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REPORT

ON THE SOLVENCY AND FINANCIAL CONDITION OF

"DALLBOGG: LIFE AND HEALTH" AD

as of 31.12.2020

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Summary

This Solvency and Financial Condition Report of DALLBOGG: Life and Health Plc (the "Company") has been prepared in accordance with the public disclosure requirements of Directive 2009/138/EC of the European Parliament and of the Council, which entered into force on 1 January 2016 (the "Directive"). The report covers the activities and performance of DALLBOGG: Life and Health Plc, the governance system, the risk profile of the Company, information on own funds, and an assessment for solvency purposes.

"DALLBOGG: Life and Health S.A. is licensed to conduct insurance business in the classes of general insurance described in Section A.1 Activity. A major share in the Company's portfolio is occupied by motor insurance.

Directive 2009/138/EC sets out requirements aimed at improving the management system. Accordingly, DALLBOGG: Life & Health Plc has implemented internal policies and rules to improve the Company's processes and the activities of key units under Solvency II.

In 2020. In 2020 the Company will generate gross premium income of EUR 102.251 thousand. In order to limit possible losses on business lines with high risk exposure, "ZAD DallBogg: Life and Health" AD is party to reinsurance contracts with highly rated reinsurers from credit rating agencies with proven reputation. The Company's assets valued under Article 75 of the Directive increased to £267,074 thousand as at 31 December 2020 from £148,858 thousand a year earlier.

The Company applies the standard formula for determining the Solvency Capital Requirement ("SCR") and the Minimum Capital Requirement ("MCR"), which as at 31.12.2020 amount to EUR 28.531 thousand and EUR 11.067 thousand, respectively. "DALLBOGG: Life & Health Plc has eligible own funds to cover the QIB and the MCI of EUR 29.977 thousand. The QIB coverage ratio is 105.01 %. The coverage ratio of the ICI is 270.73 %. DALLBOGG: Life and Health S.A. actively manages capital based on analyses and assessments of the risks to which the Company is exposed. ZAD DallBogg: Life & Health plc's capital position is



forecast to gradually improve in 2021 as a result of the expected stabilisation of the economic environment and the resolution of the coronavirus pandemic ("COVID-19").

A. Activity and results

A.1 Activity

Name and legal form

"DALLBOGG: Life and Health Insurance Joint Stock Company" is a joint stock company which operates in accordance with the legislation of the Republic of Bulgaria. The Company is incorporated in the Republic of Bulgaria.

The registered office and registered address of the Company are:

Republic of Bulgaria,
1172 Sofia Blvd. "G.M. Dimitrov" № 1
Phone: (+359) 0700 16 406
Website: www.dallbogg.com
E-mail: info@dallbogg.com

Name and contact details of the supervisory authority

The insurance business is licensed and regulated by the Financial Supervision Commission (FSC). The FSC is responsible for the financial supervision of DallBogg: Life and Health Plc (the Company). The contact details of the FSC are:

1000 Sofia Str. "16 Budapest
Headquarters: 02 9404 999
Fax: 02 9404 606
E-mail: bg_fsc@fsc.bg

Name and contact details of external auditors

Pursuant to Art. 101 of the Insurance Code, the annual financial statements of an insurer, as well as annual statements, reports and annexes referred to in Art. 1 shall be audited and certified by a specialised auditing firm which is a registered auditor under the Independent Financial Audit Act. The financial statements, summaries, reports and annexures of the Company for the year 2021 are jointly audited by 2 audit firms, Mazars Ltd, UIC 204638408 and Auditconsult Ltd, UIC 831826367.

The contact details of the external auditors are respectively:

1000 Sofia, 2 Tsar Osvoboditel Blvd.

Phone: 0888 402 396

Website: mazars.bg

1612 Sofia, g.k. Hipodruma, bl. 111, in. D, floor 1, app.87

Telephone: 02 958 10 47; 02 958 02 66

Website: auditconsult-bg.com

e-mail: office@auditconsult-bg.com

Description of holders of qualifying holdings

According to Art. 68, par. Life and Health S.A. are natural and legal persons who own 10 or more than 10 percent of the capital or of the voting rights or are likely to exercise significant influence on the management of the Company. As of 31.12.2021 these are:

Commercial League - Global Pharmacy Center JSC, UIC 030276307 - 86%

Tihomir Dimitrov Kamenov - 10%

Position in the legal structure of the group

"DALLBOGG: Life and Health Plc is part of the Commercial League - Global Pharmacy Centre Plc group, UIC 030276307.

Main activities and main geographical areas

"ZAD DALLBOGG: Life and Health" AD is established and operates on the territory of the Republic of Bulgaria. The Company also operates under the freedom to provide services ("FOS") in the territories of the Hellenic Republic and the Italian Republic.

The object of activity of "ZAD DallBogg: Life and Health" JSC is insurance, and the Company carries out the following types of general insurance:

- Accident insurance (including industrial accidents and occupational diseases);
- "Sickness" insurance;
- "Land vehicles, excluding rail vehicles";
- Cargo insurance during carriage (including goods, baggage, etc.);
- Fire and natural disaster insurance;
- Other property damage insurance;
- Miscellaneous financial loss insurance;
- Travel assistance insurance;
- General liability insurance ;
- Motor third-party liability insurance;
- General civil liability insurance of the carrier of motor vehicles by land;
- Credit insurance;
- Warranties insurance (Suretyship Bonds).

Motor third party liability insurance

The insurance covers the civil liability of the insured natural and legal persons related to the ownership and/or use of motor vehicles for the property and non-property damage caused by them to third parties. The insurance is compulsory for every owner of a motor vehicle and is valid for the territory of Bulgaria, all Member States of the European Union and Member States of the Green Card Agreement. Motor Third Party Liability Insurance accounts for 75.78% of the Company's portfolio. At the end of 2020, the number of policies in force in the territories of the Republic of Bulgaria, the Hellenic Republic and the Italian Republic was 492,621.

Insurance "Land vehicles, excluding rail vehicles" / Other motor insurance

Insurance on land vehicles (excluding rail vehicles), known as motor insurance, occupies 0.75% of the Company's portfolio. The insurance covers the following risks on motor vehicles: fire or explosion of a vehicle; natural disasters; road traffic accident; malicious acts of third parties; theft of the whole vehicle; robbery of the whole vehicle; arson or explosion.

Fire and natural catastrophe insurance and other property damage insurance

The object of coverage under these two types of insurance is mainly the property of natural and legal persons and agricultural crops. All damages caused by: earthquake; fire; lightning /thunder/; storm; hail; heavy rain; flood due to natural disasters; frost /frost /pollution/; landslide and collapse of earth layers; damage caused by groundwater and sea waves; theft by burglary; robbery, malicious acts of third parties and others are covered. For agricultural crops, the risks of hail, storm, heavy rain, fire, landslide, flood, frost and others are covered.

Risks related to the damage of real property, machinery and equipment, short-term tangible assets, foreign property owned by natural and legal persons, as well as the costs incurred by the insured to limit or reduce the amount of damage to the insured property as a result of an insured event are also covered.

Accident insurance

The insurance covers risks related to the life and health of individuals. It can be taken out individually, in groups, for employees and workers, students and/or other identifiable group of insured. The main risks are death, loss of temporary or permanent work capacity, medical expenses for hospital stays, medical transport costs, etc.

Insurance "Sickness" / Medical expenses

Under this insurance, the Company indemnifies the insured person for the costs paid by him/her for treatment in outpatient care and for treatment in hospital. Under the insurance contract, expenses not covered by the health insurance system are covered, including the choice of doctor/team, the cost of prescribed and purchased medicinal products and medical examinations, the stay in the hospital, etc. Insurance can be taken out as individual, group employer's and family.

Cargo in transit insurance

The object of this insurance is all types of cargo subject to import, export or re-export, regardless of the mode of transport (land, sea, air or combined). The Company provides cover under the generally accepted London Clauses - "Institute Cargo Clauses" ("A", "B" and "C"). For an additional premium, cover against war risks and strikes, riots and civil commotion is also provided.

Travel assistance insurance

This insurance covers Bulgarian and foreign citizens individually and in groups for the period of travel or stay outside the territory of the Republic of Bulgaria. The Company covers the following risks: medical expenses due to an accident; repatriation; death due to an accident; permanent disability due to an accident; theft, loss of personal luggage, etc.

General civil liability insurance

This insurance shall cover the liability of the Insured for compensation for material and non-material damage caused by him to third parties. The Company offers different varieties of General Civil Liability, including:

- Professional liability of tour operators;
- Professional liability of insolvency practitioners;
- Professional liability of notaries;
- Professional liability of lawyers;
- Professional responsibility of participants in design and construction;
- Civil liability for possession and use of firearms, etc.

Insurance against civil liability of the carrier with motor vehicles on land

The Company insures the carrier's material liability for the total or partial absence or damage of the goods transported by road for the territory of the Republic of Bulgaria under the Road Transport Act and for the territory of foreign countries under the Convention on the Contract for the International Carriage of Goods by Road.

Warranties insurance / Suretyship Bonds

The insurance covers the insured's risk of financial loss as a result of payments arising under the guarantee (indirect guarantee) or as a result of the responsible party's failure to fulfil a contractual obligation (direct guarantee). Guarantee insurance accounts for 22.23% of the Company's portfolio. At the end of 2020, the number of policies in force in the territories of the Republic of Bulgaria and the Republic of Italy was 1,753.

Credit insurance

The subject of insurance protection are outstanding amounts due under a credit agreement in the case of: general insolvency; export credits; instalment sales; mortgages;

agricultural credits. The Company pays an insurance indemnity to the Insured for the Insured's claims on the outstanding amounts owed by the borrower under the insured loans, upon the occurrence of an insured event.

Material business and other events

On 08.03.2020 the first positive sample for coronavirus infection was reported in the Republic of Bulgaria. By the end of the year, the number of detected cases reached over 197 thousand. The effects of the global pandemic are reflected in job losses and an overall deterioration in the economic well-being of the population, bankruptcy of companies, turmoil in financial markets, pressure on health systems, collapse in travel abroad for personal and business reasons, etc.

A.2 Results of signature activity

DALLBOGG: Life & Health Plc's policy of creating and maintaining a broad range of insurance products is maintained through continuous monitoring of performance, customer satisfaction and changes in insurance needs and market demand.

The structure of the insurance portfolio shows the relative share of individual insurance products in the Company's total premium income.

TYPE OF INSURANCE	2020		2019	
	Thousand €	%	Thousand €	%
1. ACCIDENT INSURANCE	63	0.06%	94	0.13%
2. HEALTH INSURANCE	279	0.27%	285	0.39%
3. LAND VEHICLE INSURANCE EXCLUDING RAIL VEHICLES	766	0.75%	755	1.03%
4. INSURANCE OF TRANSPORTED GOODS	9	0.01%	23	0.03%
5. FIRE AND NATURAL DISASTERS INSURANCE	272	0.27%	238	0.33%
6. MOTOR THIRD-PARTY LIABILITY INSURANCE INCLUDING CARRIER'S LIABILITY	77.577	75.81%	69.525	94.99%
7. GENERAL CIVIL LIABILITY INSURANCE	606	0.59%	566	0.77%
8. CREDIT INSURANCE	0	0.00%	0	0.00%
9. WARRANTY INSURANCE (SURETYSHIP BONDS)	22.748	22.23%	1.693	2.31%
10. TRAVEL ASSISTANCE	3	0.00%	8	0.01%
TOTAL:	102.353	100%	73.219	100%

A major share in the insurance portfolio of "ZAD DallBogg: Life and Health" AD both in 2019 and in 2020 is occupied by the motor third party liability insurance. The number of contracts concluded in 2019 was 555,201, while in the reporting year 2020 - 611,900. Other main types of insurance occupying a high share in the insurance premiums are "Guarantees" and "Motor insurance". The Company realized an increase in premium income and an increase in the number of "Warranties" insurance policies written from 1,253 pc in 2019 to 2,028 pc in 2020. In the case of motor insurance, there was a relative retention in the number of policies taken out in 2020 (2,342 pcs.) compared to 2019 (2,360 pcs.). Fire and Natural catastrophe insurance also occupy a key position in the Company's insurance portfolio, with 1,119 contracts concluded and premium income of EUR 273 thousand realised in 2020, as well as general liability insurance with gross premium income of EUR 606 thousand realised and 2,608 policies issued.

The geographic areas in which the Company operated during the current and prior reporting period are presented in the table below:

TYPE OF INSURANCE	2020		2019	
	Thousand €	%	Thousand €	%
BULGARIA	79.305	77.50%	59.083	80.75%
GREECE	1.190	1.16%	2.207	3.01%
ITALY	21.831	21.33%	11.888	16.24%
TOTAL:	102.326	100%	73.170	100%

A.3 Results of investments

Income and expenditure from investments

In 2020, financial revenues of EUR 21.7461 thousand and financial expenses of EUR 27.704 thousand were realised. Compared to the previous year 2019, there is an increase of EUR 11.943 thousand for financial income and EUR 19.359 thousand for financial expenses.

The net financial income in 2020 amounts to – EUR 5.943 thousand with a decrease compared to 2019 by EUR 7.416 thousand.

"DALLBOGG: Life & Health Plc invests all its assets in accordance with the prudent investor principle to ensure the safety, quality, liquidity and profitability of the aggregate portfolio, taking into account the nature and duration of the insurance liabilities. Investment income and expenses are broken down by component in the table below:

INVESTMENT INCOME	2020	2019
	Thousand €	Thousand €
INTEREST INCOME	326	37
DIVIDEND INCOME	150	224
POSITIVE DIFFERENCES FROM OPERATIONS WITH FINANCIAL INSTRUMENTS	20.040	8.597
OTHER INCOME FROM FINANCIAL OPERATIONS	1.259	966
TOTAL:	21.775	9.824

INVESTMENT EXPENSES	2020	2019
	Thousand €	Thousand €
INTEREST EXPENSES	0	0
EXPENSES FROM OPERATIONS WITH FINANCIAL INSTRUMENTS	23.617	6.966
OTHER FINANCIAL EXPENSES	4.107	1.384
TOTAL:	27.724	8.350

Investments in securitisations

During the 2020 reporting period, as in the previous reporting period, DallBogg: Life & Health Plc did not make any investments in securitised positions.

A.4 Results from other activities

The Company did not carry on any other business other than insurance business.

A.5 Other information

In view of the rapid spread of infection caused by the COVID-19 virus, the curve of the total number of infected persons has again taken an exponential shape by the end of the first quarter of 2021. Strict quarantine and isolation measures taken by governments around the world to slow the rate of increase in new cases, in turn, continue to have a strong negative effect on the global economy. The impact of the restrictive measures on financial markets has mainly been:

- Rising government bond prices, or falling yields to record lows (in some cases negative);
- An overall decline in the term structure of risk-free interest rates;
- Increasing credit spreads;
- Volatility in capital market prices;

Once the vaccination process with the currently developed and approved vaccines by the global and European health authorities starts, it is expected that the number of newly infected persons will be limited and the imposed restrictive measures will be gradually loosened, leading to a normalisation of business processes.

" DALLBOGG: Life and Health AD implements the recommendations of the World Health Organization, the Operational Headquarters and the Ministry of Health of the Republic of Bulgaria to prevent the spread of COVID-19. The Company has adopted measures to ensure continuity of workflow related to policy issuance and claims. The measures in question are aimed at minimising the risk of transmission of the infection among the Company's employees, management and business partners and are related to an increased hygienic environment, distancing, use of protective equipment, etc.

B. Management system

B.1 General information on the management system

Description of the management system

"ZAD DALLBOGG: Life and Health" JSC is a joint stock company with a one-tier management system and its bodies are:

- General Meeting of Shareholders
- Board of Directors

The management system is proportionate to the nature, scale and complexity of the Company's operations.

The General Meeting includes all shareholders holding shares with voting rights. They participate in the General Meeting in person or by proxy. The right to vote at the General Meeting of the Company's shareholders shall be exercised by the persons entered in the registers of Central Depository JSC as shareholders 14 days prior to the date of the relevant General Meeting. The General Meeting of Shareholders shall have the following powers:

- amend and supplement the Articles of Association of the Company;
- take decisions on increasing and decreasing the capital of the Company;
- take decisions on the transformation and dissolution of the Company;
- elect, dismiss and discharge the members of the Board of Directors and determines their remuneration;
- determines the amount of management guarantees of the Board of Directors;
- take decisions on the appointment and dismissal of registered auditors;
- elects and dismisses the responsible actuary of the Company and determines his remuneration;
- elect and dismiss internal auditors;

- approve the annual financial statements, after certification by the appointed registered auditor;
- decides on the method of distribution of profits, for replenishment of the fund "Reserve" up to its legally required amount and for the payment of dividends;
- decides on the issuance of bonds;
- appoint liquidator(s) upon the dissolution of the Company and its declaration of liquidation, except in cases of compulsory revocation of the insurance license;
- decide other matters placed within its competence by law or the Statutes.

The Company is managed and represented by a Board of Directors. The Board of Directors makes operational decisions for the Company and manages its business.

Members of the Board of Directors are:

- Tihomir Dimitrov Kamenov
- Milcho Raychev Stoimenov
- Nikolay Hristov Sotirov
- Rosen Vaskov Mladenov
- Biser Georgiev Ivanov
- Zhivko Stoykov Kolev

The Board of Directors of DALLBOGG: Life and Health Plc has the following powers:

- organize, manage and control the overall activities of the Company;
- adopt development plans for the Company;
- implements the Company's investment policy and decides on the acquisition of ownership and other rights to real estate;
- determines the management structure and organization of the Company;
- decides on the establishment, participation or termination of participation in other legal entities, the closure or transfer of legal entities or enterprises owned by the Company or significant parts thereof, establishes and closes branches and representative offices of

the Company, decides on matters relating to material changes in the Company's business, decides on matters relating to the obtaining of bank loans and on the establishment of rights or the alienation of real estate of the Company;

- establish and terminate long-term collaborations that are material to the Company;
- Appoint commercial manager(s) (procurator(s)) of the Company;
- Decides matters concerning the application for loans, the creation of security for loans taken by the Company or any other person, guarantees, encumbrances and otherwise commits the Company out of the book value of the Company's assets at the relevant time;
- decide on all other matters which are not within the exclusive competence of the General Meeting of Shareholders according to the law, or are assigned to it by a resolution of the General Meeting of Shareholders.

In the course of conducting its business, the Board actively solicits information from any committee it establishes, as well as from senior management and individuals with other key functions, questioning such information when necessary.

The Executive Director represents and manages the Company, organizes operational management, investment and administrative activities.

The powers of the Executive Director are as follows:

- represent the Insurer before all state and municipal authorities and departments, courts and special jurisdictions, as well as before all legal and natural persons;
- enter into and sign commercial and other transactions in the name and on behalf of the Company, as well as operate the funds in all bank accounts of the insurance company;
- elect, appoint and dismiss the employees of the Insurer;
- request and obtain the necessary information about the Insurer's business,
- has access at all times to all premises of the Insurer, including branches, offices and representative offices;

- authorises third parties to carry out certain actions in connection with the Insurer's business;
- manages the overall activities of the Insurer on the basis of the regulations;
- implement the decisions of the Board of Directors;
- guides activity to achieve sustainable rates of development;
- take measures for staffing and qualification;
- sign all financial, accounting and administrative management documents.

"DALLBOGG: Life & Health PLC creates and maintains the following key functions:

- Risk management function;
- Compliance function;
- Internal Audit Function;
- Actuarial function;
- Other functions.

The Company shall take the necessary steps to establish appropriate reporting lines in the organizational structure, ensuring that each function is independent and performs its tasks in an objective and fair manner. Those performing a function shall have unrestricted access to the information necessary to perform their duties and shall report promptly to the governing body any material issues in their area of responsibility.

Risk management function

The risk management function is structured in a way that supports the implementation of the Company's management system. The risk management function is integrated into the organisational structure and decision-making processes of the insurer. The main tasks performed by the Risk Management function relate to monitoring the risk management system and the overall risk profile of the enterprise as a whole, detailed reporting on risk exposures and advising the management body on risk management. In carrying out its tasks, the Risk Management function works closely with other functions in the Company.

A Risk Management Committee has been established within the Risk Management Function to carry out the following activities:

- is responsible for the preparation and implementation of the Company's risk management framework;
- continuously assesses the Company's exposure to different types of risk and promptly notifies the Board of Directors of losses in different areas of the business that exceed pre-set thresholds;
- proposes to the Board of Directors the adoption of corrective actions and/or the introduction of limits for the relevant activity, as well as control procedures aimed at reducing the impact of risks on the Company's operations;
- establishes a system for collecting and monitoring events representing operational risk - malfunctioning internal processes and systems, human errors and/or adverse and malicious external events and actions;
- performs monthly analysis for all key processes to determine operational risk levels and ways to mitigate them, as well as to prevent operational events from occurring;
- monitors changes in securities portfolios through a set of indicators;
- report periodically to the Board of Directors, providing a detailed analysis and assessment of the risks associated with the investments and compliance with investment restrictions, and in the event of a significant risk or change in risk profile, report immediately;

Compliance function

Within the management system, the Company has a separate compliance function as required by Article 78(1) of the Insurance Code.

The compliance function consists of:

- advising the management body on compliance with laws, regulations, directly applicable acts of the competent authorities of the European Union and the Company's internal acts;
- assessing the possible effect of changes in the legal environment on the Company's operations;
- identifying and assessing the risk arising from non-compliance with laws, regulations, directly applicable acts of the competent authorities of the European Union and internal acts of the Company.

The Compliance function aims to prevent the assumption of compliance risks or the suffering of damages of any nature that could result from non-compliance/non-compliance with applicable laws, regulations and internal rules.

The main responsibilities of the compliance function are:

- assessing the risks associated with non-compliance;
- Ensuring compliance with laws, regulations, directly applicable acts of the competent authorities of the European Union as well as the internal acts of the Company;
- Monitoring for the imminent introduction of new legislative requirements and ensuring their interpretation;
- Advising the Company's governing body on specific changes that will impact operations.

A priority of the compliance function is the identification, assessment and analysis of risks associated with legislation. Its main role is to advise the Governing Body on how to keep these risks under control.

Internal audit function

The internal audit activity is objective and independent, and the persons who perform it do not hold other positions in the Company and do not undertake duties within other functions.

The internal audit function assesses the adequacy and effectiveness of the Company's internal control system and other management systems. The internal audit function:

- adopt, implement and maintain an audit plan setting out the audit work;
- apply a risk-based approach in setting its priorities;
- report the audit plan to the Board of Directors of the Company;
- issue an internal audit report with findings and recommendations and present it to the Board of Directors at least once a year;
- verifies compliance with the decisions taken by the Board of Directors as a result of the findings and recommendations.

Actuarial function

To ensure the establishment and operation of an effective actuarial function, the General Meeting of Shareholders shall elect a responsible actuary. The responsible actuary shall:

- coordinate the calculation of technical provisions;
- ensure the suitability of the methodologies and underlying models used and the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compares best estimates against practical results;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;

- supervise the calculation of technical provisions in cases where, in specific circumstances, the Company has insufficient data of appropriate quality to apply a reliable actuarial method to a group or sub-group of its insurance and reinsurance liabilities, or to claims under reinsurance contracts and to special purpose insurance alternative risk transfer schemes;
- expresses an opinion on the general signature policy;
- express an opinion on the adequacy of reinsurance arrangements;
- support the effective implementation of the risk management system, in particular with regard to the establishment of risk models underlying the calculation of capital requirements.

At least once a year the actuarial function shall prepare and submit to the Board of Directors of the Company a written report setting out an analysis of the structure of the insurance portfolio by type of insurance, an analysis of acquisition and administrative expenses, and an analysis of technical reserves.

The Company has also established the following directorates performing functions other than the key functions:

- Directorate of Finance, Accounting and Human Resources;
- Legal Directorate;
- General Insurance Directorate;
- Information Services Directorate;
- Marketing and Sales Directorate;
- Liquidation Directorate;

Changes in the management system during the reporting period

No material changes were made to the Company's management system during the 2020 financial year.

Remuneration Policy

The remuneration policy applied by DALLBOGG: Life and Health AD is in line with the Company's business strategy, objectives and values, principles and best practices to protect the interests of employees. The remuneration policy encourages prudent and effective risk management and does not incentivise the taking of risks in excess of an acceptable level.

"DALLBOGG: Life & Health PLC pays both fixed and variable remuneration, with the appropriate ratio between fixed and variable remuneration being determined. Fixed remuneration represents a sufficiently large proportion of total remuneration to allow for a flexible variable remuneration policy, including the option not to pay it where criteria and benchmarks set out in the Remuneration Policy are not met. Variable remuneration is an element of total remuneration in the form of bonuses which are awarded on the basis of performance criteria.

The permanent remuneration shall be twofold and shall comprise the basic monthly remuneration of all categories of staff and additional remuneration for length of service and professional experience, in accordance with the applicable regulations.

Variable remuneration is linked to performance through a combination of an assessment of the individual's performance, an assessment of the performance of the relevant business unit or directorate and an assessment of the performance of the Company as a whole.

In order to protect the interests of the consumers of insurance services, the policy applied by "ZAD DALLBOGG: Life and Health" AD provides for the possibility of adjusting the variable remuneration, as well as linking the remuneration to the achievement of certain goals and results. It also provides for the deferral of variable remuneration under the terms of Article 5(1)(b) and (c). 3 of Regulation No 48 of the FSC. This limits the possibility of the Company falling foul of the statutory capital requirements and achieves a high level of protection for consumers of insurance services.

Board of Directors:

- adopts the remuneration policy and changes thereto;
- determines whether variable remuneration will be granted, its total amount, its deferral (where the prerequisites for deferral are present), as well as its reduction, forfeiture or return in the cases provided for in the Remuneration Policy and in Regulation No. 48 of the FSC;
- determines the ratio between fixed and variable remuneration for categories of staff who receive variable remuneration and the maximum ceiling for variable remuneration;
- is responsible for the implementation of the Remuneration Policy;
- be responsible for conducting a periodic (at least annually) fundamental and independent review of remuneration policy and practice;
- approve a plan for the timely correction of deficiencies in the event that periodic reviews indicate that the payroll system is not functioning as intended.

B.2 Qualification and reliability requirements

Requirements for persons who manage the Company or perform other key functions

Persons who effectively manage the Company or perform other key functions are subject to the following skills, knowledge and expertise requirements:

- possess adequate knowledge, experience and professional qualifications to enable sound and prudent management of the Company; possess integrity and good reputation.

The members of the governing body of DALLBOGG: Life and Health S.A., as well as persons in key positions, should:

- have the necessary professional qualifications, knowledge and experience to ensure sound and prudent management ;

- are of good repute and their personal or business conduct does not give rise to any doubt as to their ability to provide sound and prudent management of the insurance company;
- comply with the Company's adopted "reliability" principles, including an assessment of:
 - the person's reputation, public esteem and integrity;
 - his or her financial soundness given his or her reputation;
 - personal conduct;
 - business conduct , including criminal, financial, supervisory aspects.

In assessing the qualifications and reliability of a member of the management body or persons performing other key functions in DALLBOGG: Life and Health Plc, other criteria relevant to their functions should also be assessed, including:

- potential conflict of interest,
- the necessary skills to work in collective bodies.
- previous and current positions held in the insurance company or other companies;
- personal, professional or other economic relationships with other members of the management body or other key functions of DALLBOGG: Life and Health Plc;
- personal, professional or other economic relationships with controlling shareholders of the insurance company.

Each member of the management body of DALLBOGG: Life and Health S.A. shall have practical and professional experience of at least 3 (three) years gained in a managerial position, and all members taken together (collectively) shall have qualifications, practical experience and knowledge of at least:

- Insurance and financial markets;
- Business strategy and business models;
- The management system;
- Financial and actuarial analyses;
- Regulations and requirements; Risk management.

Qualification and reliability assessment process

The evaluation of the members of the Company's management body is carried out by the General Meeting of Shareholders. The General Meeting of Shareholders shall re-evaluate the qualifications and reliability of a member of the management body once every three (3) years or whenever circumstances require a re-evaluation in order to verify the person's current qualifications and reliability.

The assessment of the suitability of persons in key roles is carried out by the Company's governing body. The Governing Body shall assess the qualifications and reliability of key function holders within 30 days prior to their appointment and shall reassess them annually or as necessary in the event of new circumstances relevant to qualifications and reliability.

In assessing the experience of a member, account shall be taken of both the theoretical experience acquired through education and training and the practical experience acquired in previous posts. For the assessment of a member's theoretical knowledge, account shall be taken of the level and profile of education and whether it is related to insurance, banking, finance, economics, law, management, financial regulation, financial services and quantitative methods.

The assessment is not limited to educational qualifications or evidence of a specific length of service, but also includes an analysis of practical experience and knowledge gained from posts held in the past. It shall assess the function and position performed by the member of the management body, his employment with other commercial and insurance companies and the nature, scale and complexity of the tasks performed.

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

Description of the risk management system

Risk management at DALLBOGG: Life and Health Plc is a set of methods and procedures for identifying, measuring, managing and controlling the risks to which the Company is exposed.

The Board of Directors is the ultimate responsible authority for ensuring the effectiveness of the risk management system, by setting the risk appetite of the enterprise and the overall risk limits, and by approving the main risk management strategies and policies.

DALLBOGG: Life & Health Plc has a Risk Management Committee which is responsible for the development and implementation of the Company's risk management framework. The Committee continuously assesses the level of security and threat to the Company in relation to the different types of risks and determines the appropriate level of risk that does not jeopardise its operations. If an increased level of risk is identified, the Committee proposes to the Board of Directors to take corrective action and/or introduce limits for the relevant activity as well as control procedures aimed at reducing the impact of the risks on the Company's operations.

The following risks are identified in the Company's operations:

- Underwriting risk - the risk of loss or adverse change in the value of insurance liabilities arising from inappropriate assumptions regarding the formation of insurance premiums and reserves.

Underwriting risk is managed by strict adherence to the insurance tariffs and underwriting limits in place and adherence to the General Terms and Conditions (GTC) of the relevant types of insurance.

- Market risk - including: interest rate risk; equity risk; real estate risk; interest rate spread risk; currency risk; market concentration risk. Market risks are managed through an active investment strategy focused on efficient portfolio duration, diversification of assets and the markets in which they are positioned, and other techniques. The Risk Management Committee monitors investment performance, controls investment risk and reports to the Board of Directors, providing a detailed analysis and assessment of the risks associated with the investments, as well as compliance with investment restrictions, and in the event of a significant risk or change in risk profile, reports

immediately. The Board of Directors shall decide on measures to mitigate individual risks. The Company, through its measured investments and rigorous monitoring and control, seeks to achieve an optimal level of balance between safety, quality, liquidity and profitability in relation to the entire portfolio of assets.

- Operational risk - the risk of loss arising from inadequate or poorly functioning internal processes, staffing, information system problems, external events, ongoing legal action by the insurance company, and bad reputation. Operational risk is managed through compliance with all laws and regulations, internal work rules, methodologies, instructions, guidelines, tariffs, general and special conditions, orders and agreements reached with counterparties.
- Contract termination risk - is limited to the early termination of insurance by customers. Termination risk is managed through the implementation of flexible schemes agreed with the client to keep it in the aggregate
- Catastrophic risks - associated with the occurrence of major insured events resulting in the payment of significant claims. Catastrophe risks are managed by signing reinsurance contracts with reinsurers with a high credit rating from an established rating agency and following an internal credit assessment performed by the Company.
- Counterparty default risk - the loss in net asset value resulting from a counterparty's failure to meet its obligations due to a deterioration in credit standing or an unexpected default. Counterparty default risk is managed by actively monitoring the credit rating or financial condition of counterparties and taking timely action to amend or terminate contracts or reduce exposures as they deteriorate.
- Other risks - liquidity risk; insurance fraud risk; strategic risk

The Company's exposures to all risks are adequately priced and covered by capital. The assessment of risk exposure includes the foreseeable conditions for the risk to materialise and the likelihood of an adverse impact on the Company's operations. A fundamental approach is used in assessing the individual risks identified - gathering sufficient information about the

given risk (financial and business data on counterparties, their balance sheets, senior management policies, cash flow analysis, analysis of all value performance metrics, analytical models). The Company conducts annual stress tests as a risk management tool.

Own risk and solvency assessment

As part of its risk management system, DALLBOGG: Life & Health AD carries out its own risk and solvency assessment (ORSA), subject to the requirements of Article 45 of Directive 2009/138. The own risk and solvency assessment is carried out on a regular and mandatory basis following any material change in the risk profile of the Company and is reviewed and approved by the Board of Directors.

The Company's own risk and solvency assessment is an integral part of the business strategy and is always taken into account in the Company's strategic decisions.

The assessment shall include aggregate solvency needs, taking into account the risk profile, approved underwriting limits and the business strategy of the undertaking. A comparison shall be made between the solvency needs of the Company, the regulatory capital requirements and the own funds available to cover them. Stress tests and stress scenarios shall be carried out in respect of the most material risks included in the scope of the Solvency Capital Requirement.

On the basis of the own risk and solvency assessment, the persons carrying out capital and risk management activities shall draw up and update periodically a medium-term capital management plan (MTCP).

B.4 Internal control system

Internal control system

The Internal Control System ("ICS") serves to assist the Company's management bodies in making decisions in relation to operations by identifying and assessing risk and making

recommendations regarding compliance with laws, regulations, directly applicable acts of the competent authorities of the European Union and internal acts. Prepare own assessments of the possible effect of changes to the legal status quo.

Internal control covers the entire organisation, including the activities of all structural, support and control units. The frequency of control actions on individual sites and systems is determined by their significance to the Company's risk. A plan shall be prepared for each inspection which shall include scope, objectives, duration and allocation of resources for execution, approach and techniques, type and scope. Verification shall be accomplished by identifying, analysing, evaluating and documenting sufficient information to express an opinion on the objectives set.

In carrying out its activities, the internal control system shall verify and evaluate the reporting and information system, the accuracy, completeness and timeliness of the accounting and other documents and reports prepared, the management systems and risk assessment methods, the protection of assets against fraud and abuse, the adequacy and compliance with internal procedures for the conclusion of insurance and reinsurance contracts, for the acceptance and processing of claims and for the determination of payments thereon, the performance and reporting of all

Compliance function

The compliance function advises the governing body on compliance with laws, regulations and administrative provisions.

The responsibility of the compliance function relates to:

- Identify, monitor, assess compliance risks that the Company may face;
- Assisting, supporting and advising the governing bodies in fulfilling their compliance responsibilities;
- Advising each employee in relation to their personal compliance obligations.

The duties of the compliance function include assessing the adequacy of the measures adopted by the Company to prevent breaches of the requirements.

B.5 Internal audit function

As a result of the inspections and analyses performed, the following conclusions have been identified and reported to the Company's management:

- Motorist's GI claims processes are fair and meet all requirements of internal procedures;
- Commission invoices paid to brokers were properly issued and accounted for. The commission corresponds to the parameters set in the contracts. ;
- For all of the verified damages, the external costs were reported in accordance with Article 21(2), correctly accounted for with the correct amounts and VAT was correctly charged;
- Access to jobs is a controlled process. It is only possible through an individual password and there is a restriction of the information used to the employee's job title;
- Licensed antivirus software is installed on all work systems, which is updated periodically and monitored constantly for proper functioning by the IT department;
- The Company's server room meets all modern requirements with access control, air conditioning, alarm system, fire detectors and fire extinguishing system, "UPS", power generator etc;
- The issuance of the policies shall comply with the current tariffs and shall comply with all internal regulations;
- For each type of insurance there are general or special conditions;
- The policy termination process complies with all internal and external regulations;
- Availability of necessary documents and invoices certifying payments made for damages;
- Confirmation of the basis, validity and amount of insurance benefits calculated;

- All applications have been answered in time by the Legal Directorate and no case has been lost for this reason;
- Payments made in adjudicated cases are made correctly and correspond exactly to the judgments;
- Taking action to improve the effectiveness of management control processes to achieve the Company's objectives.

Internal Audit at DALLBOGG: Life & Health Plc is an independent and objective assurance and advisory activity designed to assist the Company in achieving its objectives by applying a systematic and disciplined approach to assess and improve the effectiveness of risk assessment, control and management processes.

The internal audit function assesses the adequacy and effectiveness of the Company's internal control system and other management systems. The internal audit function is conducted in accordance with the Standards for the Professional Practice of Internal Auditing and the Code of Ethics.

The internal audit function performs the following tasks:

- identify and assess the risks to which the Company is exposed;
- adopt, implement and maintain an audit plan that defines the audit work and contains the scope, objectives, timing and resource allocation for each audit engagement;
- apply a risk-based approach in setting its priorities;
- report the audit plan to the Board of Directors of the Company;
- issue an internal audit report with findings and recommendations and present it to the Board of Directors at least once a year;
- verifies compliance with the decisions taken by the Board of Directors as a result of the findings and recommendations.

Internal auditors are independent in planning, performing and reporting the results of audit engagements and carry out their work freely, effectively and objectively, making impartial and unbiased judgments. The independence of the internal audit function is guaranteed and ensured by the shareholders of DALLBOGG: Life & Health Plc, and the head of the internal audit function is elected and dismissed by the Company's shareholders in general meeting.

The Head of the Internal Audit Unit and the internal auditors have no powers and responsibilities related to the activities and objects they audit and their position cannot be combined with other positions in the Company.

The Internal Audit Policy shall be approved by the Board of Directors and reviewed at least annually. Changes to the policy may be made as a result of legislative changes and following a reasoned written proposal submitted by the head of the internal audit function and approved at a meeting of the Company's Board of Directors.

The audit plan of DALLBOGG: Life and Health Plc for the next reporting period covers the following areas:

- Adequacy and effectiveness of the controls in place to ensure timely and reliable information for the true and accurate recording of business transactions in the operations of the Financial Accounting and Human Resources Directorate in accordance with regulatory requirements."
- Evaluating and reporting on the compliance of the activities of the Liquidation Department / General Liquidation Department with the regulatory requirements, general and special conditions for the liquidation of claims, the timely and correct payment of insurance benefits, the existence of insurance fraud, the work of experts and the assessment of damage;
- Assessment of the compliance of the activity of the General Insurance Department / Motor Insurance Department with the regulatory requirements, general and special conditions for the conclusion of insurance contracts under its portfolio and the set tariffs;

- Assessment of the compliance of the activity of the General Insurance Department / Property Insurance Department with the regulatory requirements, general and special conditions for the conclusion of insurance contracts under its portfolio and the set tariffs;
- Evaluate the Legal Directorate's compliance with regulatory requirements, responses to complaints and institutions;
- Evaluate the compliance of the activities of the Marketing and Sales Directorate with the established regulatory requirements;
- Assessment of the compliance of the activities of the Liquidation Directorate/Special Liquidation Department with the established regulatory requirements, general and special conditions for the liquidation of damage, etc. ;
- Assessment of the compliance of the activities of the Responsible Actuary with the established regulatory requirements regarding the calculation and sufficiency of technical provisions;
- Evaluation of the implementation of the recommendations for improvement given by the Management in the individual units of the Company;

The individuals who perform the internal audit function at DallBogg have not assumed other key functions within the Company.

B.6 Actuarial function

The actuarial service of "ZAD DallBogg: Life and Health" AD is performed by a responsible actuary with recognized legal capacity in the field of insurance, who performs actuarial function in the Company. The actuarial function expresses an informed opinion on the interrelationships between the underwriting policy, reinsurance contracts and technical reserves.

The actuarial function coordinates the calculation of technical provisions and ensures that inconsistencies with the requirements set out in Articles 76 to 83 of the Directive are identified. The actuarial function also includes the activities of assessing the consistency of

internal and external data used in the calculation of technical provisions, aligning them with the data quality standards under Solvency II, and determining the expected effect of changes in data and methodologies.

In carrying out its activities, the actuarial function also performs the following additional tasks:

- assess the uncertainty associated with the estimates made in the calculation of technical provisions;
- ensure that insurance and reinsurance liabilities are allocated to homogeneous risk groups in order to properly assess the underlying risks;
- take into account relevant information provided by financial markets as well as publicly available data on underwriting risks and ensure that these are included in the assessment of technical provisions;

The actuarial function shall prepare a written report to be submitted to the governing body at least annually.

B.7 Outsourcing

The transfer of business from DALLBOGG: Life and Health S.A. constitutes a permanent assignment, on the basis of a written contract, of individual activities to be carried out by third parties who are not insurers and who carry out one or more of the following activities on an occupational basis:

- insurance risk assessment;
- determination of the insurance premium;
- establishment of an insured event;
- determining the amount of the damage caused;
- the management of own funds and of the assets used to cover the insurer's technical provisions;

- transfer of all or part of the insurance risks covered by the company to a reinsurer (passive reinsurance);

The transfer of activities beyond those listed above is not allowed.

"DALLBOGG: Life and Health" Inc. is responsible for the transferred activities as its own actions. An outsourced activity does not relieve the Company of regulatory responsibilities and obligations to customers. "DALLBOGG: Life & Health plc shall designate a person within the Company who shall be responsible for the outsourced key function. The designated person meets the suitability and compliance requirements under Article 42 of the Directive.

The selection of an external contractor shall be made by the Board of Directors of DALLBOGG: Life & Health S.A. after submission of a report by an Executive Director, subject to the conflict of interest requirements regarding any member of the Board of Directors, any other person in a management position, and any other person authorized to manage or represent the insurer.

The evaluation of the external service provider covers:

- reporting on the financial position and solvency of the subcontractor company for the last three financial years, as well as turnover;
- consideration of the possible credit rating of the subcontractor company;
- taking into account the density of the subcontractor's branch network in the country and abroad;
- whether the subcontracting company meets all the legal requirements under Article 42 of the Directive for the suitability and compliance of the contracted service provider to perform the outsourced key function.

The outsourcing policy includes the following stages:

- development of an outsourcing proposal; conclusion of an outsourcing contract;
- performance of the contract until its expiry;

- contingency plans;
- exit strategies.

"ZAD DALLBOGG: Life and Health" AD outsources the operational functions of establishing the occurrence of an insured event and determining the amount of damages caused by virtue of contracts concluded in writing with correspondent companies for the member countries of the Green Card Agreement.

B.8 Other information

As of 31.12.2020. The Company does not consider that any other additional information can be disclosed in connection with a better understanding of this Solvency and Financial Condition Report.

C. Risk profile

C.1 Underwriting risk

In connection with the Company's main priorities, including the protection of the rights and interests of policyholders, compliance with regulatory requirements and ensuring financial stability, "ZAD DALLBOGG: Life and Health" AD adopts a moderately conservative approach to underwriting risk, while working to develop innovative insurance products and improve existing insurance.

The Company's gross exposure to underwriting risk is directly related to the amount of premiums written and earned, as well as the reserves for upcoming payments that the Company sets aside. As a result of the increase in gross premiums earned and gross best estimate of liabilities ("BEBA"), the Company's exposure to underwriting risk in 2020 increases relative to 2019.

UNDERWRITING RISK EXPOSURE	2020	2019
	Thousand €	Thousand €
EARNED PREMIUM	80.236	56.303
BEST ESTIMATE OF CLAIM RESERVES	64.433	36.030

Exposure to underwriting risk is monitored on an ongoing basis and the Company's sensitivity to this risk is periodically reviewed by applying a model based on the EIOPA standard formula.

The control of underwriting activity is carried out through systematic checks of underwritten policies, the assessment of underwritten risks and their compliance with the Company's tariffs and General Terms and Conditions, as well as compliance with the policies and rules in place in relation to the assessment of losses and the formation of adequate technical reserves.

In order to mitigate the effect of underwriting risk, DALLBOGG: Life & Health AD transfers part of the risk under reinsurance contracts with established reinsurers rated highly by leading external credit rating agencies. In 2020 and in the following year 2021. The Company continues to maintain an active quota share reinsurance contract under which 50% of the motor third party liability insurance risk is ceded for policies issued in the Republic of Bulgaria. The immediate result of the quota reinsurance contract is to limit and maintain the Company's exposure to underwriting risk, which amounts to EUR 19.818 thousand in 2020.

C.2 Market risk

Market risk arises from fluctuations in the market prices of the Company's investments, which could adversely affect its ability to pay claims. Specifically, market risk relates to changes in equity prices, interest rates, real estate prices, spreads over risk-free interest rates, foreign exchange rates, and market concentration risk.

Interest rate risk

Exposure to interest rate risk arises from bonds held and reinsurance recoveries on the asset side of the balance sheet, as well as from expected future claims payments recorded as technical reserves on the liability side of the balance sheet. Due to the different duration of the future cash flows exposed to interest rate risk when discounted by applying shocked risk-free

interest rates, in both scenarios, rising and falling interest rates, the net effect on the balance sheet is positive. Therefore, as at 31.12.2020. The Company is not exposed to interest rate risk. However, periodic checks and observations are made on changes in exposure to interest rate risk, taking into account the expected payment and receipt patterns of future cash flows and the correlation between them.

Equity risk

"DALLBOGG: Life & Health Plc holds investments in shares of EUR 15.084 thousand as at 31.12.2020, of which participations in related companies amounted to EUR 5.632 thousand. All shares in the Company's portfolio are traded on regulated stock exchanges, which ensures their high liquidity. The exception is the position of shareholdings in subsidiaries in the amount of EUR 3.781 thousand.

EQUITY RISK EXPOSURE	2020	2019
	Thousand €	Thousand €
SHARES TRADED ON A REGULATED MARKET	11.310	4.351
SHARES IN SUBSIDIARIES	3.784	0

Equity risk is managed through diversification - investing in shares of companies from different sectors of the economy, geographically positioned in different markets.

Property risk

Property risk exposure is related to the ownership of real estate. "DALLBOGG: Life & Health plc has investment properties which are valued by an independent valuer at least annually and whenever there is a material change in the relevant property market conditions.

PROPERTY RISK	2020	2019
	Thousand €	Thousand €
INVESTMENT PROPERTY	5.028	5.095

The risk is managed by diversifying the property portfolio to avoid territorial proximity and concentration of property.

Spread risk

Spread risk represents the change in the Company's net asset value as a result of certain changes in the level of volatility of credit spreads relative to the risk-free interest rate term structure.

"DALLBOGG: Life and Health Plc holds corporate bonds in the amount of EUR 9.730 thousand subject to interest rate spread risk. The Company does not hold any deposits other than cash equivalents subject to spread risk. The interest rate spread risk of DallBogg: Life and Health Plc as at 31.12.2020 amounts to EUR 427 thousand.

Currency risk

Currency risk is calculated as the change in the net asset value as a result of pre-defined scenarios of a sudden increase or sudden decrease in the foreign currency against the local currency.

" DALLBOGG: Life & Health AD manages the risk associated with foreign exchange rates by targeting a significant portion of its assets and liabilities in the BGN or EUR. The amount of this risk at 31.12.2020 is EUR 2.143 thousand.

Market concentration risk

Market concentration risk is the loss of underlying equity that would result from an immediate reduction in the value of assets corresponding to an exposure to a single entity. As part of market risk, market concentration risk relates to the Company's investments, namely equities, bonds, property. "DALLBOGG: Life & Health Plc strictly adheres to the internal limits set for the investment of its available funds in order to comply with the prudent investor principle. In this way, diversification of the entire investment portfolio is ensured by means of the restrictions introduced in terms of the proportion of invested funds by type of investment

assets, the percentage of each exposure to one issuer or economic group in the total amount of invested assets, the territorial concentration of properties. The Company's total exposure to market concentration risk is presented in the table below:

RISK ASSOCIATED WITH MARKET CONCENTRATION EXPOSURE	2020	2019
	Thousand €	Thousand €
SHARES TRADED ON A REGULATED MARKET	11.310	4.351
EQUITY INTERESTS IN SUBSIDIARIES	3.784	0
BONDS	9.737	1.360
INVESTMENT PROPERTY	5.028	5.095
TOTAL:	29.859	11.105

C.3 Counterparty default risk

Counterparty default risk is the risk that a counterparty to the Company will not perform an obligation in whole or in part when it becomes due.

Under Solvency II, exposure to counterparty default risk arises from the possibility of non-payment of obligations to the Company by:

- Reinsurers - in respect of amounts already due on claims or future payments relating to set aside reinsurance reserves;
- Banks and other financial institutions - in relation to funds held with them;
- Insured persons;
- Insurance intermediaries, etc.

The above exposures are divided into Type 1 exposures (the first two points) and Type 2 exposures (the second two points) as presented in the table below:

COUNTERPARTY DEFAULT RISK EXPOSURE	2020	2019
	Thousand €	Thousand €
EXPOSURES OF TYPE 1	67.809	49.000
EXPOSURES OF TYPE 2	37.399	15.302
TOTAL:	105.208	64.302

The measures adopted by DALLBOGG: Life & Health to mitigate the risk of counterparty default are related to working with reinsurers with an "investment grade" credit rating, as well as banks and other financial institutions with high reputation and sound financial performance. With respect to other exposures, the Company continuously monitors the amount of each counterparty's obligations in order to take timely action when it detects the preconditions for default in the payment of amounts due. As at 31.12.2020 the Company's receivables overdue by more than 3 months amounted to EUR 83 thousand.

C.4 Liquidity risk

The liquidity risk arises from the possibility that at a given moment "ZAD DALLBOGG: Life and Health" AD may not have the necessary cash to pay its maturing liabilities.

The Company's exposure to liquidity risk arises primarily from its investments in real estate, as there is a possibility that the eventual sale of such real estate may take longer to complete. Otherwise, the Company runs the risk of disposing these assets at a price below their market value in order to meet the Company's liquidity needs immediately.

Liquidity risk is assessed and monitored regularly by the Company to ensure that at any point in time sufficient funds are available to meet both incurred and outstanding cash commitments.

Prudent liquidity risk management involves maintaining sufficient cash and liquid securities as well as opportunities for additional loan funding and for closing out market positions.

C.5 Operational risk

Operational risk is the risk of loss arising from poorly functioning internal processes, personnel errors, information system problems, external events, ongoing legal actions by the Company, and bad reputation.

Operational risk is managed by complying with all laws and regulations, internal work rules, methodologies, instructions, guidelines, tariffs, general and special conditions, orders and agreements reached with counterparties, and individual officers' access to the insurer's information system is consistent with their functional duties and authorization signature limits.

As part of the operational risk, reputational risk is the possibility of negative publications and statements in the mass media, electronic media, etc., leading to a reduction in the customer base and revenues or to lawsuits.

The management of "ZAD DALLBOGG: Life and Health" AD minimizes this risk by maintaining fair relations with all counterparties, partners, state and public institutions and pays special attention to the quality of service and the problems of its customers.

The assessment of operational risk under the Solvency II standard formula is based on the value of gross technical provisions (net of risk add-on) as well as the amount of premiums earned in the preceding twelve months and in the twelve months before that. The Company's exposure in the current and prior reporting period is presented in the following table:

OPERATIONAL RISK EXPOSURE	2020	2019
	Thousand €	Thousand €
GROSS TECHNICAL PROVISIONS (EXCLUDING RISK MARGIN)	87.508	44.591
EARNED PREMIUM N	80.236	56.303
EARNED PREMIUM N-1	56.303	37.847

Prudent Investor Principle

"DALLBOGG: Life and Health AD" invests all its funds in accordance with the prudent investor principle under Article 132 of the Solvency II Directive. The Company only invests in instruments whose risks it can properly identify, assess, monitor, manage, control and report. The ultimate objective of compliance with these requirements is to ensure the safety, quality, liquidity and profitability of the investment portfolio.

Assets to cover technical provisions shall be invested appropriately reflecting the nature and duration of insurance liabilities and reinsurance recoveries, following the interests of the insured.

The Company's investments are diversified in order to avoid excessive concentration and dependence of the entire portfolio on a particular asset, economic sector, issuer or geographic area, with the amount of assets not admitted to trading on a regulated market limited to prudent levels.

C.6 Other significant risks

The Company is also exposed to strategic and reputational risk. "DALLBOGG: Life & Health plc assesses, analyses, monitors and manages its exposure to strategic and reputational risks and their interrelationship with other material risks.

COVID-19

General information

In 2020, the World Health Organization announced the presence of a "Pandemic" of the new coronavirus COVID-2019, which developed at the end of 2019 and quickly spread across the world, with Europe heavily affected. As a result, the Republic of Bulgaria declared a state of emergency on its territory for the period from 13 March 2020 to 13 May 2020, and subsequently a state of epidemic emergency was declared, which continues to 31 December 2020 and at the time of issuing this report.

Strict anti-epidemiological measures and restrictions are in place to limit social contacts and the spread of the virus.

Due to the COVID-19 pandemic, much of the global economy has slowed down, and activity in some sectors has been almost completely halted. As a result of the measures imposed by governments, a significant part of international trade was hampered. At the global level, the consequent effects on business of the economic disruption caused by the pandemic have been

a worsened economic outlook, a significant increase in expected credit losses and other impairments, and a reduction in revenues driven by lower volumes and reduced customer activity.

The pandemic is adversely affecting economic activity in the country and the world, stock markets, tourism, transport, the automotive industry and many other industries. The disruption of normal economic activity in the Republic as a result of COVID-19 could adversely affect the Company's operations, in particular the short-term decline in financial asset prices in global markets followed by a significant level of uncertainty that could affect the fair value of the Company's investments if the negative trend continues.

At present, considerable uncertainty remains in estimating the duration of coronavirus spread and its impact. In the fourth quarter of 2020, a second wave of intensification occurred after a lull in the summer months, which necessitated the adoption of new measures and restrictions by governments, leading to new restrictions on social life and entire sectors of the economy and a decrease in economic activity. At the present time, the intensity of the disease is not decreasing; however, a gradual relaxation of measures has begun in some countries based on the vaccination of the population

Effect on the economy of the Republic of Bulgaria

The table below provides information on the expected economic growth of the Republic of Bulgaria, according to the International Monetary Fund, including projections after the pandemic situation related to COVID-19 (Coronavirus).

	Historical Data			Forecast			
	2017	2018	2019	2020	2020	Average	
				(before Covid-19)	(Covid-19)	(before Covid-19)	(Covid-19)
Economic GDP growth	3.5%	3.1%	3.4%	3.2%	(4.0)%	2.8%	6.0%

The table below provides information on the economic growth expectations of the Euro area countries (representing the main external market of the Republic of Bulgaria), according to the International Monetary Fund, including projections after the pandemic situation related to COVID-19 (Coronavirus).

	Historical Data			Forecast			
	2017	2018	2019	2020	2020	Average	
				(Covid-19)	(Covid-19)	(before Covid-19)	(Covid-19)

Economic GDP growth				(before Covid-19)		(before Covid-19)		
	1.9%	2.5%	1.9%	1.4%	(7.5)%	1.3%	4.7%	

As can be seen from the data above, the Guidance takes into account the possible short-term risks to the overall development of the economy of the Republic of Bulgaria and its main trading partners, where in some markets the expected reduction in GDP would be significant, but also takes into account the overall expectations for recovery in the period 2021-2022, with expectations of a return to the average projected growth levels before COVID-19 (Coronavirus), following the measures taken by governments for vaccination and measures to stimulate economic activity.

Effect on credit ratings

As a result of the anticipated economic effects of the slowdown in overall activity, some of the rating agencies have downgraded their outlooks on long-term debt positions, both sovereign and corporate. The table below provides information on the change in the credit rating (including outlook) assigned by Fitch to the Republic of Bulgaria.

	Before Covid-19		After Covid-19	
	Rating	Perspective	Rating	Perspective
Republic of Bulgaria	BBB	Positive	BBB	Positive

At this time, despite the overall downgrade outlook and limited instances of deterioration in the credit ratings of multiple countries, Management believes that it cannot make a sufficiently robust and certain assessment of the effect that Covid-19 (Coronavirus) may have before a longer period of time has elapsed during which symptoms of deterioration in the



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overall credit quality of both the investments and the general environment in which the Company operates may become apparent.

C.7 Other information

As of 31.12.2020. The Company does not consider that any other additional information can be disclosed in connection with a better understanding of this Solvency and Financial Condition Report.

D. Assessment for solvency purposes

D.1 Assets

As at 31.12.2020 "ZAD DALLBOGG: Life and Health" JSC holds the following types of assets:

ASSETS HELD BY THE COMPANY AS OF 31.12.2020	SII	Statutory account reporting
Intangible Assets	0	53
Deferred Tax Assets	37	37
Real Estate Machinery And Equipment Owned For Own Use	388	0
Investments (Other Than Assets Held For Index-Linked Investment Fund Units)	29.862	29.862
Property (Other Than For Own Use)	5.028	5.028
Equities In Related Companies	3.784	3.784
Capital Instruments	11.310	11.310
Equities - Traded On A Stock Exchange	11.310	11.310
Bonds, of which:	9.737	9.737
Government Bonds	0	0
Corporate Bonds	9.737	9.737
Deposits Other Than Cash Equivalents	0	0
Other Investments	0	0
Reinsurance Recoverables:	43.066	42.546
Non-Life Insurance And Health Insurance, Similar To Non-Life Insurance	43.066	42.546
Non-Life Insurance, Except Health Insurance	43.066	42.546
Insurance Receivables And Receivables From Intermediaries	6.200	24.795
Reinsurance Receivables	1.548	1.548
Receivables (Commercial, Non-Insurance)	31.175	27.839
Cash And Cash Equivalents	24.758	24.758
All Other Assets Not Specified	64	453
Total Assets	137.064	151.851

According to the Solvency II valuation regime, the total assets of the Company as at 31.12.2020 are EUR 137.003 thousand and the valuation principles by asset class are described below:

- Intangible Assets - The intangible assets of DallBogg: Life & Health Plc are tailored solely to the Company's business and cannot be sold independently, nor can a reliable market value be determined for the same or similar types of assets. For this reason, the value of the Company's intangible assets under the Solvency II valuation principles is £nil as at 31 December 2020. Under International Financial Reporting Standards ("IFRS"), the Company measures its intangible assets at historical cost less accumulated amortisation and impairment. The straight-line method of amortization is applied over the useful lives of the assets. Intangible assets are not revalued. Management performs annual reviews of assets subject to impairment and where the carrying amount of an asset is greater than its recoverable amount, it is impaired to its recoverable amount. The value of intangible assets under statutory accounting as at 31 December 2020 is EUR 53 thousand.
- Deferred tax assets - as at 31.12.2020 "ZAD DallBogg: Life and Health" JSC has a deferred tax asset in the amount of EUR 38 thousand, obtained as a result of the carry forward of unused tax losses from previous years.
- Property, plant and equipment held for own use - The value of the item arises from a reclassification relating to the asset held under MFRS 16 Leases from All other assets not elsewhere specified in Property, plant and equipment held for own use. The corresponding IFRS 16 Lease liability is included in Financial liabilities other than due to credit institutions in the Solvency II balance sheet. The asset and liability arise from a long-term lease agreement.
- Real property (other than for own use) - The Company records this class of assets at market value as acquired through appraisal and described in a report by an independent licensed appraiser. The Company uses the Revaluation Model of IAS 16 whereby the

revalued amount of these assets is equal to the fair value at the date of revaluation less any subsequent accumulated depreciation, and any subsequent accumulated impairment losses. As at 31.12.2020, real estate amounted to EUR 5.025 thousand.

- Equity instruments - which are traded on a stock exchange - DALLBOGG: Life & Health Plc applies the basic asset valuation method set out in Article 10(2) of Regulation 2015/35. In accordance with this methodology, the Company uses quoted market prices on active markets for the same assets. The fair value of the equity instruments of ZJSC DallBogg: Life and Health S.A. as at 31.12.2020 is EUR 11.302 thousand.
- Corporate bonds - The Company holds corporate bonds in BGN. The methodology used to determine the fair value of the corporate bonds is based on an individual synthetic rating calculation developed by Aswat Damodaran. As at 31.12.2020 the value of corporate bonds amounts to EUR 9.730 thousand.

The Company determines the markets from which it derives market valuations of equity and government bonds as active based on criteria confirming high traded volumes, high transaction frequency, low bid-ask spreads.

- Deposits other than cash equivalents - As of December 31, 2020, DALLBOGG: Life and Health Plc did not have any deposits other than cash equivalents.
- Reinsurance recoveries/General insurance, excluding health insurance - The Company calculates its best estimate of its technical reserves gross of amounts recoverable from reinsurance contracts and special purpose alternative insurance risk transfer schemes. These amounts are calculated separately and shown as an asset on the balance sheet. The result of the calculation is adjusted to take account of expected losses resulting from counterparty default. As at 31.12.2020 The Company estimates its reinsurance recoveries at EUR 43.035 thousand in accordance with the above principles. The reinsurance companies with which the Company works have high credit ratings and

therefore the adjustment for default is extremely low. According to the regular accounting records, reinsurance recoveries are recorded in the Company's asset and amount to EUR 42.514 thousand. The difference in Solvency II and IFRS figures is due to differences in the methodologies used to calculate technical provisions and reinsurance recoveries.

- Insurance receivables and claims from intermediaries - In accordance with EIOPA Guidelines on the valuation of technical provisions for Solvency II balance sheet purposes, DallBogg: Life & Health Plc treats as a receivable only the premiums that are due for payment by 31.12.2020, while premiums that have not matured are included in the calculation of the best estimate of liabilities. Therefore, the Company writes off the future premiums included in the calculation of the NPV related to premiums from the insurance receivables, which gives rise to a difference of EUR 19.304 thousand between the Solvency II and statutory accounting estimates. Management reviews for impairment at the end of each reporting period and an impairment charge is made if hard to collect and uncollectible receivables are identified. The remaining difference between the Solvency II and statutory accounting values is due to reclassification of trade receivables, non-insurance to insurance receivables and receivables from intermediaries.
- Reinsurance receivables - The Company reports receivables under reinsurance contracts in the amount of EUR 1.546 thousand. There are no differences in valuations under Solvency II and statutory accounting.
- Receivables (trade, non-insurance) - Trade receivables are initially recognised by the Company at fair value and subsequently at amortised cost less impairment. Impairment is recognized when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the related account. The amount of impairment is equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows. When a trade receivable is uncollectible, it is written off. As of December 31, 2020, the Company's management

has performed an impairment review of accounts receivable. The difference between the Solvency II values and the statutory accounting is due to the reclassification of trade receivables, non-insurance to insurance receivables and receivables from intermediaries, and the separate presentation of receivables and payables from and to the Guarantee Fund.

- Cash and cash equivalents - Cash and cash equivalents include cash on hand and cash in bank accounts. Funds included in this class are available for disposition by the Company at any time at their nominal value. The amount of cash and cash equivalents at 31.12.2020 is EUR 24.740 thousand.
- All other assets not stated elsewhere - This item includes other tangible assets with a total value of EUR 452 thousand. The difference between the value of the Solvency II position versus the statutory accounting is due to a reclassification related to the asset formed under MFRS 16 Leases from All other assets not elsewhere specified in Property, plant and equipment held for own use.

D.2 Technical reserves

According to the statutory accounting as of 31.12.2020 the value of the technical reserves of "ZAD DallBogg: Life and Health" AD at book value amounts to EUR 120.460 thousand.

According to the Solvency II assessment regime, the total amount of technical provisions amounts to EUR 90.356 thousand and they are divided into the following categories:

- Technical reserves - general insurance ○ Technical reserves - general insurance (excluding health insurance)
 - Technical reserves - general insurance (excluding health insurance) - best estimate
 - Technical reserves - general insurance (excluding health insurance) - risk premium

- Technical reserves - health insurance (similar to general insurance)
 - Technical reserves - health insurance (similar to general insurance) - best estimate
 - Technical reserves - health insurance (similar to general insurance) - risk premium

The values of the technical reserves of DALLBOGG: Life & Health Plc as at 31.12.2020 are summarised and presented by business line in the tables below:

Technical reserves as of 31.12.2020	SII	Statutory account reporting
Technical reserves - general insurance	90.422	120.547
Technical reserves - general insurance (excluding health insurance)	90.183	120.287
Best Estimate	87.276	0
Risk Margin	2.907	0
Technical reserves - health insurance (similar to non-life insurance)	239	260
Best Estimate	231	0
Risk Margin	7	0

Type of Insurance	Best estimate	Risk Margin	Technical Reserves SII 31.12.2020
Accident	8	0,5	8
Medical expense insurance	223	7	231
Other motor insurance	304	10	314
Marine, aviation and transport	0,5	0	0,5
Fire and natural disasters	32	1	33
Motor vehicle liability	78.810	2.624	81.434
General civil liability	58	2	60
Assistance	0,5	0	0,5
Credit and Suretyship	8.069	269	8.338

The principles used by the Company to estimate technical provisions are described below:

- Technical reserves - general insurance

According to Art. 77, para. 1 of Directive 2009/138, the value of the technical provisions shall be equal to the sum of the best estimate and the risk add-on, and when calculating the technical provisions, insurance and reinsurance liabilities shall be segmented into homogeneous risk groups at least by lines of business within the meaning of Regulation 2015/35.

The difference in the amount of technical provisions for general insurance according to the Solvency II valuation principles compared to the statutory accounting is EUR 30.102 thousand, by which the Solvency II valuation is lower.

The reason for this difference is the difference in reserve calculation methodologies. According to Solvency II, when calculating the NPLs related to premiums, unreceived premiums on maturities that have not occurred are deducted. For consistency purposes, this amount is also deducted from claims in the Solvency II balance sheet asset.

- Technical reserves - general insurance (excluding health insurance) - best estimate

In accordance with the requirements of Article 77 of Directive 2009/138, the best estimate shall be calculated gross of amounts recoverable from reinsurance contracts and special purpose insurance risk transfer schemes. The Company calculates the best estimate for general insurance liabilities separately for the premium reserve and the outstanding claims reserve, where, for the purposes of Article 36 of Regulation 2015/35, the premium reserve relates to future claims-related events covered by insurance and reinsurance liabilities falling within the contract, whereas the outstanding claims reserve

relates to claims-related events that have already occurred, irrespective of whether the claims arising from those As at 31.12.2020, the best estimate of the technical reserves for general insurance (excluding health insurance) is EUR 87.212 thousand.

- Technical reserves - general insurance (excluding health insurance) - risk premium

Within the meaning of Article 77, para. 3 of Directive 2009/138, the risk premium shall be such as to ensure that the technical provisions are equivalent to the amount expected to be required by insurance and reinsurance undertakings to underwrite and meet insurance and reinsurance obligations. Paragraph 5 of the same Directive states that the risk premium shall be calculated by the cost of providing eligible own funds equal in amount to the Solvency Capital Requirement necessary to guarantee the insurance and reinsurance obligations for the period of their existence. The Company uses a rate to determine the cost of these eligible own funds which is the same for all insurers and is 6 %. The amount of the risk add-on for the technical reserves for general insurance (excluding health insurance) as at 31.12.2020 is EUR 2.904 thousand.

- Technical reserves - health insurance (similar to general insurance) - best estimate

The Company calculates the best estimate of its health insurance technical reserves, similar to general insurance, using the same methodology as described above for Technical Reserves - General Insurance (excluding health insurance) - Best Estimate. At 31.12.2020, the best estimate for the technical provisions for health insurance (similar to general insurance) amounted to EUR 231 thousand.

- Technical reserves - health insurance (similar to general insurance) - risk premium

The methodology used is the same as that described above for Technical Reserves - General Insurance (excluding health insurance) - Risk Supplement. The amount of the

risk add-on for the technical provisions for health insurance (similar to general insurance) as at 31.12.2020 is EUR 7 thousand.

The key assumptions used in calculating the best estimate of reserves relate to the Company using past information, historical data, assuming that patterns of loss development will repeat in the future. However, this is not always the case due to the continuous changes in the economic, legal, political, social and market environment which inevitably affect the development of the insurance portfolio. The key areas of uncertainty regarding the value of technical provisions are as follows:

- Calculation of the reserve for pending payments - the estimation of settlement costs is subject to some uncertainty and imprecision;
- Calculation of the reserve for incurred but unasserted claims - the exact determination of the reserve, like the above, is also subject to some variation.

"DALLBOGG: Life & Health Plc manages these risks and uncertainties regarding the value of technical provisions through the following actions:

- Perform regular claim reviews, including liquidation department inspections;
- Establish and maintain reinsurance contracts that seek to limit the impact of any negative loss development;
- Internal controls to ensure compliance with the above actions;
- Perform regular reviews of claims and reserves by the responsible actuary.

The Company does not apply a smoothing adjustment, a volatility adjustment, and a transitional risk-free interest rate term structure and transitional deduction under Articles 77b, 77d, 308c, 308d of Directive 2009/138/EC. "DALLBOGG: Life and Health S.A. applies the simplified formula described in Technical Annex III of the Guideline on the valuation of technical provisions to obtain the best estimate of the premium reserve based on an assessment

of the combined ratio in each line of business in order to simulate the process of premium reserve development:

BE = CR * VM + (CR-1) * PVFP + AER * PVFP where:

BE = best estimate of the premium reserve;

CR = Combined ratio score per activity type;

VM = a measure of the volume of unearned premiums;

PVFP = present value of future premiums;

AER = estimated acquisition cost ratio

In calculating the risk add-on, the Company applies a simplification approach in calculating the individual risks or sub-risks within the scope of certain QIP modules and sub-modules. Each sub-module is then projected based on various simplified values in order to derive the future SCR used in the risk add-on calculation.

D.3 Other liabilities

As at 31.12.2020 "ZAD DALLBOGG: Life and Health" JSC has the following liabilities:

Liabilities as of 31.12.2020	SII	Statutory account reporting
Reserves other than technical provisions	4.059	-
Liabilities for pension benefits	23	-
Deposits from reinsurers	5.628	5.628
Deferred tax liabilities	1.773	-
Financial liabilities other than debts to credit institutions	402	-
Insurance liabilities and liabilities to intermediaries	1.228	7.690
Reinsurance liabilities	2.973	2.973
Liabilities (commercial, non-insurance)	607	1.032

- Reserves other than technical reserves

The item is distinguished in connection with the separate presentation of claims and liabilities to the Guarantee Fund.

- Pension benefit obligations

This includes reserves to cover expected future payments relating to retirement benefits. An annual calculation of these liabilities is made based on an actuarial model.

- Deposits from reinsurers

In 2020, DallBogg: Life & Health: Inc. became a party to a quota share reinsurance agreement under which a portion of the premiums received are retained by the Company in the form of a retained deposit in connection with the reserve for future payments.

- Deferred tax liabilities

Pursuant to Art. 2 of Regulation 2015/35, the Company measures deferred taxes other than deferred tax assets arising from the carry forward of unused tax credits and the carry forward of unused tax losses based on the difference between the values attributed to assets and liabilities recognised and measured in accordance with Article 75 of Directive 2009/138/EC and, in respect of technical provisions, in accordance with Articles 76 to 85 of that Directive, and the values attributed to assets and liabilities recognised and measured for tax purposes. The application of the principles for the valuation of assets and liabilities set out in Article 75 of Directive 2009/138 and of the technical provisions in Articles 76 to 85 of that Directive gives rise to a deferred tax liability of EUR 1.772 thousand as at 31.12.2020.

- Financial liabilities other than amounts due to credit institutions

The value of the item arises from the reclassification of liabilities relating to the liability formed under IFRS 16 Leases from Liabilities (trade, non-insurance) to Financial liabilities other than due to credit institutions. The corresponding IFRS 16 Lease asset is included in Property, plant and equipment held for own use on the Solvency II balance sheet. The asset arises from a long-term lease agreement.

- Insurance liabilities and liabilities to intermediaries

As of 31.12.2020. The Company recognizes insurance liabilities and payables to intermediaries in the amount of EUR 1.228 thousand. In respect of this item, there is a difference between the Solvency II value stated and that in the Company's accounts of EUR 6.456 thousand. In accordance with the EIOPA Guidelines on the valuation of technical provisions for the purposes of the Solvency II balance sheet, DallBogg: Life and Health S.A. treats as a liability only insurance liabilities and liabilities to intermediaries that have matured by 31.12.2020, while liabilities that have not matured are included in the calculation of the best estimate of liabilities.

- Reinsurance liabilities.

The Company has reinsurance liabilities of EUR 2.971 thousand as at 31.12.2020. There is no difference in the valuation of reinsurance liabilities between the Solvency II regime and the statutory accounting.

- Liabilities (commercial, not insurance)

As of 31.12.2020, "ZAD DallBogg: Life and Health" JSC estimates its trade liabilities at EUR 606 thousand. The difference between the Solvency II figures and the statutory accounting is due to the reclassification of liabilities related to the liability formed under MFRS 16 Leases from Liabilities (trade, non-insurance) to Financial liabilities other than due to credit institutions, as well as the reclassification of Pension benefit liabilities.

No changes have been made during the reporting period to the bases used to recognise and measure the liabilities in this item.

D.4 Alternative assessment methods

"DALLBOGG: Life & Health Plc uses alternative valuation methods for assets and liabilities for which quoted market prices are not available in active markets for the same or similar assets. Specifically, the Company applies alternative valuation methods for real estate

and corporate bonds. For real estate, the services of independent external valuers are used to perform the valuation using recognised methods and provide a final report. Corporate bonds are valued using a model based on the market value of the debt by determining an individual synthetic rating developed by Aswat Damodaran. Due to the unavailability of quoted market prices for the real estate and corporate bonds held by the Company, there is a possibility that the valuations obtained by the alternative methods may deviate from the actual value of the assets. This likelihood has been reduced to reasonable levels as the independent valuers are required to comply with the Code of Professional Ethics for Independent Valuers and the principles of independence, objectivity, impartiality and freedom from bias and conflicts of interest, professional competence, confidentiality, professional conduct, integrity and accountability under the Independent Valuers Act when carrying out valuations.

D.5 Other information

As of 31.12.2020. The Company does not consider that any other additional information can be disclosed in connection with a better understanding of this Solvency and Financial Condition Report.

E. Capital management

E.1 Own funds

As an integral part of its business strategy and risk management system, DALLBOGG: Life & Health plc assesses its overall solvency needs in light of its specific risk profile (own risk and solvency assessment). The own risk and solvency assessment is an integral part of the business strategy and is always taken into account in the strategic decisions of the undertaking. The company shall prepare this assessment on a regular basis and immediately after any significant change in its risk profile.

Under Solvency II requirements, the Company classifies its own funds as Tier 1, Tier 2 and Tier 3 own funds. The amount of own funds as at 31.12.2020 is 29.961 thousand EUR, divided into the following categories:

Own funds as of 31.12.2020	Total	Tier 1 - Unlimited	Tier 3
Ordinary share capital (including treasury shares)	10.382	10.382	-
Surplus funds	-	-	-
Reconciliation reserve	19.601	19.601	-
Amount equal to the value of the net deferred tax assets	-	-	-
Total basic own funds	29.983	29.983	-
Total eligible own funds to cover the SCR	29.983	29.983	-
Total eligible own funds to cover the MCR	29.983	29.983	-

- Ordinary share capital (including treasury shares)

As of 31.12.2020, the registered capital of the company is EUR 10.374.613, subscribed and fully paid up. Number of shares 20 300 000 with a nominal value of EUR 0,5 each. Each share has the right to one vote, the right to a dividend and a liquidation share in proportion to its value. This is the Company's ordinary share capital which fully satisfies the criteria in Article 93 of Directive 2009/138 for Tier 1 items, unrestricted. The Company does not hold any repurchased treasury shares that fall within this item. There are no differences in the value of ordinary share capital under Solvency II rules compared to statutory accounting.

- Reconciliation reserve

Pursuant to Article 70 of Regulation 2015/35, the reconciliation reserve shall be equal to the total excess of assets over liabilities less the amount of the funds referred to in par. 1(a)

to (f) of the same Article. The total amount of the excess of assets over liabilities shall be EUR 29.961 thousand. To derive the value of the reconciliation reserve, the item 'Ordinary share capital (including own shares)' is deducted from the amount of the excess. The amount of the reconciliation reserve at 31.12.2020 according to the principles is equal to EUR 19.587 thousand. Part of this reserve is attributable to capital reserves held by the Company (Reserve Fund under Article 246 of the Companies Act) which meet the criteria for classification as Tier 1 own funds but are not included in any of the items above. Also included here are the amount of retained earnings and the amount of the current reporting period's profit net of the uncovered loss from previous years.

At the end of the previous reporting period - 31.12.2019, the Company had own funds in the amount of EUR 18.304 thousand.

As at 31.12.2020, DALLBOGG: Life and Health S.A. has eligible own funds of EUR 29.961 thousand for the coverage of the QIP and the ICI.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Solvency Capital Requirement as at 31.12.2020 is EUR 28.531 thousand and the Minimum Capital Requirement is EUR 11.067 thousand.

The Solvency Capital Requirement is composed of the following risks:

- Market risk
- Counterparty default risk
- Underwriting risk in health insurance
- Underwriting risk in general insurance
- Operational risk

Risks	Solvency capital requirement
Market risk	10.495
Counterparty default risk	7.105
Underwriting risk in health insurance	125
Underwriting risk in non-life insurance	19.832
Diversification	(8.622)
Basic solvency capital requirement	28.937
Operational risk	2.787
Loss-absorbing capacity of deferred taxes	(3.172)
Solvency capital requirement	28.552

The Company is exposed to market risk in relation to its investment and other assets. The risks included in the market risk module are presented in the following table:

Market risk	Solvency capital requirement
Interest rate risk	-
Equity risk	5.011
Property risk	1.257
Spread risk	427
Market concentration risk	7.634
Currency risk	2.145
Diversification within the market risk module	(5.980)
Total market risk	10.495

The main market risk sub-modules that make up the Solvency Capital Requirement are equity risk, currency risk and market concentration risk.

DALLBOGG: Life & Health Plc's exposure to counterparty default risk arises from cash held with financial institutions and reinsurance recoveries (Type 1) and insurance and trade receivables (Type 2). The Solvency Capital Requirement broken down by Type 1 and Type 2 exposures is presented in the table below:



Counterparty default risk	Solvency capital requirement
Type 1 exposures	1.780
Type 2 exposures	5.672
Diversification within the counterparty default risk module	(346)
Total risk of default by the counterparty	7.105

The most significant component of the Solvency Capital Requirement to 31.12.2020 is the underwriting risk in general insurance arising from uncertainty and fluctuations in the amount of premiums earned and technical reserves established, the possibility of policy cancellations due to events not directly attributable to the insurer, and exposure to catastrophic events.

Underwriting risk in non-life insurance	Solvency capital requirement
Premium and reserve risk	17.994
Lapse risk	1.380
Catastrophic risk	4.874
Diversification within the underwriting risk module in non-life insurance	(4.416)
Total underwriting risk in non-life insurance	19.832

Underwriting risk in health insurance, like general insurance, is composed of the same sub-modules as underwriting risk in general insurance. Due to the lower share of lines of business classified as health insurance in the Company's portfolio, the solvency capital requirement due to underwriting risk in health insurance amounts to EUR 125 thousand.

The operational risk under the standard formula applied by the Company is based on calculations based on technical reserves and based on earned premiums. The operational risk as at 31.12.2020 amounts to EUR 2.785 thousand.

The company does not use simplified calculations in relation to the risk modules and sub-modules of the standard formula, and no company-specific parameters have been applied.

When calculating the minimum capital requirement, "ZAD DallBogg: Life and Health"

AD uses the following inputs:

- Best estimate of liabilities, net of reinsurance;
- Gross premium income, net of reinsurance, for the previous 12 months.

	Net Best estimate	GWP, net of reinsurance
Medical expenses insurance	223	279
Workers' compensation insurance	8	63
Motor vehicle liability	42.060	49.489
Other motor insurance	288	766
Marine, aviation and transport insurance	0,5	5
Property insurance against fire and other disasters	13	154
General liability insurance	58	606
Credit and suretyship insurance	1.772	20.577
Assistance	0,5	3

The result calculated on the basis of these data shall be limited to a range of 25 % to 45 % of the Solvency Capital Requirement. Finally, an absolute minimum floor of EUR 3.781.878 is applied below which the minimum capital requirement cannot fall. The Minimum Capital Requirement as at 31.12.2020 amounts to EUR 11.067 thousand, which represents an increase of EUR 3.628 thousand compared to the Minimum Capital Requirement in the previous reporting period, at the end of which the Minimum Capital Requirement amounted to EUR 7.439 thousand.

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

"DALLBOGG: Life and Health Plc does not use the term-based equity risk sub-module under Article 304 of Directive 2009/138/EC to calculate its Solvency Capital Requirement.

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

"DALLBOGG: Life and Health Plc uses the standard formula in calculating the Solvency Capital Requirement and does not apply a full or partial internal model.

E.5 Breaches of the minimum capital requirement and breaches of

the Solvency Capital Requirement

During the current reporting period, DALLBOGG: Life and Health Plc did not breach the minimum capital requirement or the Solvency Capital Requirement. The Company expects to maintain a strong capital position in 2021, meeting the minimum capital requirement and the Solvency Capital Requirement at all times.

E.6 Other information

As of 31.12.2020. The Company does not consider that any other additional information can be published in connection with a better understanding of this report on the solvency and financial position of DallBogg: Life and Health Plc.