	**829**	**20.988**	**52**	**56.882**	**611.813**
Total Best estimate - net		**-2.404**	**2.727**	**829**	**-5.689**	**27**	**-72.588**	**459.627**
Risk margin		**111**	**115**	**159**	**16.433**	**257**	**17.144**	**91.751**
Amount of the transitional on Technical Provisions								
TP as a whole								0
Best estimate								0
Risk margin								0

Technical provisions - total							
Technical provisions - total	-2.293	2.843	988	37.421	309	74.026	703.564
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total				26.677	25	129.470	152.186
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	-2.293	2.843	988	10.744	284	-55.444	551.378

Life Technical Provisions

(Thousand BGN)	Accepted reinsurance					
	Accepted reinsurance	Insurance with profit participation on Accepted reinsurance (Gross)	Index-linked and unit-linked insurance on Accepted reinsurance (Gross)	Other life insurance on Accepted reinsurance (Gross)	Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health insurance obligations (Gross)	**Total (Life other than health insurance, incl. Unit-Linked)**
Technical provisions calculated as a whole	**0**	0	0	0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**0**	0	0	0	0	**0**
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Gross Best Estimate	**95.355**	0	0	0	0	**95.355**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**0**	0	0	0	0	**0**
Best estimate minus recoverables from reinsurance/SPV and Finite Re	**95.355**	95.355	95.355	0	0	**95.355**
Risk Margin	**4.004**	0	0	0	0	**4.004**
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	0					0
Best estimate	0					0
Risk margin	0					0
Technical provisions - total	**99.359**					**99.359**

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

(Thousand BGN)	Development year (absolute amount)											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior											5,045	5,045	2,831,002
2013	423.289	161.806	37.626	15.914	10.990	5.920	2.024	990	2.010	979		979	661.548
2014	327.433	152.701	49.070	21.185	11.420	7.869	2.983	2.573	408			408	575.643
2015	345.237	152.515	34.315	22.118	17.383	8.675	362	6.040				6.040	586.644
2016	372.834	159.288	43.526	25.361	13.937	4.716	3.499					3.499	623.162
2017	392.121	196.752	54.520	39.631	22.232	4.905						4.905	710.160
2018	434.457	260.239	88.531	21.044	18.685							18.685	822.957
2019	485.128	208.376	40.888	23.041								23.041	757.433
2020	487.467	165.366	33.820									33.820	686.653
2021	627.437	356.204										356.204	983.641
2022	555.688											555.688	555.688
Total												**1.008.314**	**9.794.531**

Gross undiscounted Best Estimate Claims Provisions (thousands BGN)

(Thousand BGN)	Development year (absolute amount)											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											68.306	54.308
2013								-	23.437	-		-
2014							-	22.192	-			-
2015						-	34.788	-				-
2016					-	40.708	-					-
2017				-	65.976	-						-
2018			-	49.937	-							-
2019		-	93.920	-								-
2020	-	118.971	-									-
2021	602.412	-										-
2022	1.111.009											926.931
Total												926.931

E. Capital Management

E.1. OWN FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

E.1.2. AMOUNT AND QUALITY OF ELIGIBLE OWN FUNDS

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

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

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

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

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

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

ELIGIBLE OWN FUNDS TO MEET SCR

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

Available Own funds by tiering

(BGN thousand)	Total available own funds to meet the SCR	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Current Year	1.587.785	1.587.785	0	0	0
Previous Year	1.610.332	1.610.332	0	0	0
Change	**-22.547**	**-22.547**	0	0	0

Available Own Funds decreased as part of the current year profit is assumed to be retained in the company (in order to keep solvency ratio target).

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

Eligible Own funds by tiering

(BGN thousand)	Total eligible own funds to meet the SCR	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Current Year	1.587.785	1.587.785	0	0	0
Previous Year	1.610.332	1.610.332	0	0	0
Change	**-22.547**	**-22.547**	0	0	0

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

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

Solvency Ratio

(BGN thousand)	Current year	Previous year	Change
Own Funds	1.587.785	1.610.332	-22.547
Solvency Capital Requirement	756.088	764.312	-8.224
Solvency Ratio	**210.0%**	**210.7%**	**-0.7%**

BASIC OWN FUNDS

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

Own funds by Tiers

(BGN thousand)	Total	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	53.400	53.400	0	0	0
Share premium account related to ordinary share capital	0	0	0	0	0
Surplus funds	0	0	0	0	0
Preference shares	0	0	0	0	0
Share premium account related to preference shares	0	0	0	0	0
Reconciliation reserve (see below table)	1.534.385	1.534.385	0	0	0
Subordinated liabilities	0	0	0	0	0
An amount equal to the value of net deferred tax assets	0	0	0	0	0
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0	0	0	0	0
Deductions for participations in financial and credit institutions	0	0	0	0	0
Total basic own funds after deductions	**1.587.785**	**1.587.785**	0	0	0

Reconciliation reserve

(BGN thousand)	Current year	Previous year	Change
Assets – Liabilities	1.881.675	1.828.250	53.425
Own shares	0	0	0
Foreseeable dividends and distributions	293.891	217.918	75.972
Other basic own fund items	53.400	53.400	0
Restricted own fund items due to ring fencing	0	0	0
Reconciliation Reserve	**1.534.385**	**1.556.932**	**-22.547**

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

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

Eligible Own funds by tiering

(BGN thousand)	Total eligible own funds to meet the MCR	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2
Current Year	1.587.785	1.587.785	0	0
Previous Year	1.610.332	1.610.332	0	0
Change	**-22.547**	**-22.547**	0	0

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

E.1.4. EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

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

(BGN thousand)	Current Year	Previous year	Change
Expected Profit included in future premiums (EPIFP) - Life Business	36.257	38.847	-2.590
Expected Profit included in future premiums (EPIFP) - Non-Life Business	329.297	269.024	60.273
Total Expected Profit included in future premiums (EPIFP)	**365.554**	**307.871**	**57.683**

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

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

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

(BGN thousand)	Current year	Previous year
Statutory Equity as per IFRS Group view	1.139.957	1.119.225
Adjustment on Intangible	-166	44
Adjustment on Investment	67.706	60.556
Adjustment on Net Technical Provision	738.726	729.298
Adjustment on Financial and Subordinated debt	0	0
Adjustment on Other Items	10.349	-8.026
Adjustment on Deferred Taxes	-74.896	-72.847
Excess of Assets over Liabilities	1.881.675	1.828.250
Subordinated Liabilities	0	0
Foreseeable Dividend	-293.891	-217.918
Other deduction	0	0
Basic Own Funds	1.587.785	1.610.332
Ancillary Own Funds	0	0
Available Own Funds	1.587.785	1.610.332
Eligible Own Funds	**1.587.785**	**1.610.332**

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. SCR AND MCR VALUES

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

SCR Values

(BGN thousand)	Total
Current Year	756.088
Previous Year	764.312
Change	-8.224

MCR Values

(BGN thousand)	Total
Current Year	248.084
Previous Year	220.648
Change	27.436

E.2.2. SCR BREAKDOWN

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

Total SCR split by Risk before and after diversification

(BGN thousand)	Before Diversification 2022		Before Diversification 2021	
	Total	Impact (%)	Total	Impact (%)
nSCR before Diversification	**1.027.638**	**100%**	**1.040.321**	**100%**
Market Risks	333.680	32%	336.785	32%
Counterparty Default Risks	111.227	11%	137.971	13%
Life Underwriting Risks	24.410	2%	18.573	2%
Health Underwriting Risks	33.029	3%	25.013	2%
Non-Life Underwriting Risks	525.292	51%	521.979	50%
Diversification benefit	266.628		265.969	
nBSCR after Diversification	**761.010**		**774.352**	
Operational Risk	65.824		62.591	
Notional SCR arising from RFF	0		0	
Total SCR before Taxes	**826.834**		**836.943**	
Tax absorption	70.746		72.630	
Total SCR	**756.088**		**764.312**	

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

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

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

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

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

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

E.6. ANY OTHER INFORMATION

E.6.1. MAJOR DEVELOPMENT

Economic and Geopolitical environments were affected by Russian war and subsequent energy price volatility together with inflation and subsequent central banks’ interest rate hikes.

However, final 2022 impact on financial markets was not that harmful as many indicators already turned back in 4Q 2022.

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E.6.2. SENSITIVITIES

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

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

Sensitivities

(BGN million)	Solvency Ratio	Delta
Base value	210.0%	
Risk free rates (+50bps)	208.4%	-1.6%
Risk free rates (-50bps)	211.6%	1.6%
Real estates (-25%)	201,4%	-8,6%
Equity price (-25%)	201.3%	-8.7%
Risk free rates (+50bps)	208.9%	-1.1%
Risk free rates (-50bps)	206.5%	-3.5%
Credit spread Corporate (+50bps)	206.1%	-3.9%
Credit spread Govies (+50bps)	204.1%	-5.9%

It can be seen that none of the sensitivities represents a significant threat to the solvency position of the Company.

Annex

QRT TEMPLATES VALID FOR SOLO PURPOSES

Own funds – Solo (1/3)

(Thousand BGN)	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	1.587.785	1.587.785	0	0	0
Ordinary share capital (gross of own shares)	53.400	53.400	0	0	0
Share premium account related to ordinary share capital	0	0	0	0	0
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0	0	0	0
Subordinated mutual member accounts	0	0	0	0	0
Surplus funds	0	0	0	0	0
Preference shares	0	0	0	0	0
Share premium account related to preference shares	0	0	0	0	0
Reconciliation reserve	1.534.385	1.534.385	0	0	0
Subordinated liabilities	0	0	0	0	0
An amount equal to the value of net deferred tax assets	0	0	0	0	0
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0	0	0	0	0
Deductions	0	0	0	0	0
Deductions for participations in financial and credit institutions	0	0	0	0	0
Total basic own funds after deductions	**1.587.785**	**1.587.785**	0	0	0

Own funds – Solo (2/3)

(Thousand BGN)	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
Unpaid and uncalled preference shares callable on demand	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
Other ancillary own funds	0			0	0
Total ancillary own funds	**0**			**0**	**0**
Available and eligible own funds					
Total available own funds to meet the SCR	**1.587.785**	**1.587.785**	**0**	**0**	**0**
Total available own funds to meet the MCR	**1.587.785**	**1.587.785**	**0**	**0**	
Total eligible own funds to meet the SCR	**1.587.785**	**.**	**0**	**0**	**0**
Total eligible own funds to meet the MCR	**1.587.785**	**.**	**0**	**0**	

Own funds – Solo (3/3)

(Thousand BGN)	Total
SCR	**756.088**
MCR	**248.084**
Ratio of Eligible own funds to SCR	**210,0%**
Ratio of Eligible own funds to MCR	**640,0%**
Reconciliation reserve	**.**
Excess of assets over liabilities	1.881.675
Own shares (held directly and indirectly)	0
Foreseeable dividends, distributions and charges	293.891
Other basic own fund items	53.400
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Reconciliation reserve	**1.534.385**
Expected profits	**.**
Expected profits included in future premiums (EPIFP) - Life Business	36.257
Expected profits included in future premiums (EPIFP) - Non- life business	329.297
Total Expected profits included in future premiums (EPIFP)	**365.554**

Solvency Capital Requirement - for undertakings on Standard Formula

(Thousand BGN)	Gross solvency capital requirement	USP	Simplifications
Market risk	333.680	0	0
Counterparty default risk	111.227	0	0
Life underwriting risk	24.410	0	0
Health underwriting risk	33.029	0	0
Non-life underwriting risk	525.292	0	0
Diversification	-266.628	0	0
Intangible asset risk	0	0	0
Basic Solvency Capital Requirement	**761.010**	0	0

(Thousand BGN)

Calculation of Solvency Capital Requirement	
Operational risk	**65.824**
Loss-absorbing capacity of technical provisions	0
Loss-absorbing capacity of deferred taxes	**-70.746**
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency capital requirement excluding capital add-on	756.088
Capital add-on already set	0
Solvency capital requirement	756.088
Other information on SCR	0
Capital requirement for duration-based equity risk sub-module	0
Total amount of Notional Solvency Capital Requirements for remaining part	756.088
Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0

MCR Result for non-life activities

(Thousand BGN)	Non-life activities
MCRNL Result	208.233

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non-Life (Thousand BGN)	Non-life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	-15	15
Income protection insurance and proportional reinsurance	5.720	-78.622
Workers' compensation insurance and proportional reinsurance	0	0
Motor vehicle liability insurance and proportional reinsurance	240.986	432.727
Other motor insurance and proportional reinsurance	24.426	407.744
Marine, aviation and transport insurance and proportional reinsurance	4.302	46.800
Fire and other damage to property insurance and proportional reinsurance	129.342	532.369
General liability insurance and proportional reinsurance	101.076	201.412
Credit and suretyship insurance and proportional reinsurance	-1.301	11.948
Legal expenses insurance and proportional reinsurance	0	0
Assistance and proportional reinsurance	-2.404	8.540
Miscellaneous financial loss insurance and proportional reinsurance	2.728	3.469
Non-proportional health reinsurance	828	3.048
Non-proportional casualty reinsurance	-5.689	16.469
Non-proportional marine, aviation and transport reinsurance	27	2.148
Non-proportional property reinsurance	-72.588	97.639

MCR Result for life activities

(Thousand BGN)	Life activities
MCRL Result	39.851

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life (Thousand BGN)	Life activities	
	Net (of reinsurance/SPV and Finite Re) best estimate and TP calculated as a whole	Net (of reinsurance/SPV and Finite Re) total capital at risk
Obligations with profit participation - guaranteed benefits	0	0
Obligations with profit participation - future discretionary benefits	0	0
Index-linked and unit-linked insurance obligations	0	0

Other life (re)insurance and health (re)insurance obligations	-27.575	
Total capital at risk for all life (re)insurance obligations	0	39.637.166

Overall MCR

Overall MCR calculation (Thousand BGN)	
SCR	**756.088**
MCR cap	**340.240**
MCR floor	**189.022**
Combined MCR	**248.084**
Absolute floor of the MCR	**2.347**
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Minimum Capital Requirement	**248.084**