



DallBogg Insurance Company
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REPORT

**ON THE SOLVENCY AND FINANCIAL SITUATION OF
" INSURANCE COMPANY DALLBOGG: LIFE AND HEALTH" AD
as of 31.12.2024.**



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Summary

This Solvency and Financial Condition Report of DALLBOGG: Life and Health AD (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") and Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC (the "Regulation"). The report covers the activities and performance of DALLBOGG: Life & Health AD, the governance system, the risk profile of the Company, information on own funds, and an assessment for solvency purposes.

"DALLBOGG: Life and Health AD 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 and warranty insurance.

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

In 2024, The Company will generate gross premium income (gross written premiums) of BGN 527 077 thousand and premium income (on an IFRS annual financial statements basis of BGN 468 447 thousand) of BGN 468 447 thousand in 2024. In order to mitigate potential losses on lines of business with high risk exposure, Insurance Company DallBogg: Life and Health AD is a party in reinsurance contracts with highly rated reinsurers from credit rating agencies with proven track records. The Company's assets valued under Article 75 of the Directive increased to £576,172 thousand as at 31.12.2024 from £389,712 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 31.12.2024 amount to BGN 132 420 thousand and BGN 51 519 thousand, respectively. "DALLBOGG: Life & Health AD has eligible own funds for the coverage of the SCR and the MCR of BGN 154 980 thousand. The coverage ratio of the SCR is 117.04 %. The coverage ratio of the MCR



is 300.82 %. DALLBOGG: Life and Health AD actively manages capital based on analyses and assessments of the risks to which the Company is exposed. ZAD DallBogg: Life & Health AD 's capital position is forecast to remain stable and gradually improve through 2025 against the backdrop of expectations of a gradual normalisation of inflation rates and changes in international trading conditions. Uncertainties in expectations arise from the outcome of the crisis in connection with the military actions led by the Russian Federation on the territory of Ukraine, the escalation of the conflict in the Gaza Strip as well as the tensions in the Far East between Pakistan and India.

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 "G.M. Dimitrov" № 1 blvd.

Phone: (+359) 0700 16 406

Website: www.dallbogg.com

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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 AD (the Company). The contact details of the FSC are:

1000 Sofia Str. № 16 “Budapest”

Headquarters: 02 9404 999

fax: 02 9404 606

e-mail: delovodstvo@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 audit firm which is a registered auditor under the Independent Financial Audit Act. The Company's financial statements, summaries, reports and annexes for 2024 are jointly audited by 2 audit firms: Forvis Mazars Ltd, UIC 204638408 and Ecovis Audit Bulgaria Ltd, UIC 131039504. The contact details of the external auditors are respectively:

Forvis Mazars Ltd (reg.№ 169)

1000 Sofia, Moskovska Street№ 3

Phone: 0888 402 396

Website:www.forvismazars.com/bg e-mail:

info@forvismazars.com

Ekovis Audit Bulgaria Ltd (reg.№ 114)

1606 Sofia, g.k. Krasno Selo Blvd. "General Edward I. Totleben" № 71-73, entrance no. Business Center, floor 5, app. office 1

Phone: 02 958 60 40

Website: www.ecovisbulgaria.bg e-mail: info@ecovis.bg



Description of holders of qualifying holdings

According to Art. 68, par. Life and Health AD 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 at 31.12.2024 (with no changes occurring in 2024) 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 AD is part of the Commercial League Group - Global Pharmacy Centre AD, 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, the Italian Republic, the Kingdom of Spain, the Republic of Poland and the Republic of Romania.

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

- Insurance in connection with medical expenses;
- Insurance in relation to income protection;
- Workers' compensation insurance;
- Motor third party liability insurance;
- Other insurance relating to motor vehicles;
- Marine, aviation and transport insurance;
- Property insurance against fire and other disasters;
- General liability insurance;
- Credit and guarantee insurance;

- Assistance;

Motor third party liability insurance

The insurance shall cover the civil liability of the insured natural and legal persons related to the ownership and/or use of the motor vehicle for the material and non-material 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 all Member States of the European Union and the Member States of the Green Card Agreement. Motor third party liability insurance accounts for 90.83% of the Company's premium income. At the end of 2024, the number of policies in force in Bulgaria, Greece, Italy, Poland and Romania was 1,076,048.

Other insurance relating to motor vehicles

Other insurance in respect of motor vehicles, known as motor insurance, accounts for 0.43% of the Company's premium income. 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 entire vehicle; theft of the entire vehicle; arson or explosion.

Property insurance against fire and other disasters

The object of coverage 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.

Income protection insurance and workers' compensation insurance

Insurance covers risks related to the life and health of individuals. They 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 in connection with 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.

Marine, aviation and transport 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. The Company also insures the material

the liability of the carrier 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 abroad under the Convention on the Contract for the International Carriage of Goods by Road.

Providing assistance

This insurance covers Bulgarian and foreign citizens individually and in groups for the period of travel or stay outside the territory 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.

Insurance in connection with general civil liability

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 various types of insurance, 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.

General liability insurance accounts for 0.48% of the Company's premium income in 2024.

Credit and guarantee insurance

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). Object of



Insurance protection is also 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 due from the borrower under the insured loans provided upon the occurrence of an insured event. Credit and guarantee insurance accounted for 7.60% of the Company's premium income in 2024, with 7,278 policies in force in the territories of Bulgaria, Italy, Spain and Romania at year-end.

Material business and other events

The attack of the Russian Federation on the Republic of Ukraine marked the year 2022. The event fundamentally shook the international order and led to significant political and economic consequences. It has united a disunited democratic world and placed Russia in deep isolation. Severe economic sanctions were imposed, and thousands of Western companies were forced to cease operations on the territory of the Russian Federation. Russia's invasion of Ukraine led to the biggest conflict in Europe since the Second World War. Despite the serious intensity of the war and the many casualties, the chances of peace being achieved soon seem slim. This is due to the fact that the condition for reaching consensus is territorial claims. Russia, which has enormous resources, cannot afford to withdraw without having gained anything, and the West cannot afford to allow a change of borders in Europe achieved by force. Therefore, the war will be long and exhausting, and peace may not be signed for decades after the end of the hostilities. Against this backdrop, we are seeing a host of complex and strategic moves on all sides that will change geopolitics.

Due to the high volatility of the financial markets in 2022-2024 caused by Russia's invasion of Ukraine, ZAD DallBogg: Life & Health maintains a conservative approach in structuring its investment portfolio. It is relatively well diversified in terms of interest rates (in the context of higher inflation over the last two years) and falling prices of

investments in equity securities due to geopolitical risks and uncertainty regarding future developments, as well as the deteriorating macroeconomic environment in the country and in Europe. In addition, the Company does not hold any financial instruments issued by belligerent countries or have any exposure to the currency of these countries and has no relationships with counterparties in these countries. To the extent that its financial assets are carried at fair value, the effects of the pandemic and the Russian invasion, if any, are reflected in the Company's result of operations for the period.

A.2 Results of underwriting activity

DALLBOGG: Life & Health AD's policy of creating, developing and expanding 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.

Line of business	2024		2023	
	BGN thousand.	%	BGN thousand.	%
Insurance in connection with medical expenses	1,397	0.27%	982	0.30%
Insurance in relation to income protection	152	0.03%	112	0.03%
Workers' compensation insurance	39	0.01%	37	0.01%
Motor third party liability insurance	451,259	85.62%	287,007	88.50%
Other insurance relating to motor vehicles	2,030	0.39%	1,796	0.55%
Marine, aviation and transport insurance	78	0.01%	64	0.02%
Property insurance against fire and other disasters	1,082	0.21%	887	0.27%
Insurance in connection with general civil liability	1,359	0.26%	1,241	0.38%
Credit and guarantee insurance	69,674	13.22%	32,160	9.92%
Insurance in connection with legal expenses	-	0.00%	-	0.00%
Providing assistance	7	0.00%	7	0.00%
Miscellaneous financial losses	-	0.00%	-	0.00%
GENERAL:	527,077	100.00%	324,293	100.00%

A major share in the insurance portfolio of "ZAD DallBogg: Life and Health" JSC both in 2023 and 2024 is occupied by the insurance of civil liability in connection with motor vehicles. The contracts concluded in 2024

are 935 080 pcs., while in the reporting year 2024 1 398 234 pcs. Other main types of insurance accounting for a high share of insurance premiums are credit and guarantee insurance and general liability insurance. The Company realises an increase in the number of credit and surety insurance underwritten from 6,340 pc in 2023 to 7,517 pc in 2024. In general liability insurance, the number of insurance underwritten in 2024 decreased slightly to 3,249 pcs. from 3,340 pcs. in 2023, with premium income higher by approx. 9,50%. Property insurance against fire and other catastrophes also occupies a key position in the Company's insurance portfolio with 1,450 pcs of contracts concluded and a realized premium income of BGN 1,082 thousand in 2024.

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

COUNTRY ON THE TERRITORY OF THE EIP	2024		2023	
	BGN thousand.	%	BGN thousand.	%
BULGARIA	195 698	37.1%	163 165	50.3%
GREECE	10 686	2.0%	6 824	2.1%
ITALY	223 278	42.4%	140 195	43.2%
SPAIN	8 485	1.6%	4 711	1.5%
POLAND	56 193	10.7%	6 931	2.1%
ROMANIA	32 737	6.2%	2 499	0.8%
GENERAL:	527 077	100.0%	324 293	100.0%

A.3 Results of investments

Income and expenditure from investments

In 2024, financial revenues of BGN 50 552 thousand and financial expenses of BGN 41 695 thousand were realised. Compared to the previous year 2023, an increase of BGN 45 605 thousand is available for financial income and an increase of BGN 6 187 thousand for financial expenditure. The net financial income in 2024 amounts to BGN 8 857 thousand with an increase compared to 2023 of BGN 39 418 thousand.

"DALLBOGG: Life & Health AD invests all of its assets in accordance with the prudent investor principle to ensure safety, quality,

the liquidity and profitability of the aggregate portfolio, taking into account the nature and duration of insurance liabilities. Investment income and expenses are broken down by component in the tables below:

FINANCIAL REVENUES	2024	2023
	BGN thousand.	BGN thousand.
Interest income	2,884	1,588
Income from operations with financial instruments	40,393	791
Income from revaluation of investment properties	758	2,513
Dividend income from publicly traded securities	54	-
Other financial income	6,462	56
GENERAL:	50,552	4,947

FINANCIAL COSTS	2024	2023
	BGN thousand.	BGN thousand.
Interest expenses	11	1,444
Expenditure from transactions in financial instruments	33,689	26,139
Impairment of receivables	979	3,602
Impairment loss on investment property	68	0
Impairment charges for AML	-	2,222
Other financial expenses	6,948	2,101
GENERAL:	41,695	35,508

Investments in securitisations

During the 2024 reporting period, as in the previous reporting period, DallBogg: Life & Health AD did not make any investments in securitised positions.

A.4 Results of other activities

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

A.5 Other information

In 2024, DallBogg: Life & Health AD , expanded into a new European market under FOS terms, with the fourth quarter of the year



The company started its activity on the territory of Romania with civil liability insurance in relation to motor vehicles,

On 17.04.2025 the Company was notified that the regulator in the Republic of Poland decided on 16.04.2025 to restrict the Company's operations in writing new policies in the country, and at present the renewal of existing policies as well as the issuance of new Class 10 Motor Third Party Liability policies has been suspended. The decision relates to the claims settlement process in the Republic of Poland and is not linked in any way to the Company's financial and capital position. Management has already taken steps to further communicate with the regulator and is in the process of exploring all legal options. The Company is in active dialogue with all regulators in the countries in which it operates in order to provide additional information in relation to the decision of the regulator in the Republic of Poland. Given that the decision is only prospective in nature, Management has performed an analysis of all of its assets and liabilities related to its operations in the Republic of Poland and considers this event to be a non-adjusting subsequent event that has no effect on the Company's financial statements as at the end of 2024.

The Company does not consider that any other additional information can be published in relation to a better understanding of this Solvency and Financial Condition Report as at 31 December 2024.

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;
- decides on the transformation and dissolution of the Company;
- elect, dismiss and discharge the members of the Board of Directors and determine their remuneration;
- determines the amount of management guarantees of the Board of Directors;
- take decisions on the appointment and dismissal of registered auditors;
- approve the annual financial statements, after certification by the appointed registered auditor;
- decides on the method of profit distribution, on the replenishment of the Reserve Fund up to its legally required amount and on 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. The following persons are members of the Board of Directors as of 31.12.2024:

- Tihomir Dimitrov Kamenov - Chairman;
- Biser Georgiev Ivanov - Executive Director;
- Rosen Vaskov Mladenov - Executive Director;
- Todor Danchev Todorinski - Executive Director;
- Nikolay Hristov Sotirov - Independent member
- Zhelyaz Vassilev Mrachkov - Independent member.
- Tsvetomir Miladinov Panagyurski - Independent member

On 09.04.2025 at an Extraordinary General Meeting of Shareholders, a resolution was passed to change the composition of the Board of Directors of the Company. The resolution includes the dismissal of Mr. Rosen Mladenov as Executive Director and as a member of the Board of Directors and the election of a new Executive Director and member of the Board of Directors in the person of Mr. Kaloyan Kostadinov. In addition, it was decided to extend the term of office of all other members of the Board of Directors for a new three-year period, namely until 18.04.2028. The above decisions were entered in the Commercial Register and the Register of Non-Profit Legal Entities at the Registry Agency on 23.04.2025.

On 22.04.2025, at an Extraordinary General Meeting of Shareholders, it was resolved to dismiss Mr. Todor Todorinski as Executive Director and as a member of the Board of Directors. The resolution was entered in the Commercial Register and the Register of Non-Profit Legal Entities at the Registry Agency on 07.05.2025.

At the time of publication of this report, the composition of the Board of Directors is as follows:

- Tihomir Dimitrov Kamenov - Chairman;
- Biser Georgiev Ivanov - Executive Director;
- Kaloyan Mitkov Kostadinov - Executive Director;
- Nikolay Hristov Sotirov - independent member
- Zhelyaz Vassilev Mrchkov - independent member.
- Tsvetomir Miladinov Panagyurski - independent member

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

- organise, manage and control the overall activities of the company;
- adopt plans for the development of 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 concerning material changes in the company's activities, decides on matters concerning 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 the commercial manager(s) (procurator(s)) of the company;
- decides on matters relating to the application for loans, the creation of security for loans taken out by the company or any other person, guarantees, encumbrances and otherwise obliges the company for a total of not more than 20% 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.
- appoint and dismiss the responsible actuary of the Company for the performance of the duties under Article 100 of the Insurance Code;
- appoint and dismiss, in relation to the internal control system, the head of the compliance function for the performance of the functions referred to in Article 93(1) 1 of the Insurance Code;
- appoint and dismiss a person who performs in relation to the internal control system the internal audit function under Article 95 of the Insurance Code;

In the course of carrying out its business, the Board of Directors 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.

"DALLBOGG: Life & Health AD is jointly represented by at least two natural persons - executive directors, who represent and manage the Company, organize operational management, investment and administrative activities.

The powers of the Executive Directors are as follows:

- represent the Company 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 Company;
- request and receive the necessary information about the Company's activities,

- have access at all times to all premises of the Company, including branches, offices and representative offices;
- authorize third parties to perform certain actions in connection with the Company's business;
- manage the overall activities of the Company on the basis of the regulations;
- implement the decisions of the Board of Directors;
- guide activities to achieve sustainable rates of development;
- take measures for staffing and qualification;
- Sign all financial and accounting and administrative and management documents.

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

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

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

to 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 operational risk events - malfunctioning internal processes and systems, human errors and/or adverse and malicious external events and actions;
- prepares analyses for all key processes in order to determine operational risk levels and ways to mitigate them, as well as to prevent operational events from occurring;
- monitors daily changes in securities portfolios through a set of indicators;
- report to the Board of Directors, providing an 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;

Conformity verification 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:

- advise the management bodies of the Company on compliance with the laws, regulations, directly applicable acts of the competent authorities of the European Union and internal acts of the insurer;
- assess the possible effect of changes in the legal environment on the Company's operations;
- identify and assess the risk arising from non-compliance with laws, regulations, directly applicable European Union acts and the insurer's internal acts;

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;
- report freely on the results of audit work during the year;
- prepare an annual internal audit report with findings and recommendations and submit it to the Board of Directors;
- 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 the 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 underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements;
- support the effective implementation of the risk management system, in particular as regards the design 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 for 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

During the year under review 2024, there were no changes in the Company's management system, but on 09.04.2025 at an Extraordinary General Meeting of Shareholders, a resolution was passed to change the composition of the Company's Board of Directors. The resolution includes the dismissal of Mr. Rosen Mladenov as Executive Director and as a member of the Board of Directors and the election of a new Executive Director and member of the Board of Directors in the person of Mr. Kaloyan Kostadinov. In addition, it was decided to extend the term of office of all other members of the Board of Directors for a new three-year period, namely until 18.04.2028. The above decisions were entered in the Commercial Register and the Register of Non-Profit Legal Entities at the Registry Agency on 23.04.2025.

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.

The Remuneration Policy covers all forms of remuneration for the following categories of staff:

- a) management employees;
- b) employees whose activities are related to underwriting;
- c) the responsible actuary and actuaries;
- d) the employees performing control functions under Article 78, paragraph 1, items 1-3 of the Insurance Code;
- e) all other employees whose remuneration is commensurate with the remuneration of the employees referred to in point "a" and point "b" and whose activities have an impact on the risk profile of the Company.

"DALLBOGG: Life & Health" AD 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 possibility of not being paid 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 exist), and its reduction, forfeiture or repayment in the cases provided for in the Remuneration Policy and in Regulation No. 48;
- determines the ratio between the fixed and variable components of remuneration for categories of staff receiving variable remuneration

remuneration as well as the maximum upper limit of 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;
- based on the findings made by the specialised internal audit service and the compliance function, assess whether the Remuneration Policy is functioning as intended and is in compliance with national and international regulations, principles and standards;
- determines to which posts and categories of staff the Remuneration Policy applies;
- approve a plan for the timely correction of deficiencies when periodic reviews indicate that the payroll system is not functioning as intended.

B.2 Qualification requirements and reliability

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

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

- possess 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:
 - reputation, respect in the community and integrity of the person;
 - its financial soundness given its 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 AD, 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 AD;
- personal, professional or other economic relationships with controlling shareholders of the insurance company.

Each member of the management body of DALLBOGG: Life and Health AD. 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 management body of the Company 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 individuals 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, the positions held in 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 AD 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 AD 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 terms and conditions (T&C) of the relevant types of insurance.
- Market risk - comprising: interest rate risk; equity risk; real estate risk; interest rate spread risk; currency risk; foreign exchange risk,

related to market concentration. 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 actions 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 and those identified by the Company under the general framework used , namely:
 - Step 1: Analyse and evaluate the external economic factors affecting the Company's overall operations;
 - Step 2: Assess other external factors (political, social, technological, legal, etc.), including at the global level, that impact the Company's overall operations;
 - Step 3: Assessment of external market factors that directly influence the market behaviour of the Company and its competitors;
 - Step 4: Internal assessment of the processes and structure of the Company's operations in Bulgaria and at EU level.

After completing the process of identifying the listed material risks, the Company's management assesses their (1) likelihood of occurrence and (2) expected impact on the Company's operations based on the following scale:

- One to five in terms of the probability of an event occurring, with one being the lowest probability and five being the highest;

- One to five in terms of the expected impact of the event, with one being the lowest probability and five being the highest;

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 (RSA), 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 self-assessment of risk and solvency, 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 relating 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 whole organisation, including the activities of all structural, auxiliary 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 examine 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 of 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

The system of internal control is designed to provide reasonable assurance that:

- achievement of objectives and completion of tasks;
- economical and efficient use of resources;
- assessment of the various risks and their management;
- asset protection;
- reliability and comprehensiveness of financial and management information;
- carrying out the transferred activities according to the established requirements;
- compliance with measures to prevent money laundering and terrorist financing;
- the legality of activities, compliance with programmes, plans, internal rules and procedures;

Function monitoring compliance

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;
- Assistance, support and counselling at leadership bodies in carrying out their compliance responsibilities;
- Advising all employees 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

Internal audit at DALLBOGG: Life & Health AD is an independent and objective assurance and advisory activity designed to

assists 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 of Professional Practice on Internal Audit, the Code of Ethics and the Internal Audit Policy issued in accordance with Regulation No. 71 of 22 July 2021 on the requirements for the management system of insurers and reinsurers.

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 setting out the annual audit work and containing the scope, objectives, timing and allocation of resources for each audit engagement;
- apply a risk-based approach in determining its priorities and the scope of audit engagements;
- report the audit plan to the Board of Directors of the Company;
- report freely on the results of audit work during the year;
- prepare an annual internal audit report with findings and present it to the Board of Directors and shareholders;
- 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 and Health AD, with the head of the Internal Audit function being 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.

In 2024, in accordance with the risk assessment prepared, the Internal Audit Function performed audit activities through planned audit engagements covering the following directorates and departments within the Company:

- General Insurance Directorate
- Finance, Accounting and Human Resources Directorate
- Liquidation Directorate (including international liquidation)
- Legal Directorate;
- Marketing and Sales Directorate;
- Responsible Actuary.

Key findings in audit engagements carried out in 2024 include:

- The insurance premium is determined on the basis of approved tariffs in force during the period and the activity is carried out in accordance with the regulated internal rules;
- For each type of insurance there are general or special conditions;
- The processes of registration, calculation, data entry into the insurance information system are carried out in accordance with the adopted internal rules and regulatory requirements;
- There was consistency between the justification and eligibility of insurance benefits relating to policies taken out;

- The necessary documents certifying payments for damages were found to be available;
- Checks on court cases found consistency in the payment of court-ordered amounts. Documentation and record keeping are adequate and well organised.
- The parameters of the insurance products negotiated under the insurance mediation contracts shall be consistent with the data entered in the information system.
- The actuarial function assesses specific activities at a detailed level and the information available is sufficient and adequate to perform the data validation process.

In 2024, the function also performed exceptional audit engagements related to international liquidation with a focus on the need to streamline certain processes and implement specific regulations.

Internal Audit at DALLBOGG: Life & Health AD 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 systems. The Internal Audit function is carried out in accordance with the Standards of Professional Practice on Internal Audit, the Code of Ethics and the Internal Audit Policy issued in accordance with Regulation No. 71 of 22 July 2021 on the requirements for the management system of insurers and reinsurers.

The Internal Audit function performs the following tasks:

- Carry out day-to-day control of the Insurer's activities by supervising and checking the work of all structural units of the Company and monitoring the following

the compliance of their activities with the legislation in force in the Republic of Bulgaria and the countries in which they operate, as well as with the approved internal acts of the Company;

- Verifies the documentary substantiation of the settlement of claims and the correctness of the payments made on them, as well as compliance with the deadlines for adjudication of claims in accordance with the Insurance Code and the internal rules of the Company;
- Monitor for conditions for and/or evidence of insurance fraud;
- Develops, implements and maintains an annual and strategic 3-year internal audit plan, performs control and monitoring functions and assesses the adequacy and effectiveness of risk management and internal control systems;
- It applies a risk-based approach in setting its priorities by calculating a risk index for each audited entity based on pre-formulated risk factors that, in the judgment of the internal auditors, could have a material adverse effect in achieving the Company's objectives;
- Present the annual audit plan to the Company's Board of Directors;
- Prepares audit engagement reports with findings and recommendations (as required) and systematically presents them to the Board of Directors;
- Verifies compliance with decisions taken by the Board of Directors as a result of findings and recommendations.
- Verifies and evaluates financial and accounting records and documentary substantiation by monitoring and controlling the insurer's major activities on an ongoing basis and verifying that disbursements are true and correct;
- Communicates with auditors during the Company's annual financial audit and provides them with documents as necessary;
- Verifies the proper functioning of the implemented information system concerning financial and accounting activities and document flow;

- Carry out an adequate assessment of the Company's assets and identify measures to prevent abuse;
- Prepare and present to the Board of Directors of the Company an annual report on the activities of the Internal Audit Function.

In carrying out his/her activities, the Head of the Internal Audit Function shall have the right to access all information necessary for the performance of his/her duties and may request additional reports, statements, contracts and any other documents from all units of the Company.

Internal auditors are independent in planning, performing audit engagements and reporting the results of those engagements and perform their work freely, effectively and objectively by documenting unbiased and unprejudiced assessments. The independence of the internal audit function is guaranteed and ensured by the shareholders of DALLBOGG: Life & Health AD, 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 Function 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. Changes may be made to it as a result of legislative changes and following a reasoned written proposal from the head of the

"Internal Audit" and approved at a meeting of the Board of Directors of the Company.

The audit plan of the Internal Audit Function of DALLBOGG: Life and Health AD for the next reporting period covers the following areas:

- Assessing the compliance of the General Insurance Department with the regulatory requirements, the general and special conditions for insurance contracts under its responsibility and the rates set

- Adequacy and effectiveness of the controls in place to ensure timely and reliable information for the true and accurate accounting of business transactions in the activities of the Financial Accounting and Human Resources Directorate with regulatory requirements
- Evaluating and reporting on the compliance of the activities of the 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 expert witnesses and damage assessment
- Evaluating and reporting on the Foreign Markets Department's compliance with regulatory requirements and the correct and timely payment of insurance claims
- Assessment of 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 Responsible Actuary with the established regulatory requirements regarding the calculation and sufficiency of technical provisions.
- Assessment of the compliance of the activities of the Information Services Directorate with the legal framework and the established rules

The internal audit function of DALLBOGG: Life and Health AD is performed by individuals who do not hold other key positions 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 contractors

The transfer of business from DALLBOGG: Life and Health AD. 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 AD appoints a person within the Company who is 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 and Health AD following the 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;
- contracting an external contractor;
- 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

The Company does not consider that any other additional information can be published in relation to a better understanding of this Solvency and Financial Condition Report as at 31 December 2024.

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 earned, net of reinsurance, and the reserves for future payments, net of reinsurance, that the Company sets aside. As a result of the increase in net premiums earned and net best estimate liabilities ("NEB"), the Company's exposure to underwriting risk in 2024 increases relative to 2023.

UNDERWRITING RISK EXPOSURE	2024	2023
	BGN thousand.	BGN thousand.
Earned premium, net of reinsurance V_{prem}	277,667	167,230
NII of loss reserves, net of reinsurance V_{res}	149,186	114,856

Exposure to underwriting risk is monitored on an ongoing basis and periodic checks are made on the Company's sensitivity to this risk 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 and Health AD transfers a portion of the risk under reinsurance

contracts with established reinsurers rated highly by leading external credit rating agencies. During the 2024 reporting year, and into 2025, the Company will continue to maintain an active quota share reinsurance contract, which cedes 50% of the risk under an insurance "Civil liability" of motorists for policies issued on the territory of the Republic of Bulgaria. An immediate result of the quota reinsurance contract is the limitation of the Company's exposure to underwriting risk, which at the end of 2024 amounts to BGN 83 766 thousand.

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

The exposure to interest rate risk arises from the infrastructure bonds acquired in December 2021 and from reinsurance recoveries on the asset side of the balance sheet, as well as from technical provisions on the liability side of the balance sheet. Due to the different value and duration of the future cash flows exposed to interest rate risk, when discounting them by applying shocked risk-free interest rates, neither the rising interest rate scenario nor the falling interest rate scenario has a negative net effect on the balance sheet. The interest rate risk as at 31.12.2024 is BGN 0. In order to control the interest rate risk, periodic checks and observations are made on the payment and receipt patterns of future cash flows and the discrepancies between them.

Risk related to shares

"ZAD DALLBOGG: Life and Health" AD holds investments in shares in the amount of BGN 106 238 thousand as of 31.12.2024, including participations in the amount of BGN 8 558 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 BGN 8 558 thousand. At the end of 2023, the Company will have held shares in the following companies. The Company sold an equity investment (subscribed in 2022 in Luxembourg) in connection with a subscription agreement for new corporate bonds issued in 2024 but still in the process of being transferred to the Company. As the accounting policy applied by the Company for the recognition of financial assets is on a trade date basis, the Company has recognised the value of the receivable on the bonds in question to be received in 2025.

RISK RELATED TO EQUITY EXPOSURE	2024	2023
	BGN thousand.	BGN thousand.
Shares traded on a regulated market	97,680	12,328
Equity interests in subsidiaries	8,559	8,807

Property risk

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

RISK RELATED TO REAL ESTATE EXPOSURE	2024	2023
	BGN thousand.	BGN thousand.
Investment properties	24,289	23,537
Property for own use	4,060	4,356

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

Interest rate 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 AD holds infrastructure corporate bonds in the amount of BGN 50 714 thousand, representing exposure to interest rate spread risk. Infrastructure corporate bonds are subject to shocks with more favourable risk factors compared to ordinary bonds. The issuing company of the bond issue has a credit rating assigned by an authorised external credit rating agency. "DALLBOGG: Life & Health AD does not hold any deposits other than cash equivalents subject to spread risk. The interest rate spread risk of "ZAD DallBogg: Life and Health" AD. as at 31.12.2024 amounts to BGN 4 907 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 foreign exchange risk through a targeted allocation of assets and liabilities to foreign currencies. In connection with the targeted allocation of investment assets denominated in foreign currencies and the limitation of exposures in the latter, the Company decided in mid-2024 to enter into a currency call option contract in respect of the exposure in US dollars measures on mitigation of foreign exchange risk. The amount of foreign exchange risk as at 31.12.2024 is BGN 7 763 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 and real estate investments. "DALLBOGG: Life & Health AD makes its investments in accordance with the prudent investor principle. In this way, diversification of the entire portfolio of investments is ensured by means of the restrictions introduced regarding the share 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 real estate. The Company's total exposure to market concentration risk is presented in the table below:

RISK RELATED TO MARKET CONCENTRATION EXPOSURE	2024	2023
	BGN thousand.	BGN thousand.
Shares traded on a regulated market	97,680	12,328
Equity interests in subsidiaries	8,559	8,807
Bonds and loans	50,714	51,373
Investment properties and properties for own use	28,350	24,728
Investment funds	0	0
Total	185,303	97,236

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	2024	2023
	BGN thousand.	BGN thousand.
Type 1 exposures	136,391	92,930
Type 2 exposures	103,544	136,441
Total	239,935	229,371

It should be noted that, in connection with the sale of the equity investment under an agreement to subscribe for new corporate bonds, as at 31 December 2024. The Company has recognised the value of the receivable on the bonds in question to be received in 2024 and in order to limit the risk in question, the Company has entered into an additional call option in respect of the bonds in question which are in the process of being received.

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 the remaining 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 payment of amounts due or deterioration in their assigned credit ratings, if any. As at 31.12.2024, The Company does not have any receivables overdue by more than 3 months as the only insurance intermediary that was in arrears at the end of 2023 has repaid its obligations in full based on the agreement entered into in 2023.

C.4 Liquidity risk

Liquidity risk arises from the possibility that at any given time DALLBOGG: Life and Health AD may not have the necessary cash to pay its maturing obligations.

The Company's exposure to liquidity risk arises mainly from its investments in real estate as there is a possibility that their eventual sale may take longer to be realised. 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.

The 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 underwriting 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" JSC minimizes this risk by maintaining fair relationships with all counterparties, partners, state

and public institutions and pays special attention to the quality of service and problems of its clients.

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	2024	2023
	BGN thousand.	BGN thousand.
Gross technical provisions (net of risk premium)	342,844	254,076
Premium earned n	427,733	261,351
Premium earned n-1	261,351	199,780

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.

C.6 Other significant risks

The Company is also exposed to strategic and reputational risk.

Strategic risk is the risk of an unexpected negative change in the value of the Company arising from the adverse impact of management decisions on business strategies and their execution. The risk reflects the compatibility

between strategic objectives, business strategies and the resources used to achieve the objectives.

Reputational risk is the risk of an unexpected decline in the value of the Company caused by a decline in its reputation. Direct reputational risk may arise as a result of the Company's behaviour negatively impacting stakeholder expectations.

"DALLBOGG: Life & Health AD assesses, analyses, monitors and manages its exposure to strategic and reputational risks and their interrelationship with other material risks.

THE WAR IN UKRAINE

The attack of the Russian Federation on the Republic of Ukraine marked the year 2022. The event fundamentally shook the international order and led to significant political and economic consequences. It has united a disunited democratic world and placed Russia in deep isolation. Severe economic sanctions were imposed, and thousands of Western companies were forced to cease operations on the territory of the Russian Federation. Russia's invasion of Ukraine led to the biggest conflict in Europe since the Second World War. Despite the serious intensity of the war and the many casualties, the chances of peace being achieved soon seem slim. This is due to the fact that the condition for reaching consensus is territorial claims. Russia, which has enormous resources, cannot afford to withdraw without having gained anything, and the West cannot afford to allow a change of borders in Europe achieved by force. Therefore, the war will be long and exhausting, and peace may not be signed for decades after the end of hostilities. Against this backdrop, we are seeing a host of complex and strategic moves on all sides that will change geopolitics.

"ZAD DALLBOGG: Life and Health" JSC does not offer insurance products in the territories of the Russian Federation and Ukraine and has not made any direct or indirect investments related to both countries. The observed fluctuations caused by the increased volatility of the financial markets have temporarily adversely

the impact on the financial performance and, in particular, the profitability of the Company. There are currently no circumstances requiring material changes to DallBogg's business model. The Company monitors the economic and political environment, tracks changes in commodity prices and observes their impact on the frequency and average size of claims;

The Company has not issued any insurance policies giving rise to material exposures and risks relating to the Russian Federation and Ukraine, including travel insurance. The Company performs a preliminary analysis and avoids underwriting policies that may be directly or indirectly affected by hostilities on the territory of Ukraine.

INFLATION

In mid-2022, global inflation growth rates were reported to be at a 40-year high. This has led to a rapid tightening of monetary policies by leading central banks, through dramatic increases in key interest rates. In conjunction with the foregoing, there were simultaneous collapses in the prices of debt and equity financial instruments in the capital markets, which put serious pressure on investment performance, particularly for financial sector companies. The end of 2022 and subsequent periods saw declines in inflation growth rates. However, price increases continue to be significantly higher than the 2% target and are projected to remain so for a longer period than originally expected.

C.7 Other information

By 31.12.2024. 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 31.12.2024 "ZAD DALLBOGG: Life and Health" JSC holds the following types of assets:

According to the Solvency II valuation regime, the total assets of the Company as at 31.12.2024 are BGN 576 172 thousand and the valuation principles by asset class are described below:

Assets held by the Company as at 31.12.2024.	SII	Mandatory accounting
Deferred acquisition costs	0	16,222
Intangible assets		260
Deferred tax assets	0	
Real property, plant and equipment owned for own use	4,060	2,727
Investments (other than assets held for index-linked and unit-linked investment fund contracts)	181,241	184,615
Real property (other than for own use)	24,289	24,289
Equity interests in associates	8,559	11,933
Capital instruments	97,679	97,679
Equity instruments - traded on a stock exchange	97,679	97,679
Bonds	50,714	50,714
Government bonds	0	0
Corporate bonds	50,714	50,714
Investment funds		
Deposits other than cash equivalents		
Other investments		
Loans and mortgages		
Policy loans		
Loans and mortgages for individuals		
Other loans and mortgages		
Reinsurance recoveries under:	115,995	199,943
General insurance and health insurance, similar to general insurance	115,995	199,943
General insurance, excluding health insurance	115,995	199,943
Insurance		
Insurance claims and claims on intermediaries	44,221	31,209

Reinsurance claims	3,144	0
Claims (trade, non-insurance)	166,989	152,169
Cash and cash equivalents	59,360	59,360
All other assets not elsewhere specified	1,162	1,162
Total assets	576,172	647,667

- Deferred acquisition costs - the value of deferred acquisition costs for accounting purposes relates to the valuation of the residual cover reserve within the overall model and amounts to £16,222k. Due to the different method of valuation of the premium reserve, as required by the Solvency II Framework, the value of deferred acquisition costs amounts to BGN 0 as at 31.12.2024.
- Intangible Assets - The intangible assets of DallBogg: Life & Health AD are tailored solely to the Company's operations 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 null as at 31 December 2024. 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 31.12.2024 is BGN 260 thousand.
- Deferred Tax Assets - As of December 31, 2024, DALLBOGG: Life and Health AD has no deferred tax assets. Deferred tax assets generated from prior years in relation to unused tax losses have been consumed as a result of the positive financial results realised. It should be noted that for the purposes of the reporting framework of the

Solvency II, the value of deferred tax assets are valued based on the requirements of Article 15 of Delegated Regulation 2015/35, which is the difference between the value of all assets and liabilities between local reporting (IFRS) and the requirements of Article 75 of Directive 2009/138/EC

- Property, plant and equipment held for own use - The value of the item arises from the property acquired in 2021 at the Company's registered office address and other property, plant and equipment held for own use and also the asset held under the IFRS 16 Lease. The corresponding IFRS 16 Lease liability is included in Financial liabilities other than due to credit institutions of 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. As at 31.12.2024, real property (other than for own use) amounted to BGN 24 289 thousand.
- Equity interests in affiliated undertakings - DALLBOGG: Life & Health AD measures its investment in equity interests in affiliated undertakings under the adjusted equity method in accordance with Article 13(3) of Regulation 2015/35. The method reflects the proportion of the excess of assets over liabilities of the related undertaking that is held by the entity holding the participating interest. In calculating the excess of assets over liabilities, they shall be valued in accordance with Article 75 of Directive 2009/138/EC.
- Equity instruments - which are traded on a stock exchange - DALLBOGG: Life & Health AD applies the basic asset valuation method set out in Article 10(2) of Regulation 2015/35. According to the mentioned methodology, the Company uses quoted market prices on active markets for the same assets. The fair value of the equity instruments of "ZAD DallBogg: Life and Health" AD. as at 31.12.2024 is BGN 97 679 thousand.

- Corporate bonds - The Company holds infrastructure corporate bonds in BGN acquired in December 2021. The methodology used to determine the fair value of the corporate bonds is based on the calculation of various methods based on the change in the interest rate curve. As at 31 December 2024 the value of the corporate bonds amounted to BGN 50 714 thousand.

The Company identifies 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 31.12.2024, "ZAD DALLBOGG: Life and Health" JSC does not have any deposits other than cash equivalents.
- Loans and Mortgages - As of December 31, 2024, DallBogg: Life and Health, Inc. had not originated any loans.
- 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 31.12.2024, The Company estimates its reinsurance recoveries at £115,995 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 BGN 199 943 thousand. The difference in the Solvency II and IFRS figures is due to differences in the methods of calculation of technical provisions and reinsurance recoveries, mainly under

the residual coverage liability under IFRS 17 and the Solvency II premium reserve.

- 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 AD treats as a receivable only premiums that are due for payment by 31.12.2024, while premiums that have not matured are included in the calculation of the best estimate of the liabilities. Therefore, the Company derecognizes future premiums included in the calculation of NOLs related to premiums from insurance receivables. It should also be noted that, unlike Solvency II where each insurance contract is recognised on its issue date, IFRS 17 requires that the recognition of a group of insurance contracts occurs on the earlier of the date on which insurance cover commences and the date on which the first premium payment becomes due under the policy. Management performs an impairment review at the end of each reporting period and in the event that difficult to collect and uncollectible receivables are identified, an impairment is made.
- Reinsurance receivables - The Company reports receivables under reinsurance contracts in the amount of BGN 3 144 thousand. There is no statutory accounting position due to the fact that the settlements with the reinsurers are involved in the determination of the reserves (residual cover asset/liability as well as incurred claims asset/liability) and the specifics of reporting on a net basis of reinsurance positions and on a cash flow basis) as per the exigencies of IFRS 17
- 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 at December 31, 2024, the Company's management has reviewed the receivables for impairment. Included in this item is the receivable on the sold equity investment in an investment fund established and managed in Luxembourg, denominated in euros, in connection with a subscription agreement for new corporate bonds expected to be received in 2025, measured at fair value (whereas for accounting purposes it is measured at amortised cost). As the accounting policy applied by the Company for the recognition of financial assets is on a trade date basis, the Company has recognised a value of:

- 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 as at 31.12.2024 is BGN 59 360 thousand.
- All other assets not elsewhere stated - As at 31.12.2024, assets of BGN 1,162 thousand have been recognised, representing the Company's net hedging position on the risk mitigation options exercised.

D.2 Technical provisions

According to the statutory accounting, the value of the technical reserves of "ZAD DallBogg: Life and Health" AD as of 31.12.2024 amounts to BGN 549 269 thousand.

According to the Solvency II assessment regime, the total amount of technical provisions amounts to BGN 353 118 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
- Technically 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 AD as at 31.12.2024 are summarised and presented by business line in the tables below:

Technical reserves at 31.12.2024	SII	Mandatory accounting
Technical reserves - general insurance	353,118	549,269
Technical reserves - general insurance (excluding health insurance)	352,650	548,411
Best Estimate	342,389	0
Risk additive	10,261	0
Technical reserves - health insurance (similar to general insurance)	468	858
Best Estimate	454	0
Risk additive	14	0

Line of business	Best Estimate	Margin risk	Technical reserves SII 31.12.2024
Insurance in connection with medical expenses	393	12	405
Insurance in relation to income protection	43	1	44
Workers' compensation insurance	18	1	18
Motor third party liability insurance	315,322	9,449	324,771
Other insurance relating to motor vehicles	1,406	42	1,448
Marine, aviation and transport insurance	40	1	42
Property insurance against fire and other disasters	389	12	400
Insurance in connection with general civil liability	1,847	55	1,903
Credit and guarantee insurance	23,385	701	24,086
Insurance in connection with legal expenses	0	0	0
Providing assistance	1	0	1
Miscellaneous financial losses	0	0	0
Total technical provisions	342,844	10,274	353,118

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 BGN 196 151 thousand, by which the Solvency II valuation is lower.

The reason for this difference is the difference in reserve calculation methodologies (premium and claims reserves under Solvency II and residual cover liability and claims liability under IFRS 17) as well as risk adjustments (risk add-on

under Solvency II and a non-financial risk adjustment under IFRS 17).

- 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 31.12.2024, the best estimate of the technical reserves for general insurance (excluding health insurance) is BGN 342 389 thousand.

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

Within the meaning of Art. 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 31.12.2024 is BGN 10 261 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. As at 31.12.2024, the best estimate for Technical Reserves - Health Insurance (similar to General Insurance) is £454 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 31.12.2024 is BGN 14 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 AD 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 & Health AD applies the simplified formula described in Technical Annex III of the Guideline on the valuation of technical reserves to obtain the best estimate of the premium reserve based on an assessment of the combined ratio separately for each line of business in order to simulate the premium reserve development process:

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

Where:

BE = best estimate of premium reserve; CR= estimate of combined ratio for type of business; VM = measure of volume of unearned premiums;

PVFP= present value of future premiums;

AER= acquisition cost ratio estimate

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 modules and sub-modules of the SRC. Each sub-module is then projected based on various simplified values in order to derive the future KPIs used in the risk add-on calculation.

D.3 Other liabilities

As at 31.12.2024, "ZAD DALLBOGG: Life and Health" JSC holds the following liabilities:

Liabilities as at 31.12.2024.	SII	Mandatory accounting
Reserves other than technical reserves	-	-
Pension benefit obligations	705	705
Deposits from reinsurers	26,950	26,950
Deferred tax liabilities	12,615	631
Financial liabilities other than amounts due to credit institutions	331	331
Insurance liabilities and liabilities to intermediaries	10,318	8,656
Reinsurance obligations	13,642	10,498
Liabilities (commercial, not insurance)	3,380	3,380
Other liabilities not mentioned above	133	133

- Pension benefit obligations

This includes reserves to cover expected future payments relating to retirement benefits. An annual calculation of these liabilities is performed 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. The reinsurance contract in respect of which the specific position was formed was renewed in each subsequent year, including 2025 and in

2024 The Company is entering into two new similar contracts in respect of its operations in the Republic of Poland and Romania.

- 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 BGN 12 615 thousand as at 31.12.2024. Included in this figure is a deferred tax liability under statutory accounting of BGN 651 thousand.

- Financial liabilities other than amounts due to credit institutions

The value of the position arises from liabilities associated with the entity's IFRS 16 Lease liability. 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.

- Insurance liabilities and liabilities to intermediaries

By 31.12.2024, the Company recognizes insurance liabilities and payables to intermediaries in the amount of BGN 10,318 thousand. In respect of this item there is a difference between the Solvency II value stated versus that in the Company's accounts. In accordance with the EIOPA Guidelines on the valuation of technical provisions for Solvency II balance sheet purposes, DallBogg: Life and Health AD treats as a liability only the insurance

liabilities and liabilities to intermediaries that have matured by 31 December 2024, while liabilities that have not matured are included in the calculation of the best estimate of liabilities. It should also be noted that, as with insurance receivables and amounts due from intermediaries, unlike Solvency II, where each insurance contract is recognised on the date of issue, IFRS 17 requires the recognition of a group of insurance contracts to occur on the earlier of the date on which insurance cover commences and the date on which the first premium payment becomes due under the policy.

- Reinsurance liabilities.- this item is presented separately in the Solvency II balance sheet from reinsurance receivables for full regulatory presentation

The Company has reinsurance liabilities in the amount of BGN 13 642 thousand as of 31.12.2024. The statutory accounting position amounts to BGN 10,498 thousand as at 31.12.2024.

- Liabilities (commercial, not insurance)

As of 31.12.2024 "ZAD DallBogg: Life and Health" JSC estimates its trade liabilities at BGN 3 380 thousand. There is no difference between the Solvency II and statutory accounting values.

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 methods for assessment

"DALLBOGG: Life & Health AD 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, equity interests in subsidiaries and corporate bonds. For real estate, the services of

independent external assessors who carry out the assessment using recognised methods and provide a final report. The shareholding in a subsidiary shall be valued using the adjusted equity method pursuant to Article 13(1)(b) of Regulation 2015/35. The investment in corporate bonds shall be valued using a model based on the market value of the debt by determining an individual synthetic rating. 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

The Company does not consider that any other additional information can be published in relation to a better understanding of this Solvency and Financial Condition Report as at 31 December 2024.

E. Capital management

E.1 Own funds

As an integral part of its business strategy and risk management system, DALLBOGG: Life & Health AD 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 of 31.12.2024 is BGN 134 680 thousand, divided into the following categories:

Own funds at 31.12.2024	Total	First row - unlimited and	First row - limited and	Second and order	Tert and row
Ordinary share capital (including treasury shares)	20,300	20,300		-	
Surplus of funds	-	-			
Reconciliation reserve	134,680	134,680			
An amount equal to the value of net deferred tax assets	-				
Total basic own funds	154,980	154,980	-	-	-
Total eligible own resources for the implementation of the CIP	154,980	154,980	-	-	-
Total eligible own resources for the implementation of the IIA	154,980	154,980	-	-	-

- Ordinary share capital (gross of own shares)

As of 31.12.2024 the registered capital of the company is BGN 20 300 000, subscribed and fully paid up. Number of shares 20 300 000 with a nominal value of BGN 1 each

One. Each share is entitled to one vote, 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 excess of assets over liabilities shall be BGN 134 680 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 31.12.2024 is equal to BGN 134 680 thousand. Part of this reserve is attributable to capital reserves held by the Company (Reserve Fund under Article 246 of the Commercial Law) which meet the criteria for classification as Tier 1 equity 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 - 31.12.2023, the Company had own funds in the amount of BGN 90 661 thousand.

As of 31.12.2024, "ZAD DallBogg: Life and Health" JSC has eligible own funds in the amount of BGN 154 980 thousand for the coverage of the SRC and the MCR.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Solvency Capital Requirement as of 31.12.2024 is BGN 132 420 thousand and the Minimum Capital Requirement is BGN 51 519 thousand.

The Solvency Capital Requirement is composed of the following risks:

- Market risk
- Risk of counterparty default
- Underwriting risk in health insurance
- Underwriting risk in general insurance
- Operational risk

Risks	Solvency capital requirement
Market risk	62,135
Risk of counterparty default	25,679
Underwriting risk in health insurance	909
Underwriting risk in general insurance	83,767
Diversification	(41,612)
Basic Solvency Capital Requirement	130,878
Operational risk	16,255
Ability of deferred taxes to cover losses	(14,713)
Solvency capital requirement	132,420

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	-
Risk related to shares	39,473
Risk related to real estate	7,087
Interest rate spread risk	4,907
Risk of market concentration	34,975
Currency risk	7,764
Diversification within the market risk module	(32,072)
Total market risk	62,135

The main sub-modules of market risk that make up the Solvency Capital Requirement are market concentration risk and real estate risk.

DALLBOGG: Life & Health AD '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:

Risk of counterparty default	Solvency capital requirement
Type 1 exposures	11,886
Type 2 exposures	15,532
Diversification within the default risk module Contractor	(1,738)
Total counterparty default risk	25,679

The most significant component of the Solvency Capital Requirement as at 31.12.2024 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 beyond the direct control of the insurer, and exposure to catastrophic events.

Underwriting risk in general insurance	Solvency capital requirement
Risk related to the determination of premiums and reserves	81,757
Risk of termination	2,311
Catastrophic risk	6,856
Diversification within the underwriting risk module in general insurance	(7,157)
General underwriting risk in general insurance	83,767

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 proportion of lines of business classified as health insurance in the Company's portfolio, the capital requirement for the

solvency due to underwriting risk in health insurance as of 31.12.2024 is BGN 909 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 of 31.12.2024 is at the amount of 16 255 thousand BGN.

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.

Business line	NGOZ	BPP, net of rebuild.
Insurance in connection with medical expenses	394	1,398
Insurance in relation to income protection	43	152
Workers' compensation insurance	17	39
Motor third party liability insurance	215,915	312,441
Other insurance relating to motor vehicles	1,406	2,029
Marine, aviation and transport insurance	12	39
Property insurance against fire and other disasters	156	649
Insurance in connection with general civil liability	635	156
Credit and guarantee insurance	8,270	17,378
Insurance in connection with legal expenses	-	-
Providing assistance	1	7
Miscellaneous financial losses	-	-
Total	226,849	332,259

The result calculated on the basis of these data is limited to the range of 25 % to 45 % of the Solvency Capital Requirement. Finally, an absolute minimum floor of BGN 7 400 000 is applied below which the minimum capital requirement cannot fall. The MCI as at 31.12.2024 is EUR 51 519 thousand.

This represents an increase of BGN 17 395 thousand compared to the IIP in the previous reporting period, at the end of which the IIP amounted to BGN 34 124 thousand.

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

"DALLBOGG: Life and Health AD 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 AD 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 AD did not breach the minimum capital requirement or the Solvency Capital Requirement. The Company expects to maintain a strong capital position in 2025, meeting the minimum capital requirement and the Solvency Capital Requirement at all times.

E.6 Other information

By 31.12.2024. The Company does not consider that any other additional information can be disclosed in connection with a better understanding of this report on the solvency and financial position of DallBogg: Life and Health AD.

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Biser Georgiev
/Executive Director/

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/Executive Director/