

GROUP REPORT
on solvency and
financial condition of
Euroins Insurance Group AD

2022

GROUP REPORT ON SOLVENCY AND FINANCIAL CONDITION OF EUROINS INSURANCE GROUP AD 2022

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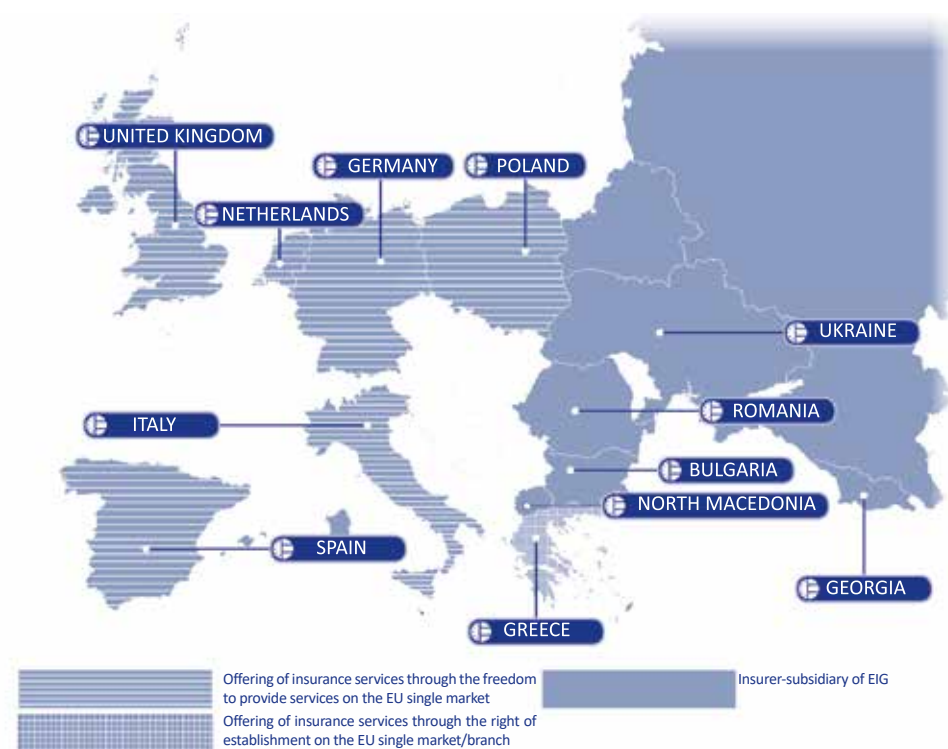
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GROUP REPORT

ON SOLVENCY AND FINANCIAL CONDITION

OF EUROINS INSURANCE GROUP AD 2022



Summary

Euroins Insurance Group AD (EIG, the Company) is one of the large independent groups operating on the insurance markets in Central, Eastern and South Europe. EIG is a company established at the end of 2007 as a 100% subsidiary of Eurohold Bulgaria AD. The aim is to concentrate the entire insurance business of the holding in EIG. The Company's focus is on providing a full range of insurance products in non-life insurance, health insurance and life insurance.

The group operates in eleven countries and has over 10% market share in Bulgaria and almost as much in the Republic of North Macedonia.

In 2014, EIG started operations in Greece through its subsidiary insurance company in Bulgaria. At the end of 2018, the project on reorganization and presence on the Greek market through a branch registered with the insurer was completed and since February 2019 the branch in the Republic of Greece has been carrying out business registration activities for the subsidiary IC Euroins AD (Bulgaria).

In recent years, the Group, through the Bulgarian insurer IC Euroins AD, has been actively expanding its international presence through the creation of an international branch or through the distribution of insurance products on European markets in line with the freedom to provide services.

Since its founding, EIG has been continuously expanding its activities by acquiring majority stakes in insurance companies in Bulgaria, Romania, Northern Macedonia, Ukraine, Georgia and Belarus.

On 20 December 2022, a contract was signed between EIG AD and Regional Investment company Ltd. for the sale of 19,590 shares that represent 100% of the capital of Euroins Belarus. The contract becomes effective on December 30, 2022, and on that date control has effectively been transferred. As of 31 December 2022, EIG AD does not own shares in Euroins Belarus.

On 20 December 2022, a contract was signed between EIG AD and Regional Investment company Ltd. for the sale of shares with a nominal value of 291,600,000 rubles owned by EIG AD and representing 48.606% of the shares of OOO RSO Euroins Russia. The contract becomes effective on December 30, 2022, and on that date control has effectively been transferred. As of 31 December 2022, EIG AD does not own shares in OOO RSO Euroins Russia.

The group has been present on the Ukrainian market since the acquisition in 2016 of HDI Strakhuvannya from Hanover-based Talanx International AG (renamed at the end of 2016 to ČAD ZK Euroins Ukraine), and in 2018 its presence in the Ukrainian market is expanding with the acquisition of a majority share in Private Joint Stock Company European Tourist Insurance, Ukraine, and on the Georgian market with the acquisition of a part of the capital of Insurance Company IC Group Georgia, renamed at the end of 2018 to Insurance Company Euroins Georgia AD.

On 17 March 2023, the Romanian financial regulator (Autoritatea de Supraveghere Financiară) revoked the license for insurance activity of Euroins Romania Asigurare Reasigurare S.A., a subsidiary of Euroins Insurance Group AD, part of the EIG insurance group. The regulator's decision also includes the initiation of bankruptcy proceedings and the appointment of the Insurance Guarantee Fund (Fondul de Garantare a Uzumedilor) as a temporary administrator of the company. At the end of the reporting year, it owns shares in a total of 6 insurance companies and is present in 11 international markets. The amount of gross premiums written for 2022 is BGN 544 million.

In 2022 and for the comparable period, the Group presents a net result from discontinued operations in respect of subsidiaries in Romania and Belarus. Despite the growth in terms of written business from continuing operations, the Group recorded a loss from continuing operations of BGN 5 million after taxes. For comparison, in 2021, EIG reported a loss from continuing operations of BGN 4* million after taxes.

Performance of the Group:

As at 31 December 2022 EIG realized

- gross premium income from continuing operations – BGN 544 million compared to BGN 463 million for 2021;
- the net premiums earned from continuing operations dropped by 4% compared to the previous reporting period to BGN 253 million;
- loss from continuing operations after taxes in the amount of BGN 5 million;
- the main indicators that characterize from continuing operations are: the claims ratio decreased compared to 2021 to 49.8% (2021: 50.9%) . An increase in the administrative expense ratio and acquisition ratio was reported, which for 2022 were 16.5% and 33.4% respectively (2021: 14.5% and 32.3%). The combined ratio increased to 99.7% (2021: 97.6 %).

Capital management

As at 31 December 2022, the Group has the following solvency capital requirements:

- The coverage of the solvency capital requirement is 132.02%,
- The coverage of the minimum capital requirement is 215.92%.

In the process of implementing a project to comply with a new regulatory act, the Group revised its Capital Management Policy and made amendments, which were presented to the Board of Directors in early 2022.

System of governance

The system of governance of EIG has been prepared in accordance with and in compliance with the requirements of European legislation.

- Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009.
- Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament
- Commission Delegated Regulation (EU) No. 2019/981 amended Delegated Regulation (EU) No. 2015/35 (OJ L 161/18.06.2019);
- Insurance Code (IC)
- Ordinance No. 71 of the FSC regarding the requirements for the governance system (effective from August 2021)
- EIOPA - BoS 14/253 - on guidelines on system of governance
- Other documents concerning the business of the company.

The system of governance of the insurance group is in accordance with the nature and complexity of the volume of activity. It is applied in a harmonized and consistent manner within the Group, subject to periodic review by the management body.

Risk profile

One of the main objectives of EIG's established risk management system is to support management and other stakeholders in the achievement of strategic goals, effectiveness and efficiency of operations, the application of legal and regulatory requirements, the reliability of the Group's financial statements. As an integral part of its business strategy, EIG performs its own risk and solvency assessment.

Risk assessment includes:

- calculation of the solvency capital requirement and minimum capital requirement;

- control of compliance with the requirements regarding the capital solvency requirement, the minimum capital requirement and technical reserves;
- degree of deviation of the risk profile - deviation of the capital solvency requirement from the value at risk of the main own funds, subject to a confidence interval of 99.5% for a period of one year.

The main goals that EIG sets are:

The main goal of EIG is the continuation of the sustainable development of IC Euroins, including the construction and development of the branch network and the expansion of its activities in accordance with the principle of freedom to provide services within the European Union.

A

BUSINESS AND PERFORMANCE

A.1. Business

Name and legal form of the company - Euroins Insurance Group AD.

Euroins Insurance Group AD was established at the end of 2007 as a 100% subsidiary company of Eurohold Bulgaria AD, and in concentrates the entire insurance business of the holding. The Company is entered in the Commercial Register under UIC 175394058.

Seat and registered address:

| | |
|-------------------|---|
| Business address: | city of Sofia 1592, 43 Christopher Columbus Blvd. |
| Phone number | +359 2 9651 500 |
| Fax | +359 2 9651 652 |
| E-mail | eig@euroins.bg |
| Website | www.eig.bg |

Group supervision

The supervisory authority of a group in accordance with Chapter twenty-five of the Insurance Code is the Financial Supervision Commission (FSC) / www.fsc.bg.

Address: Republic of Bulgaria, Sofia, No. 16 Budapest Str., Tel. 02/ 94 04,999

E-mail: bg_fsc@fsc.bg

Independent auditor

According to Art. 101a, para. 1 in connection with Art. 101, para. 1 of the Insurance Code with a decision from a meeting of the Financial Supervision Commission on 02.12.2021, the following registered external auditors have been agreed in advance:

1. External auditor of the insurance holding: Mazars OOD, UIC 831255576

Seat and registered address: Republic of Bulgaria, Sofia, 3 Moskovska St.

Phone: +359 888 402396

www.mazars.bg

2. External auditor of the insurance holding: Grant Thornton OOD, UIC 831716285

Seat and registered address: city of Sofia, 26, Cherni vrah Blvd.,

Phone: 02 9805500

www.grantthornton.bg

The external auditors of the Company elected by the General Meeting of Shareholders are registered in accordance with the Independent Financial Audit Act, with registration numbers in the Institute of Certified Public Accountants:

Mazars OOD - No. 169/2017

Grant Thornton OOD - No. 032/1998

Shareholder structure

As at 31 December 2022 the registered capital of the Company amounts to BGN 576 million. The registered capital of the Company consists of 576,242,734 shares, of which 76,981,791 are materialized, registered, preferred shares, each with a par value of BGN 1, and 499,260,943 are materialized, registered, non-preferred shares, each with a par value of BGN 1.

As at 31 December 2022, the registered capital is fully paid up. On 25 October 2018 in the Commercial Register an increase of the capital of Euroins Insurance Group AD was registered at BGN 543,445,791 through the issuance of new 60,000,000 ordinary, registered, available, shares with a nominal value of BGN 1, which are fully subscribed by Eurohold Bulgaria AD. Upon registering, 25% of the nominal value (BGN 15,000 thousand) are paid and the remainder will be repaid under the plan within 2 years. In 2019 BGN 3,950 thousand was paid in connection with the above mentioned capital increase. On 31 July 2020, BGN 22,296,462 were paid, and the remainder was paid on

02 December 2020 in the amount of BGN 18,753,538, and thus, according to the above decision, the capital was fully paid.

On 29 September 2021 the General Meeting of Shareholders decided to simultaneously reduce and increase the capital of EIG AD by invalidating 19,229,057 ordinary shares worth BGN 524,216,734 and increasing it to 576,242,734 shares by issuing 52,026,000 new ordinary shares with a nominal and issue value of BGN 1. This increase is distributed as follows: Eurohold AD subscribed 15,060,813 shares and the EBRD - 36,965,187 shares.

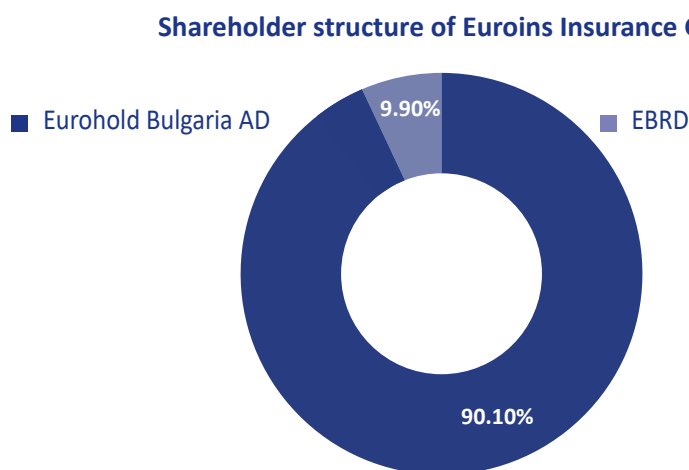
By in decision of the Board of Directors of October 7, 2021, it was established that Eurohold AD paid on September 30, 2021 15,060,813 shares, respectively for BGN 15,060,813. On 07 October 2021, EUR 18.9 million was received from the EBRD, with which it purchased the remaining 36,965,187 shares. Temporary certificates have been issued to Eurohold and the EBRD.

On 03 November 2021, Eurohold acquired the entire minority share of Basildon Holding S.A.R.L. (shareholder as of 31 December 2020), as the investments made in 2021 in its purchase amount to BGN 15,710 thousand. On 05.10.2021 the European Bank for Reconstruction and Development (EBRD) signed an agreement for a package deal with Eurohold Bulgaria AD with the subject of acquiring a minority share in Euroins Insurance Group AD (EIG).

On 19 December 2022, the General Assembly decided to increase the Company's capital by issuing 30,510,024 shares with a nominal value of BGN 1. Eurohold Bulgaria has the right to subscribe 8,800,317 shares at issue value, and EBRD has the right to subscribe 21,709,707 shares at issue value. The issue value of the newly issued shares can be paid all at once or in parts, and the initial value cannot be less than 25%. The unpaid part of the issue value should be paid by the shareholders within a period of no longer than 2 years from the entry of the increase in the Commercial Register. After entering the increase in the Commercial Register, the Company's capital will be BGN 606,752,758.

The majority owner of the capital of Euroins Insurance Group AD is the public company Eurohold Bulgaria AD.

Qualified interests in the shareholder structure of the registered share capital of Euroins Insurance Group AD are:



**The shown shareholder structure represents the registered and paid-up share capital in the Commercial Register of the Republic of Bulgaria.*

Subsidiaries, activity and main geographical areas of the group

Euroins Insurance Group AD is a holding joint-stock company. The objects of the parent company are: acquisition, management, evaluation and sale of participations in Bulgarian and foreign companies; acquisition, management and sale of bonds; acquisition, valuation and sale of patents, divestiture of licenses for the use of patents of companies in which the company participates, as well as financing of the companies in which the company participates. Within the meaning of Art. 233, para. 8 of the Insurance Code, Euroins Insurance Group AD is an insurance holding company.

As at 31 December 2022 and 2021, Euroins Insurance Group AD owns a controlling interest in the following subsidiary and associated insurance companies:

| Investments in subsidiaries | Country | Share in capital | |
|---|--------------|---------------------|---------------------|
| | | As of 31.12.2022 | As of 31.12.2021 |
| Euroins Romania Asigurare Reasigurare S.A. | Romania | 98.51% | 98.50% |
| Insurance Company Euroins AD | Bulgaria | 98.64% | 98.63% |
| IC EIG Re EAD (former name HDI Zastrahovane AD) | Bulgaria | 100.00% | 100.00% |
| Insurance Company Euroins Life EAD | Bulgaria | 100.00% | 100.00% |
| Euroins Osiguruvanje AD, North Macedonia | N. Macedonia | 93.36% | 93.36% |
| Private joint-stock company IC Euroins Ukraine, Ukraine | Ukraine | 92.62% | 92.62% |
| Private joint-stock company European Tourist Insurance, Ukraine | Ukraine | 99.99% | 99.99% |
| Insurance Company Euroins Georgia AD, Georgia | Georgia | 50.04% | 50.04% |
| Euroins Claims I.K.E. | Greece | 100.00% | 100.00% |
| CJSC IC Euroins, Belarus | Belarus | 0% | 100.00% |

IC Euroins AD (Euroins Bulgaria, the Company)

IC Euroins AD became part of Euroins Insurance Group AD in 2007.

In the following years, the Group has repeatedly increased the capital of the Company.

In addition, EIG granted a cash loan in the form of subordinated debt (Tier 1 capital according to Solvency II) for a total value of BGN 8,500,000. On 21 January 2020, as part of the plan for restructuring of the capital structure of IC Euroins AD, approved by the Financial Supervision Commission, an increase in the capital of IC Euroins AD by BGN 8,700 thousand was registered in the Commercial Register, and part of the increase is the result of repayment of the existing subordinated term debt in the amount of BGN 8,500 thousand on 13 January 2020. Thus, the share capital of IC Euroins AD is now in the amount of BGN 40,970,000, distributed in 40,970,000 shares, and Euroins Insurance Group AD owns 40,410,171 shares, which is approximately 98.63% of the capital.

As at 31 December 2021 the share capital of IC Euroins AD is in the amount of BGN 40,070,000, distributed in 40,970,000 shares, with Euroins Insurance Group AD owning 40,410,704 shares, which is approximately 98.63% of the capital.

On 19 December 2022, Euroins Insurance Group AD made a monetary contribution of BGN 12 million to the capital of IC Euroins, which was reflected as an increase in the Company's capital reserves.

As at 31 December 2022 the share capital of IC Euroins AD is in the amount of BGN 40,970,000, distributed in 40,970,000 shares, with Euroins Insurance Group AD owning 40,410,704 shares, which is approximately 98.64% of the capital.

In 2022, the Company reports a 32% increase in gross premiums written, with the main reason for this being the increase in written non-motor business.

Major non-motor lines such as Accident and Illness (100%) also saw growth, with a significant role for this increase played by the reported income for insurance Travel assistance in the UK, Liability (13%), Guarantees (53%), which is due to the launch of the new business in Greece, Cargo (338%), due to the significant increase in cargo transit of grain from Ukraine and Property (25%). Motor third-party liability and green card insurance decrease by 2%, and motor vehicle Casco insurance by 1%. The decrease in the „Motor third-party liability and green card insurance“ is due to the decrease in sales in Poland and the reduced average price of insurance in Bulgaria, while at the same time the number of policies sold has increased.

Net premiums earned in 2022 increased by 7% compared to the previous year. Incurred claims, net of reinsurance, decreased by 3%.

Administrative expenses increased compared to the same period of 2021 by 11%. This increase however, relative to the net premiums earned, as can be seen below, does not lead to a change in the administrative expenses ratio compared to the previous year. Net acquisition costs increased 20% compared to the same period in 2021, and net earned premiums increased 11 percentage points, driven by an increase in overall written business.

IC Euroins AD reports a profit before taxes and intra-group eliminations in the amount of BGN 2,813 thousand. In 2022, the main operating ratios of the Company are as follows: Net Loss ratio -51.5% (2021: 58.5%), Acquisition

Ratio – 30.5% (2021: 28.0%), Administrative Expense Ratio- 13.3% (2021: 13.3%) Combined Ratio- 95.3% (2021: 99.8%).

The company's solid financial position is also confirmed by the February 2022 update of BCRA's Long-Term Claims Payment Rating. The assigned rating is "BBB-" with a long-term Stable outlook. Separately, in March 2023 Fitch affirmed the affiliated Insurer Financial Strength Rating ,B+' with a long-term negative outlook.

As of February 2019, IC Euroins AD - Greece branch is already officially operating and has a license to provide both motor business and property insurance and Accident and Travel Assistance insurance. The realized gross premium income from the branch in 2022 is BGN 76 million (2021: BGN 67 million) or an increase of 13%. The main business of the branch is Motor third-party liability and green card, which make up about 70% of the recorded gross premium income or BGN 53 million. Supplements for Assistance to the insurances make up 13% of the registered business of the branch in Greece.

The recorded business through the freedom to provide services in Poland saved the realized volumes in the previous year or about BGN 79 million. Motor third-party liability accounts for 89% of recorded business. The remainder represents Assistance supplements to the concluded insurances.

Euroins Romania Asigurare Reasigurare S.A. (Euroins Romania, the Company)

The acquisition of the investment in Euroins Romania Asigurare Reasigurare S.A. occurred in 2008.

The parent company has repeatedly supported Euroins Romania through capital increases of the Company. In 2016 and 2017 alone, the capital was increased by a total of 300 million RON. And in 2018 EIG increased its investment by another BGN 10,366 thousand.

At the end of September 2020, the Company received decision No 1137 / 29.09.2021, by which the Romanian financial regulator imposed a fine of RON 1.5 million and requested the submission of two plans: Short-term financing plan and Long-term recovery plan. With these plans, Euroins Insurance Group AD adopted a financial support package consisting of: (a) subordinated debt disbursed on 26 June 2020 in the amount of EUR 5.5 million, RON 27 million respectively; (b) subordinated debt provided by a contract signed on 29 June 2020 in the amount of EUR 10 million, respectively RON 48.7 million, and (c) a capital increase decided at the Extraordinary General Meeting of Shareholders on 17 September 2020 in the amount of RON 50 million. On 3 December 2020, Euroins Insurance Group AD decided to convert the two subordinated debts in the amount of RON 75.7 million, as well as the calculated but unpaid interest in the amount of RON 0.8 million as of 30 September 2020 into equity. With Decision 342/11 March 2021, the capital increase of RON 50 million was approved by the local financial regulator. The short-term financing plan was approved by Decision 1469/14 December 2020 and was fully implemented within the deadline set by the decision of the Romanian financial regulator. The long-term recovery plan was adopted by Decision 22/07 January 2021 and contains measures and actions in almost all areas of the Company to lead to efficiency and profitability. The implementation of the measures and actions is ongoing and pertains to: digitization, claims processes, portfolio restructuring (including sales channels), IT improvements, etc. The company challenged Decision 1137/29.09.2020 of the Romanian financial regulator in court, opening a lawsuit against it.

Euroins Romania participated in the Balance Sheet Review (BSR) conducted for the Romanian insurance market, with a reference date of 30 June 2020. The appointed consultant for Euroins Romania was PricewaterhouseCoopers, which issued its report at the end of December 2021. After the reference date of the review, i.e. June 30, 2020, Euroins Insurance Group made successful efforts to strengthen the financial position of the Company. As a result, subsequent events after the BSR reference date have a significant effect not only on the reversal of the adjustments included in the BSR report and the implementation of the recommendations set out therein, but also on the adoption of stand-alone capital increase measures.

Capital and liquidity measures to increase own funds independently without taking into account the impact of subsequent events of the Company after the reference date of the review are summarized below:

| Period | Measure | Total increase (RON) |
|------------------|-------------------|----------------------|
| June-August 2020 | Capital increase | 76,000,000 |
| December 2020 | Capital increase | 50,000,000 |
| July-August 2021 | Subordinated debt | 40,000,000 |
| September 2021 | Capital increase | 120,000,000 |
| September 2021 | Subordinated debt | 5,000,000 |
| Total | | 291,000,000 |

On 30 September 2021, the BD of EIG AD decided to participate in a procedure to increase the capital of Euroins Romania by subscribing all 12,000,000 shares against payment of EUR 24,256,636. The amount was paid in October 2021.

In 2022, Euroins Insurance Group AD made two new payments to increase the capital of the subsidiary, on 08 November 2022 in the amount of EUR 4.093 million and on 7 December 2022 in the amount of EUR 7.125 million.

As of December 31, 2022, the participation of Euroins Insurance Group in the Company's capital is 98.51% (December 31, 2021: 98,51%).

On 17 March 2023, the Romanian financial regulator (Autoritatea de Supraveghere Financiară, (ASF)) revoked the insurance activity license of Euroins Romania Asigurare – Reasigurare S.A. (Euroins Romania). Detailed disclosures in this regard is presented in note 37 "Events after the end of the reporting period" of the consolidated financial statement of EIG AD.

In connection with the above, Euroins Insurance Group AD reports a loss from discontinued operations as of December 31, 2022 in the amount of BGN 177,936 thousand. (2021: profit BGN 84,404 thousand).

In March 2023, Fitch Ratings downgraded Euroins Romania's credit rating from Insurer Financial Strength Rating „B“ to „CC“ in development.

Euroins Insurance AD, North Macedonia (Euroins Macedonia, the Company)

The investment in Euroins Insurance AD, North Macedonia was acquired in 2008. Several capital increases followed, and as of 31 December 2022, the Group's shareholding was 93.36% (as at 31 December 2021: 93.36%).

Euroins Macedonia is an established and stable company with a diversified portfolio and stable financial indicators. In the current year, gross premiums written increased by 19% and reached BGN 30 million. (2021: BGN 26 million). The company continues to strengthen its position in Agricultural Insurance, where the recorded business has grown and reached BGN 9.4 million, and for 2021 BGN 8 million or a growth of 17% was reported. An increase of 18% was observed in the case of motor third-party liability, where gross income was realized in the amount of BGN 14.5 million or 48% of the total gross premiums written for the period (2021: BGN 12 million; 48%).

In 2022, administrative expenses marked a decrease of 5%, and net acquisition costs an increase of 23%.

Profit for group purposes is in the amount of BGN 1,901 thousand (2021: BGN 1,715 thousand) before taxes and intragroup eliminations.

IC Euroins Life EAD (Euroins Life, the Company)

In 2013, EIG acquired 100% of the capital of Interamerican Bulgaria Life Insurance EAD, which was renamed to IC Euroins Life EAD.

In 2016, the Parent company additionally supported Euroins Life by granting a cash loan in the form of subordinated debt (Tier 1 capital according to Solvency II) in the amount of BGN 1,250 thousand. On 27 February 2020, an increase in the capital of IC Euroins Life EAD, which is part of the restructuring plan of the capital structure of IC Euroins Life EAD, was recorded, approved by the Financial Supervision Commission with Decision 1327-Ж3 dated 23.12.2019. On January 3, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the capital of Euroins Life EAD by BGN 1,250 thousand, while at the same time IC Euroins Life EAD had to fully repay the subordinated term debt of the same amount. On February 18, 2020, IC Euroins Life EAD paid its debt in full. Following the operation, the capital of the subsidiary is already at the amount of BGN 11,375,070, distributed in 1,137,507 shares with a nominal value of BGN 10 each.

On 1 September 2021 the Board of Directors of EIG AD adopted a decision to simultaneously reduce and increase the capital of the Company. The capital is reduced by BGN 4,550,028 by reducing the nominal value of the shares by BGN 4 in order to cover accumulated losses from previous years. The price of 1 share became BGN 6. The capital is increased by BGN 720,000 by issuing 120,000 shares with a nominal value of BGN 6. The new shares will be subscribed by EIG AD within 9 months of the decision. The registered capital of the Company after the execution of the decision will become BGN 7,545,042 distributed in 1,257,507 ordinary dematerialized registered shares with a par value of BGN 6. As of 31 December 2021, the decision of the Board of Directors of EIG AD has not been put into effect.

In 2022, EIG AD made two contributions for capital increase, BGN 720 thousand / to cover the accumulated loss as at 31 December 2021 / on 12 May 2022 and BGN 1.5 million on 16 December 2022. With the contribution made on 16 December 2022, EIG AD purchased 150,000 shares with a nominal value of BGN 6 and an issue value of BGN 10. With the difference between the issue value and the nominal value, the Reserve Fund of the Company was

increased by BGN 600 thousand.

The shareholding of Euroins Insurance Group in the capital of IC Euroins Life EAD is 100%.

In 2022, the gross premiums written by the Company decreased by 2% compared to the previous year.

In 2019, the Company started new partnerships with non-financial credit companies for fast online loans. In 2021 and in 2022, their positive effect on the portfolio can already be seen.

The acquisition cost ratio increased from 39% for 2019 to 60% for 2020 and 72% for 2021, due to the change in the sales strategy from direct sales to the use of distribution channels - financial institutions and brokers. In 2022, for the first time in recent years, the acquisition ratio decreased by 3%.

For 2022, the reported financial result was a profit in the amount of BGN 700 thousand before taxes and intra-group eliminations (2021: loss in the amount of BGN 506 thousand). However, the technical result as of 31 December 2022 is still negative.

IC EIG Re EAD (EIG Re, the Company) and Euroins - Health Insurance ZEAD

The control in Euroins - Health Insurance ZEAD by Euroins Insurance Group AD was acquired in 2008. As at 31 December 2017, the shareholding of EIG in the capital of Euroins - Health Insurance ZEAD is 100.00%.

In 2015, Euroins Insurance Group AD acquired 94% of the capital of HDI Insurance AD. In 2016 the name of HDI Insurance AD was changed to IC EIG Re AD. The remaining 6% were also acquired and EIG became the sole owner of the Company.

In 2016, the capital of IC EIG Re EAD was increased by BGN 4,000 thousand. During the same year EIG additionally supported EIG Re by granting a cash loan in the form of subordinated debt in the amount of BGN 600,000. (Tier 1 capital according to Solvency II). On 28 February 2020, an increase in the capital of IC EIG Re EAD, which is part of the restructuring plan of the capital structure of IC EIG Re EAD, was recorded, approved by the Financial Supervision Commission with Decision 1326-O3 dated 23.12.2019. On January 15, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the capital of Euroins Life EAD by BGN 600 thousand, while at the same time IC Euroins Life EAD had to fully repay the subordinated term debt of the same amount. On February 19, 2020, IC EIG Re EAD paid its debt in full. Following the operation, the capital of the subsidiary is already at the amount of BGN 19,112,000, distributed in 19,112,000 shares with a nominal value of BGN 1 each.

On 27 June 2017, the Commercial Register recorded the merger of Euroins Health Insurance ZEAD in IC EIG Re EAD. As a result Euroins Health Insurance ZEAD was terminated without liquidation and IC EIG Re EAD became its universal legal successor.

On January 15, 2020, the Board of Directors of Euroins Insurance Group AD decided to increase the capital of Euroins Life EAD by BGN 600 thousand, while at the same time IC Euroins Life EAD had to fully repay the subordinated term debt of the same amount. On February 19, 2020, IC EIG Re EAD paid its debt in full.

On 28 February 2020, an increase in the capital of IC EIG Re EAD, which is part of the restructuring plan of the capital structure of IC EIG Re EAD, was recorded, approved by the Financial Supervision Commission with Decision 1316-O3 of 23 December 2019. Following the operation, the capital of the subsidiary is already at the amount of BGN 19,112,000, distributed in 19,112,000 shares with a nominal value of BGN 1 each.

On 01 September 2021 the Board of Directors of EIG AD decided to reduce the capital by invalidating the shares of the Company in order to cover the accumulated losses. The term of execution of the decision is 9 months. Following the implementation of the decision, the capital of EIG RE will be reduced by BGN 7,212,773 and from BGN 19,112,000 will become BGN 11,899,227. As of 31 December 2021, the decision of the Board of Directors of EIG AD has not been put into effect.

On 19 December 2022, EIG AD will make a cash contribution of BGN 3 million for the acquisition of 600,000 shares with a nominal value of BGN 1 and an issue value of BGN 5. With the difference between the issue value and the nominal value, the Reserve Fund of the Company was increased by BGN 2.4 million BGN

The shareholding of Euroins Insurance Group in the capital of IC EIG Re is 100%.

The strategy of the management of Euroins Insurance Group and EIG Re is for the Company to continue to develop as an active reinsurer. The foundations were laid in 2017, when the first proportional and non-proportional reinsurance contracts were concluded. In 2018, a number of projects were initiated, which continue this year as well, with the aim of analyzing the development potential of EIG Re and as an internal reinsurer for Euroins Insurance Group, thus optimizing the Group's overall reinsurance program. One of the starting points of these projects was the possible participation of EIG Re as an internal reinsurer in the optimization of the capital requirements of the Group and its subsidiaries in the light of Solvency II.

In 2020, EIG Re signed new quota share intra-group contracts in relation to active reinsurance covering Property,

Cargo, Marine and Carrier's Liability, which are still active in 2022.

Active reinsurance accounts for the majority of written business - 90% or BGN 20.7 million, and fronting - 8% or BGN 1.9 million.

The main share of the active reinsurance portfolio of the Company falls on „Cargo“ (45%) and „Property“ (36%) insurances, and from the fronting portfolio of „Property“ (42%) and „Liability“ (56%).

In 2022, EIG Re has premiums written for BGN 23 million (2021: BGN 23 million).

The Company reports a profit before taxes and intra-group eliminations in the amount of BGN 97 thousand. (2021: profit of BGN 1.9 million).

In March 2023, Fitch Ratings, as part of the Rating Watch Maintained procedure, confirmed the Insurer Financial Strength Rating “B” of EIG Re.

Private joint-stock company IC Euroins Ukraine (formerly PAD IC HDI Strahuvanie) (Euroins Ukraine, the Company)

On 29 July 2016, the Commission for the Regulation of the Financial Markets in Ukraine gave its approval for the transaction on the acquisition by the Euroins Insurance Group AD of the public limited company „Insurance Company HDI Starhuvanie“. By decision of the General Meeting of Shareholders, the Company changed its name as of September 30, 2016. The new name is Public joint-stock company „Insurance company Euroins Ukraine“, it changed again in 2017 as a result of legislative changes, Private joint-stock company „Euroins Insurance Company Ukraine“.

In 2018, EIG increased its investment in Euroins Ukraine by BGN 1,975 thousand, as of 31 December 2018 the shareholding of EIG was 98.36%. As at 31 December 2019, EIG directly controls Euroins Ukraine, with shareholding amounting to 92.62% and indirectly through Private joint-stock company European Tourist Insurance - 5.74%.

In 2021, Euroins Ukraine launched a procedure to increase capital by issuing new 525,654,175 shares with a total value of UAH 5,256,541.75. EIG AD participated in the increase by subscribing 495,654,175 shares. After the increase, EIG AD will own 7,222,249,700 shares worth HUA 72,272,497. This is approximately 92.73% of the Company's capital. The capital increase was registered on January 13, 2022.

As at 31 December 2022, the shareholding of Euroins Insurance Group AD in the capital of Private joint-stock company IC Euroins Ukraine is 92.62%, and the shareholding of Private joint-stock company European Tourist Insurance - 5.74%.

In 2022, the Company reported gross premiums written in the amount of BGN 27 million against BGN 35 million for the comparable period, or a decrease of 24% compared to the previous year. A greater part of the realized premium income in 2022 is formed on the basis of sales in the Western part of Ukraine, which is comparatively much less affected by the hostilities between Ukraine and the Russian Federation.

The main business lines in which the company specializes are motor insurance, and non-motor - health insurance. Despite the reported decrease in recorded gross premium income, Euroins Ukraine reported a profit before taxes and intra-group eliminations of BGN 1.4 million (2021: loss of BGN 736 million) for group purposes.

Private joint-stock company European Tourist Insurance (the Company)

On 26 February 2018, the Board of Directors of Euroins Insurance Group decided to acquire 99.999% of the capital of the Private joint-stock company European Tourist Insurance, Ukraine, and the acquisition contract was signed on 13 April 2018. The deal was finalized on 1 October 2018.

European Tourist Insurance is one of the largest travel insurers in Ukraine, and is also the only company in the country specializing in this type of insurance products. The company relies on innovative products offered through extremely well-developed sales channels.

Travel Assistance and Accident insurances have a 100% share in the Company's portfolio.

In 2022, the Company's premiums written amounted to EUR 9 million, a decrease by 66% compared to 2021. A greater part of the realized premium income was formed in the period before the start of the military conflict in Ukraine.

Despite the significant decrease in premium income, the company reports a profit of BGN 1 million before taxes and intra-- group eliminations (2021 - BGN 6 million). The reported positive financial result is due to the Company's low administrative costs and fully online sales of insurance, which helps its flexibility and ability to react to various shock situations, such as the more than two-year-long Covid-19 pandemic and the ongoing military conflict in the country. However, the decrease in travel are having a strong negative impact on its business.

IC Euroins Georgia AD (formerly ZK IC Group AD) (Euroins Georgia, the Company)

On 22 March, 2018, the Board of Directors of Euroins Insurance Group decided to acquire 50.00002% of the capital of Insurance Company IC Group AD, Georgia (IC Group), the acquisition agreement was signed on June 22, 2018. The deal was finalized on 23 October 2018. On 31 October 2018, the Company's new name, Insurance Company Euroins Georgia AD, was entered in the Commercial Register of Georgia. Following the increase of the Company's capital at the end of the year, fully subscribed by the Group, the shareholding of EIG as at 31 December 2018 is 50,04%.

With a Minutes of 28 January 2022, the Board of Directors of EIG AD decided to participate in a procedure to increase the capital by acquiring 329,939 shares with a total value of GEL 1,501,222.45. On 02 February 2022, BGN 438 thousand were paid in connection with the above mentioned capital increase. On 26 July 2022, EIG AD will increase the Company's Reserve Fund by EUR 650 thousand with a money transfer.

As at 31 December 2022 EIG AD's participation in the Company's capital remains at 50.037%.

IC Euroins Georgia specializes in Accident and Sickness Insurance. In 2022, they form 44% (2021: 48%) of the Company's portfolio, and the rest is distributed between Casco with 27% (2021: 20%) and others.

The total amount of premiums written in 2022 is BGN 13.5 million. (2021: BGN 11.6 million), which represents an increase of 16%.

In 2022 for group purposes the result is a loss of BGN 1 million (2021: loss of BGN 422 thousand) before taxes and intra-group eliminations. Due to the poor financial results of the Company after its acquisition, the Management of EIG decided to depreciate the goodwill formed on the occasion of the acquisition of the Company by the amount of BGN 645 thousand in 2021.

Euroins Claims I.K.E. Greece

In 2018 Euroins Insurance Group acquired 66% of Euroins Claims IKE, a company in Greece, established to administer the liquidation of insurance premiums arising under policies issued by the IC Euroins AD, branch of Greece. The amount of the investment is BGN 6 thousand. In 2019, Euroins Insurance Group AD acquired the remaining 34% of the Company and as of 31.12 2019 owns 100% of the capital.

In 2022 there is no change in Euroins Insurance Group AD's shareholding in the capital of Euroins Claims IKE, Greece.

Significant events in the insurance group

Changes in the legal and regulatory environment;

The most significant changes and developments regarding the legal and regulatory environment in 2022 mainly affect activity at the European level aimed at achieving operational sustainability as well as corporate sustainability. At the local level, the changes are mainly related to the alignment of local Ordinance No. 53 of the FSC with the new accounting standard - IFRS 17. In 2022, changes were promulgated in the Insurance Code, mainly concerning the minimum absolute amount of the minimum capital requirement, as well as changes in the definition of „large risks“. In view of developments and projects in the area of the Green Deal and accountability related to climate change and environmental, social issues, including human rights and governance, the Group continued its active monitoring as well as the phased expansion of the intra-group reporting project with the so-called ESG parameters. The topic of non-financial indicators is closely monitored, including participation in seminars and other meetings organized on the topic and is identified as a priority for the Group.

Regarding the Solvency II review, there is no progress in the legislative procedure in 2022.

In an international aspect, EIG reports at the local level the following events as significant from the point of view of the legal and regulatory environment:

- In view of the events that occurred in Ukraine, the subsidiaries report changes with a view to ensuring the supervisory reporting of Ukrainian insurers and adaptation to.
- In connection with the development of a project to establish a branch in the UK, as part of the activity of the Bulgarian IC Euroins AD, a significant change in the relevant regulatory footprint is observed as a consequence of BREXIT. According to local regulatory disclosures, the SII system is applicable pending its review and change, moving to phase 2 of the reporting amendment project at the end of 2022, but an actual change is not yet in place. Given the above, the publications were subjected to regular monitoring.

Important events after the annual financial statements

On 17 March 2023, the Romanian financial regulator (Autoritatea de Supraveghere Financiară, (ASF)) revoked the insurance activity license of Euroins Romania Asigurare – Reasigurare S.A. (Euroins Romania). The revocation of the license was carried out on the basis of Art. 110, para. 1, letters e) and e) of the Romanian Law No. 237/2015, which

states: “ASF may withdraw the authorization to carry out activity granted to companies, by means of a detailed reasoned decision, if they [...] (e) no longer meet the requirements for obtaining an authorization, (e) violate the obligations under the law” and is not based on any violation of the capital requirements (MCR/SCR). The level of capital stability of EIG also remains unchanged mainly due to the practical reduction of risk in the Group’s insurance business and in view of the deconcentration of risks in Eastern Europe. As a result of the completely conservative assumptions for the complete exclusion of Euroins Romania from the consolidated balance sheet of EIG, the capital stability remains within the limits of the last 12 months, namely:

- The coverage of the Solvency capital requirement is 131%,
- The coverage of the Minimum capital requirement coverage of 305%.

EIG remains a stable company and ensures full protection of the interests of all stakeholders, insured persons and partners in all markets in which its subsidiaries operate. EIG and its shareholders will continue to protect the interests of all insured persons and their investors through appropriate legal actions both in Romania and in the European Union.

The management of EIG, with the support of its majority owner Eurohold AD, announced that all other subsidiaries and businesses of Eurohold in all the remaining 11 markets in which they operate, including insurance and energy, are operating and will continue to operate as usual and without any issues, serving their customers and duties and executing their business plans for the year.

In connection with the decision of the financial regulator in Romania against Euroins Romania, the holding has started a procedure to challenge this decision in all competent courts in Europe and around the world. Meanwhile, the management of EIG with the support of Eurohold AD is ready for adequate actions in the event that the license of the subsidiary is restored, which, according to the management’s estimations, will prevent expected losses for Romanian taxpayers of EUR 1 billion and allow the parent company - Euroins Insurance Group AD (EIG), to continue to support the development of the company.

The decision of EIG’s management to impair the investment in the Romanian company was based on the existing management and control constraints of the subsidiary, rather than on an unstable financial condition. The management of Eurohold confirmed the good financial position of the Romanian insurer at the date of license revocation with specific data and examples. As of March 17, Euroins Romania has more than RON 110 million in current assets, including RON 40 million in cash and short-term receivables from insurance brokers and intermediaries for RON 70 million, which must reach the company within 5 days. At the same time, the daily operating costs of the company are around RON 5-5.5 million, in addition to the current liabilities for another RON 1-1.5 million.

One of the leading rating agencies in the world - Fitch Ratings, lowered its rating for Euroins Romania from „B“ to „CC“ and placed it under supervision and subsequent development. At the same time, Fitch Ratings leaves unchanged the ratings of the other companies from Euroins Insurance Group AD evaluated by it - IC Euroins AD and the reinsurer EIG Re AD, as well as the group itself.

The European Bank for Reconstruction and Development (EBRD), which is a minority shareholder in Euroins Insurance Group AD (EIG), part of Eurohold Bulgaria AD, published on its website on April 5 a statement on the case with Euroins Romania and on the state of the Romanian insurance market. The EBRD is in active discussions with all responsible parties to reach a solution in of the market disturbance caused by the revocation of Euroins Romania’s license. Euroins Romania has already disclosed triggered clauses that effectively remove the reinsurance coverage of assumed risks under insurance claims in Romania and create a significant volume of uncovered liabilities. The EBRD wants to help find a solution that does not generate additional costs for policyholders and taxpayers. Therefore, together with EIG, the bank made a proposal to ASF to find such a solution.

Euroins Insurance Group (EIG) continues to be one of the largest independent insurance groups in Central and Eastern Europe, with leading positions in Bulgaria, Romania, North Macedonia, as well as major presence in the markets of Poland, Greece, Ukraine and Georgia. The EBRD will continue to work together with the management of EIG and other interested parties to find a workable solution in Romania that will benefit everyone - the company, consumers in Romania and the Romanian insurance market.

On 19 December 2022, an extraordinary General Meeting of the shareholders of Euroins Insurance Group AD was held, at which a decision was made to increase the Company’s capital, through the issuance of new 30,510,024 ordinary, registered, materialized, non-preferred shares, pursuant to Art. 192 of the Commercial Act. It was decided

to increase the capital from BGN 576,242,734 (five hundred and seventy-six million, two hundred and forty-two thousand, seven hundred and thirty-four) to BGN 606,752,758 (six hundred and six million, seven hundred and fifty-two thousand, seven hundred and fifty-eight) , through the issuance of new 30,510,024 (thirty million five hundred and ten thousand and twenty-four) ordinary, registered, materialized, non-preferred shares, with a nominal and issue value of BGN 1 (one) each, with the right to 1 (one) vote in the general meeting of shareholders, the right to a dividend and a liquidation share, provided that the newly issued shares are acquired in the following way:

- the shareholder Eurohold Bulgaria AD, listed in the Commercial Register at the Registry Agency with UIC 175187337, is entitled to subscribe 8,800,317 (eight million eight hundred thousand and three hundred and seventeen) ordinary, registered, materialized, non-preferred shares at their issue value.
- the shareholder EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT, with headquarters and management address: One Exchange Square, EC2A 2JN, London, United Kingdom, is entitled to subscribe 21,709,707 (twenty one million seven hundred and nine thousand seven hundred and seven) ordinary, registered, materialized, non-preferred shares at their issue value.

Pursuant to Art. 194, para. 3 of the Labor Code in conjunction with Art. 22, para. 2 of the Company's articles of association, the General Meeting of Shareholders has set a deadline for the registration of the newly issued shares no longer than 6 (six) months from the announcement of the invitation to register new shares in the Commercial Register. The call was announced in the Commercial Register on February 6, 2023.

By decision of the General Meeting of Shareholders of Euroins Insurance Group AD dated 22 November 2022, three new members of the Board of Directors of Euroins Insurance Group AD were elected, namely Kremena Plamenova Pateva-Petkova, Todor Atanasov Danailov and Prasun Singhal, a citizen of Great Britain. The decision regarding the selection of Kremena Plamenova Pateva-Petkova and Todor Atanasov Danailov was entered in the Commercial Register on 3 January 2023.

A.2 Results of underwriting from continued operations

For 2022, at an unconsolidated level, gross premiums written are BGN 544,211 thousand, with a profit of BGN 193,602 thousand before tax.

| Key indicators | 2022 BGN thousand | 2021 BGN thousand |
|--|-------------------------|-------------------------|
| Gross premiums written | 544.211 | 463.474 |
| Ceded reinsurance premiums | (287.337) | (198.615) |
| Net premiums earned | 256.874 | 264.859 |
| Change in the gross amount of the unearned premium reserve | (1.545) | (16.100) |
| Reinsurers' share of change in the unearned premiums reserve | (2.313) | 14.502 |
| Net earned premiums | 253.016 | 263.261 |
| Revenue from fees and commissions | 98.941 | 61.559 |
| Financial revenue | 11.927 | 14.976 |
| Other operating revenue | 10.719 | 3.773 |
| Net income | 374.603 | 343.569 |

| Key indicators | 2022 BGN thousand | 2021 BGN thousand |
|---|----------------------|----------------------|
| Claims incurred, net of reinsurance | (114.422) | (120.587) |
| Acquisition costs | (175.665) | (138.073) |
| Administrative expenses | (37.828) | (34.256) |
| Financial expenses/Losses on investments accounted for using the equity method/Expected credit losses | (15.603) | (23.474) |
| Other operating expenses/Derecognized receivables on insurance policies | (33.948) | (29.993) |
| Operating profit | (2.863) | (2.814) |
| Other revenue, net | (2) | 101 |
| Loss/ (Profit) before taxes | (2.865) | (2.713) |
| Tax expenses | (2.015) | (1.190) |
| Profit/(loss) for the year from continuing operations | (4.880) | (3.903) |
| Profit (loss) for the period from discontinued operations | (188.722) | 83.253 |
| Profit / (Loss) for the year | (193.602) | 79.350 |

The table below shows the key indicators for underwriting from continued operations:

| Key indicators | 2022 BGN thousand | 2021 BGN thousand |
|---|----------------------|----------------------|
| Gross premiums written | 544.211 | 463.474 |
| Gross premiums earned | 542.666 | 447.374 |
| Net premiums earned (including other operating income and expenses and derecognized receivables under insurance policies) | 229.787 | 237.041 |
| Claims incurred, net of reinsurance | (114.422) | (120.587) |
| Administrative expenses | (37.828) | (34.256) |
| Acquisition costs (including Revenue from fees and commissions) | (76.724) | (76.514) |
| Net technical result | 813 | 5.684 |
| Claims ratio | 49.8% | 50.9% |
| Administrative expenses ratio | 16.5% | 14.5% |
| Acquisition ratio | 33.4% | 32.3% |
| Combined ratio | 99.7% | 97.6% |

The premium income of Euroins Insurance Group AD on a consolidated basis in 2022 is BGN 544,211 million compared to BGN 463,474 thousand in 2021.

A major part of the Group's premium income is realized by Euroins Bulgaria, or 85% of the Group's total premium income. The total consolidated assets of the Group at the end of 2022 are BGN 897 million, compared to BGN 2,073 million towards the end of 2021. Gross insurance reserves on a consolidated basis, as an element of the Group's liabilities, have decreased from BGN 1,431 million at the end of 2021 to BGN 549 million in 2022.

The group registered a net negative financial result in the amount of BGN 193,602 thousand. For comparison, in 2021, EIG reported a profit of BGN 79,350 thousand after taxes.

A.3 Investment results

The investment policy in the insurance group of Euroins Insurance Group AD is applied with an optimal ratio of the principle of the prudent investor to the maintenance of a balanced relationship between profitability and risk, aimed at the strategic and business goals of the Group. The investment policy of the Group requires the application of the diversification rules regarding exposure limits for each type of instrument and for each individual counterparty, defined in the insurance legislation of each country. The Group does not make derivative transactions. The Group invests its insurance reserves and own funds mainly in bank deposits, securities issued by Member States of the European Union, bonds issued by financial institutions or other companies. The portfolio management is carried out on the basis of determining, measuring, tracking, controlling and reporting the risks related to the investment activity, such as reporting the availability of the assets, given their significance as funds eligible for coverage of the capital requirements. The analyzes are based on observations and data on the state of the market environment, taking into account the results on a historical basis, as well as the regulations, in particular the terms applicable in calculating the prudential indicators. Measures are applied to minimize the risk of financial losses in case of unfavorable changes in the capital market.

Every company in the insurance group actively manages its assets using an approach that balances quality, diversification, asset / liability correspondence, liquidity, and return on investment. The purpose of the investment process is to optimize risk-adjusted investment income by ensuring that assets and liabilities are managed on the basis of cash flow and duration. Each company manages its cash flow and investments by estimating the amounts and timing of receipts from insured/health insured persons and payments of insurance/health insurance obligations.

For the implementation of its investment policy the Group uses professional services of investment intermediaries holding a license to carry out transactions in the country and abroad.

In 2017, Euroins Insurance Group restructured its investment portfolio, increasing the share of government securities from 2% at the end of 2016 to 39% at the end of 2017. In 2018 and 2019, the strategy of increasing the share of government securities held by EIG was maintained, at the expense of a significant reduction in corporate bonds and shares. In the reporting year 2020, in view of the circumstances, the change was taken into account, both in the yield of investments and the collapse in government securities, as well as the change in the semantic correction announced by EIOPA, which significantly reduced the percentage imposed on listed shares when calculating of market risk according to a standard formula. This influenced investment decisions in 2020, with EIG reducing the share of government securities at the expense of listed stocks.

Financial income and expenses in the company's accounts include investment and other financial income expenses. Investment income and expenses include realized income or expenses from trading in financial assets, unrealized income or expenses from revaluation of financial assets, income from leasing of investment properties, interest income from investments in debt securities and time deposits income from dividends, interest on deposits and financial instruments is accrued on a current basis, in proportion to the time base and on the basis of the effective interest rate.

| Financial revenue | 2022 BGN thousand | 2021 BGN thousand* |
|---|------------------------------|-------------------------------|
| Revenue from interest on investments in securities and deposits | 5.634 | 3.932 |
| Dividend income from investments in equity instruments | 38 | 37 |
| Revenue from revaluation of assets at fair value: | 3.187 | 6.901 |
| Revenue from sale of financial assets and investments | 1.000 | 470 |
| Other financial revenue | 2.068 | 3.636 |
| Total financial revenue | 11.927 | 14.976 |

| Financial revenue | 2022 BGN thousand | 2021 BGN thousand* |
|---|------------------------------|-------------------------------|
| Revenue from interest on investments in securities and deposits | 5.634 | 3.932 |
| Dividend income from investments in equity instruments | 38 | 37 |
| Revenue from revaluation of assets at fair value: | 3.187 | 6.901 |
| Revenue from sale of financial assets and investments | 1.000 | 470 |
| Other financial revenue | 2.068 | 3.636 |
| Total financial revenue | 11.927 | 14.976 |

| Financial expenses | 2022 BGN thousand | 2021 BGN thousand* |
|---|------------------------------|-------------------------------|
| Interest expenses | (3.992) | (5.644) |
| Expenses for operating lease interest | (588) | (669) |
| Expected credit losses from financial assets | (1.799) | (213) |
| Loss from sale of financial assets | (2.517) | (1.190) |
| Expenses for investment management | (675) | (810) |
| Other financial expenses (including loss on investments reported using the equity method) | (5.945) | (14.948) |
| Total financial expenses | (15.516) | (23.474) |

The Group reports the following gains and losses recognized directly in equity:

| | 2022 BGN thousand | 2021 BGN thousand* |
|---|------------------------------|-------------------------------|
| Profit / (Loss) for the year | (193.602) | 79.350 |
| Other comprehensive income subject to reclassification in the profit or loss in subsequent periods: | | |
| Exchange rate differences from currency conversion | (11.989) | 24.616 |
| Fair value adjustment reserve | (234) | 2.942 |
| Other comprehensive income subject to reclassification in the profit or loss in subsequent periods | (12.223) | 27.558 |
| Total comprehensive income for the year | (205.825) | 106.908 |
| Total comprehensive income for the year, attributable to: | | |
| Equity holders of the parent company | (206.636) | 105.127 |
| Non-controlling interest | 811 | 1.781 |

B

SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

This section of the Group Report on Solvency and Financial Condition (GRSFC) aims to provide background information on the structures, rules and processes that support the process of effective governance by the members of the administrative, management and supervisory body (AMSB), in synergy with the key functions and management staff, with the aim of ensuring reliable, reasonable and transparent management of the Group, adequate and timely provision of information on group goals and consistent and harmonious implementation of policies in the system of governance. The present Group Statement of Solvency and Financial Condition describing the system of governance of „Euroins Insurance Group“ AD (EIG, the Company) has been prepared in accordance with and in compliance with the requirements of the following documents:

- Insurance Code (IC);
- Directive 2009/138 / EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II);
- Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138 / EC of the European Parliament and of the Council on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II);
- Commission Delegated Regulation (EU) No. 2019/981 amended Delegated Regulation (EU) No. 2015/35 (OJ L 161/18.06.2019);
- Ordinance No. 71 of the FSC regarding requirements for the system of governance;
- Guidelines on reporting and public disclosure (EIOPA-BoS-15/109);
- Guidelines on system of governance (EIOPA - BoS-14/253);
- other relevant documents.

The disclosed information is in accordance with the requirements of national and European legislation, taking into account only the bound follow-up measures that took effect at the beginning of 2023.

EIG, as an insurance holding with seat in a member state of the European Union - the Republic of Bulgaria, is under the group supervision regime, implemented in the capacity of a group supervisory body by the Bulgarian regulator, the Financial Supervision Commission (FSC) (<http://www.fsc.bg>). The local supervisory authorities of the insurers in the Group as at 31.12.2022 are:

| Insurance group | | Regulator | |
|---|----------|---|---|
| Company name | Address | NSA/ regulatory | URL /en version |
| Euroins Insurance Group AD | Bulgaria | Group Supervisory Authority: Financial Supervision Commission FSC | https://www.fsc.bg/en/ |
| IC Euroins AD | Bulgaria | Financial Supervision Commission FSC | https://www.fsc.bg/en/ |
| IC Euroins - branch Greece* | Greece | Financial Supervision Commission/ FSC Bank of Greece/ BoG* | https://www.bankofgreece.gr/en/homepage |
| IC EIG Re EAD (former name HDI Insurance AD) | Bulgaria | Financial Supervision Commission FSC | https://www.fsc.bg/en/ |
| Insurance Company Euroins Life EAD | Bulgaria | Financial Supervision Commission FSC | https://www.fsc.bg/en/ |
| Private joint-stock company IC Euroins Ukraine | Ukraine | National Bank of Ukraine | https://bank.gov.ua/en/ |
| Private joint-stock company European Tourist Insurance, Ukraine | Ukraine | National Bank of Ukraine | https://bank.gov.ua/en/ |

| | | | |
|--|-----------------|--|--|
| Euroins Osiguruvanje AD, North Macedonia | North Macedonia | Insurance Supervision Agency | http://aso.mk/en/ |
| Insurance Company Euroins Georgia AD, Georgia | Georgia | Insurance State Supervision Service of Georgia | http://insurance.gov.ge/ Home.aspx |

*Euroins branch Greece, as a company established under the freedom of establishment (FoE) regime, has a supervisory authority in the country of the headquarters of the parent company, namely the Financial Supervision Commission. Regardless, the local supervisor of the insurance activity is specified, in view of the need for the local market participant to identify and operate within the framework of local regulatory requirements and expectations.

Euroins Insurance Group AD /EIG/ in its capacity as an insurance holding company is subject to the special regulation provided for in the Insurance Code (IC, effective from 01.01.2016), reproducing the European regulatory framework in insurance, transposing the provisions of the Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), better known as "Solvency II regime". The regime introduces a number of changes in the structure and organization of the work of insurance companies, as well as their „parent companies“ (requirements for interaction and management at the insurance group level), applying the „mutatis mutandis“ principle. There are increased requirements for the financial condition, tracking and internal control of solvency measurable with prudential indicators, as well as obligations for current regulatory reporting and disclosure of information.. At the insurance holding level, there are requirements for management and internal organization, as well as obligations to maintain, guarantee and control the consistent application of the system of governance in insurers that are part of the insurance group. The insurance holding company is also subject to regular regulatory reporting and disclosure on a consolidated basis. The annual statements and reports are subject to confirmation by an external auditor. The audit was carried out jointly by two independent external auditors, agreed by the supervisory authority - FSC (listed in Section A of this report). The EIG system of governance is built in accordance with the requirements of Art. 265, para. 1 in connection with Art. 76 - 79 and Art. 86 - 100 of the IC and the relevant texts in Commission Delegated Regulation (EU) 2015/35 of October 10, 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II), as well as the relevant guidelines of the European authority being part of the European supervisory mechanism responsible for the insurance sector - European Insurance and Occupational Pensions Authority (EIOPA). As part of a project to bring it into line with a new regulatory act at the beginning of 2022, the internal documents were amended in view of the relevant texts of Ordinance No. 71 of the FSC (effective from 07.08.2021), which specify the supervisory expectation regarding the system of governance of a group. The project was successfully completed in the first quarter of 2022.

The system of governance of the insurance holding is applied consistently in the companies in the Group, and control mechanisms have been introduced at the group level. It corresponds to the nature, volume and complexity of the group itself, being subject to periodic review - primarily as an obligation at an individual level, carried out by the control or management bodies of insurers, part of the Group, and subsequently at a group level, through the application of group policies and rules with the assistance of the EIG compliance function. The periodic review of the system of governance shall be carried out at least once a year.

The system of governance of the Group generally covers:

- Reliability and professional management and control over the activities of the insurance group through the members of senior management, including the members of the Board of Directors, their qualifications, professional experience and reliability.
- Organization and fulfillment of the obligations of the key functions - in the insurance group there are 4 (four) key functions: risk management, internal audit, compliance and actuarial function.
- System of internal acts – policies, rules and procedures approved by the competent authority, subject to periodic review and assessment and consistent with the activity and internal organization of the processes in EIG, as well as at the individual level in insurance companies, part of the insurance group.

The system of governance of the insurers, part of the Group with headquarters outside the member states of the

European Union, respectively falling outside the scope of application of the Solvency II regime, is implemented and introduced as a good practice to ensure the harmonious and consistent functioning of the entire system at the EIG level, insofar as it does not conflict with local legislation. The circumstances that occurred in Ukraine and the regulatory measures taken to ensure the functioning and accountability of Ukrainian insurers are of a regulatory nature.

The system of governance of each company of the EIG insurance group is the main responsibility of its management bodies. The necessary internal organizational structure is provided to ensure that all processes, as well as the services and products provided by the companies, are in accordance with the current regulations.

Form of governance. Structure and composition of the management bodies

EIG is a joint-stock company, registered according to Bulgarian legislation and entered in the Commercial Register, with a one-tier form of management. The management of the company is carried out by its management bodies - General Meeting of Shareholders (GMS) and Board of Directors (BoD), according to the law, the statutes and all relevant internal documents. The established committees and key functions, as well as the personnel in a management position, help in the management and operation of the insurance holding.

Summary of the structure and composition of the administrative, management and supervisory body (AMSB)

The structure of EIG's management is one-time- the role of management and supervisory body is coordinated and performed by the Board of Directors.

The Board of Directors is responsible for creating an effective system of governance that ensures stable, reliable and prudent management, as well as harmonized and consistent implementation throughout the group.

The activity in the Company is operatively divided between the members of the Board of Directors, and the Board may at any time propose changes and amendments to the organizational structure of the Company in order to bring the activity in line with changes in regulations or in accordance with the strategic development goals.

The operational management and representation of EIG is entrusted to the Executive Director.

Composition

As at 31.12.2022, the Board of Directors (BoD) consists of three individuals respectively the Chair of the BoD, Executive Member of the BoD and one member of the BoD. The members of the Board of Directors are subject to assessment and approval by the regulator for qualification and reliability.

The company is represented by the Executive Member of the BoD - Kiril Ivanov Boshov.

Composition of the administrative, management and supervisory body:

| | | |
|----------------------|-------------------------|---------------------------------------|
| Board of directors | Assen Christov | Chair of the BD |
| | Kiril Boshov | Executive member of the BoD |
| | Jeroen Carl Van Leeuwen | Member of the BD |
| Executive management | Kiril Boshov | Executive director and representative |

In 2022, EIG decided to join three new members to the Board of Directors of Euroins Insurance Group - Todor Danailov, Kremena Pateva and Prasun Singhal. The decision on the new members of „Euroins Insurance Group“ was submitted for approval to the Financial Supervision Commission (FSC) and approved by the shareholders. To date, five members of the board of directors have been entered in the commercial register - Kiril Boshov, Assen Christov, Jeroen Karel van Leeuwen, Todor Danailov and Kremena Pateva. The decision on the expanded board aims to gain a better view of the taking of strategic and operational decisions in the group. With the aim of more effective implementation of the set strategies and good corporate governance of the group, a process of reorganization of the main activities and functions was launched both at the group and company level. Each member of the Board of Directors is responsible for specific departments and is committed to improving and reorganizing the management structure of the relevant department within the group.

The nomination and election of a new member must ensure that the members of the Board of Directors together have the appropriate qualifications, experience and knowledge at least about:

- insurance and financial markets;
- business strategy and business models;
- system of governance;
- financial and actuarial analyses;
- regulations and requirements.

The persons must meet the conditions according to the Company's statutes, possess sufficient professional qualifications and experience necessary to effectively participate in the management, as well as meet the requirements according to the „Policy regarding the requirements for qualifications and reliability of the persons who manage Euroins Insurance group AD, occupy a managerial position or perform key functions“.

Presentation of the members of the AMSB

| | |
|-------------------------|---|
| Name | Assen Christov |
| Title | Chair of the BD |
| Professional experience | <p>Assen Christov has 20 years of senior management experience. He was Chair of the Board of Directors of Eurobank AD (1997 - 2000); Chair of the Board of Directors of Starcom Holding AD (1996-2006); Chair of the Supervisory Board of IC Euroins AD (2000 - 2007), Chair of the Board of Directors of Eurofinance AD since 2006. Assen Christov has been the Chair of the Supervisory Board of Eurohold Bulgaria since 2006.</p> <p>Assen Christov holds a master's degree in Physics from Sofia University St. Kliment Ohridski and has specialized in the Institute for Nuclear Research in Dubno, Russia.</p> <p>He has a specialization in Management in Open University - London.</p> <p>He is fluent in Russian and English.</p> <p>Vice President of the Bulgarian Athletics Federation.</p> |

| | |
|-------------------------|--|
| Name | Kiril Boshov |
| Title | Executive member of the Board of Directors |
| Professional experience | <p>Kiril Boshov has 20 years of experience in senior management positions in the fields of finance and insurance.</p> <p>He was the chief accountant of Mobikom - the first mobile operator in Bulgaria, a joint venture between BTC and Cable and Wireless (1995-1997);</p> <p>Deputy - Chair of the Board of Directors and Procurator of CB Eurobank AD (1997 - 2000); Chair of the Board of Directors of IC Euroins AD (2000 - 2008), and in 2006 the Association of Investors in Bulgaria presented the company with an award for Company with the best corporate governance; Chair of the Board of Directors of Euroins Insurance Group AD; Deputy Chair of the Board of Directors of Euro Finance AD since 2006. Kiril Boshov has been Chair of the Management Board of Eurohold Bulgaria since 2006 and a member of the Board of Directors of Endeavor Bulgaria since 2015.</p> <p>Kiril Boshov holds a master's degree in Accounting and Financial Control from the UNWE, Sofia.</p> <p>He speaks English and Russian.</p> |

| | |
|-------------------------|---|
| Name | Jeroen Van Leeuwen |
| Title | Member of the BD |
| Professional experience | <p>Jeroen Van Leeuwen has over 20 years of extensive experience in the financial field. He started his career in the 1980s with NN in the Netherlands, where he held several positions.</p> <p>In 1992 he was appointed Deputy CEO of NN in the Czech Republic and in 1994 he established the ING Pension Fund in that country. Since 1997, he has been a member of the management board for sales and marketing with Allianz in Prague.</p> <p>In 2001, he became CEO of Commercial Union (later: Aviva), Czech Republic.</p> <p>A year later he moved to CSOB Insurance as CEO.</p> <p>For more than ten years he has been a member of the presidium of the Czech Association of Insurers and a member of the board of the Bureau of Czech Insurers.</p> <p>Within the CSOB Group, he was the Deputy Chair of the Country Team for the Czech Republic and a member of several Supervisory Boards and Audit and Remuneration Committees.</p> <p>Mr. Van Leeuwen holds a Master's degree in Economics from Erasmus University Rotterdam.</p> <p>In addition to professional training in insurance, he has completed several programs in governance for managers, at CEDEP Fontainebleau and Said Business School at the university in Oxford.</p> |

Main tasks and responsibilities of the EIG Board of Directors

The members of the Board of Directors have the same duties and rights, regardless of the internal division of functions between them. The members of the Board of Directors are obliged to perform their duties in the interest of the company.

The Board of Directors manages and controls the company, performing its activities under the control of the General Meeting of Shareholders. It resolves all issues related to the company's business, with the exception of issues that by law or by the provisions of the Articles of Association are exclusively assigned to the General Meeting of Shareholders.

The competence of the Board of Directors is determined in accordance with the Company's Articles of Association.

The Board of Directors elects a chair from among its members.

The Chair of the Board of Directors organizes the work of the Board in accordance with the requirements of the law, the statute and the decisions of the General Meeting of Shareholders.

Board of Directors:

- The Board of Directors (BoD) consists of 3 to 7 members.
- The term of office of the members of the Board of Directors is 5 years.
- The BoD authorizes one person from its members as its executive member (executive director), to represent the company in its relations with third parties.
- The BoD manages and represents the Company.
- The BoD resolves all issues related to the company's activities, except for those that by law or according to these Articles of Association are the exclusive competence of the General Meeting of Shareholders.
- The BoD may make decisions under Art. 236, para. 2 of the Commercial Act without the need for prior consent of the General Meeting of Shareholders of the Company

Structure of management bodies at subsidiary companies - insurers

The companies in the EIG insurance group are organized with different management structures depending on the scale, nature and complexity of their activities. All insurers, including the insurance holding, are joint-stock companies.

In a two-tier form of governance, the management functions are performed by a management board, and the control functions in the company are performed by a supervisory board. In this case, the members of the management body are elected by the supervisory body, and the members of the supervisory board are elected by the General Meeting of Shareholders. In the single-tier form of governance, the management and control functions are combined in one body – Board of Directors, whose members are elected by the General Meeting of Shareholders. There is no requirement in the relevant legislations limiting the application of the single-tier form of governance.

It should be noted that, according to the requirements in different jurisdictions, the exercise of representative power takes place in several different regimes:

- through registered members of the management body;
- through a person registered as a representative who is not part of the management body;
- entirely by the management body.

All insurers follow the basic principles of expediency in the composition of members of the administrative, management and control body to ensure appropriate qualification, experience and knowledge. Qualification and reliability requirements in individual subsidiaries vary in different jurisdictions, but in general the Insurance Group reports good coverage of the minimum requirements at the group level, based on the following indicators:

- Availability of internal assessment
- Approval/certification/notification of the local supervisory authority;
- Minimum requirements for education and professional qualification
- Reliability and financial soundness requirements.

Regardless of the method of representation, the persons with representative authority in the insurance companies

part of the group are subject to an assessment, which is confirmed as a last instance with the approval and/or certification by the local regulatory authority. The group reports that companies outside the scope of European legislation, despite the lack of local requirement and regulation, with a decision of the competent company body introduce and/or expand the scope of application of the requirements for qualification, reliability and conflict of interest. The main difference is the so-called former NSO republics where the requirements of reliability and financial stability are not sufficiently affected by local legislation. At the same time, the company in North Macedonia, which is a candidate country for EU membership, reports substantial coverage of the requirements of the Solvency II regime, which will guarantee speed up the process of bringing the company into compliance when the new insurance regulations are approved.

Considering the data, the Group plans to adapt the Group policy for qualification and reliability to the specifics of the Group in the medium term.

Form of governance:

| Name of subsidiary insurance company | Country by seat | Form of governance |
|---|--------------------|--------------------|
| Insurance Company Euroins AD | Bulgaria | one-tier |
| Insurance Company EIG Re EAD | Bulgaria | two-tier |
| Insurance Company Euroins Life EAD | Bulgaria | one-tier |
| Private joint-stock company Insurance Company Euroins Ukraine | Ukraine | two-tier |
| Euroins Osiguruvanje AD, Northern Macedonia | Northern Macedonia | one-tier |
| Insurance Company Euroins Georgia AD | Georgia | two-tier |
| Private joint-stock company European Tourist Insurance, Ukraine | Ukraine | two-tier |

In addition to qualification and reliability policies, across the Group (where applicable) commitment and distribution of functions among the members is guaranteed, with established rules/policies for the interaction of the members of the management authority, the executive members and the persons performing key functions.

Interaction between the Board of Directors of EIG and the persons/units of the organizational and operational structure of EIG, as well as interaction with insurers in the Group

The EIG Board of Directors has the right at any time to request information from its structural units, including key functions, which is related to the implementation of strategic development goals, such as:

- information on a specific task and the result of its implementation;
- information on the results of the current activity of the structural unit.

The Board of Directors discusses with the structural units problems that have arisen in the implementation of their functions and tasks, making decisions and giving instructions on how to resolve them, including by which employee and in what time frame.

The insurance group promotes direct and immediate communication between management and employees, including the timely alerting of events and risks that may significantly affect the activity of the respective company. Communication takes place through various channels, reaching the management of the insurance holding.

The Board of Directors of EIG, in the capacity of a management and control body, periodically receives information

from the subsidiaries - insurers in the Group regarding specific indicators and results related to the set strategic and business goals, as well as information regarding the functioning and effectiveness of their management system. Through the direct reporting lines and the organized key functions at the group level, the members of the Board of Directors receive specific information on the individual business lines and management of the insurers in the Group. In 2022, the main focus in communication remained the implementation process of the integrated project for intragroup reporting, with an emphasis on the adequate integration of qualitative parameters for the study of non-financial information, including the so-called ESG factors (together with the persons in charge from the parent company – Eurohold Bulgaria AD).

EIG Committees

Committees of the General meeting of the shareholders Audit Committee

To assist the EIG Board of Directors, with a view to the adequate functioning of the systems at the group level and timely tracking of information and data horizontally and vertically in the Group, committees operating at the EIG level have been organized.

The Audit Committee at EIG conducts its activities in accordance with the Rules of Operation. It reports to the GMS. The purpose of the Audit Committee in performing its functions is to support the management of Euroins Insurance Group AD in fulfilling its obligations for the integrity of the financial statements, evaluating the effectiveness of the internal financial control systems, monitoring the effectiveness and objectivity, as well as guaranteeing the independence of the internal and external auditors and achieving the objectives set for the Company.

The main functions of the Audit Committee of IC Euroins AD in accordance with the provisions of Art. 108 of the Independent Financial Audit Act and include:

- Monitoring the financial reporting process in the Company.
- Monitoring the effectiveness of the system for internal control and the internal audit activity.
- Monitoring the risk management system.
- Monitoring of the independent financial audit.
- Conducting a review of the independence of the Company's registered auditors in accordance with the requirements of the law and the Code of Ethics for Professional Accountants, including the provision of additional services by the registered auditor. The purpose of the Audit Committee in performing its functions is to support the management of Euroins Insurance Group AD in fulfilling its obligations for the integrity of the financial statements, evaluating the effectiveness of the internal financial control systems, monitoring the effectiveness and objectivity, as well as guaranteeing the independence of the internal and external auditors and achieving the objectives set for the Company. In performing its functions, the Audit Committee interacts with the auditors (internal and external), as well as with the Commission for Public Oversight of Registered Auditors (CPORA). With changes in the legal environment since 2020 - adopted and promulgated Regulation No. 1 and Regulation No. 2 of the CPORA, as well as published Guidelines for the activities of Audit Committees in Public-Interest Entities (PIEs), an electronic register was created and the requirements for the form and content of the annual reports of the Audit Committees, creating the necessary organization for their electronic submission to the CPORA. According to Art. 108 of the Independent Financial Audit Act, the Audit Committee should, when adopting the annual financial statements of the Company, report on its activities to the GMS.

Other Group Level Committees

To assist the EIG Board of Directors, with a view to the adequate functioning of the systems at the group level and timely tracking of information and data horizontally and vertically in the Group, committees operating at the EIG level have been organized. They are:

- Asset and Liability Management Committee;
- Risk Committee;
- Capital Adequacy Committee.

Functions of Group Level Committees

Asset and Liability Management Committee.

The asset and liability management policy is implemented at group level through an Asset and Liability Management

Committee, responsible for preparing and providing information for the purposes of measuring, tracking, managing and reporting risks inherent in the group. It processes, monitors and is the primary control body of the data reported on the financial indicators in the implementation of the Group's capital management policy.

The Committee is assisted by the Group Chief Financial Officer, and:

- it periodically prepares a consolidated balance sheet under IFRS, restating and translating the consolidated balance sheet into a Solvency II balance sheet, in accordance with the Asset and Liability Management Policy and regulatory requirements;
- it classifies the own funds in one of the three tiers, according to the requirements of the relevant regulatory documents;
- it prepares the final version of the report on solvency and financial condition, defines and proposes to the Board of Directors the information to be disclosed in accordance with the public disclosure policy;
- it prepares other inquiries and reports assigned to him for the purposes of performing the tasks of the Asset and Liability Management Committee and the Risk Committee.

Risk Committee

The Risk Committee is a collective body at the level of the insurance holding, which facilitates the activity of harmonized and consistent implementation of the Risk Management Policy throughout the insurance group. The Committee:

- identifies, assesses, manages, monitors and reports risks at group level;
- monitors, assesses and reports on the results of risk measurement at the insurance group level;
- prepares recommendations, reports, opinions and proposals to the Board of Directors of EIG and the governing bodies of the subsidiaries, in connection with undertaking risk mitigation measures in various areas;
- restates, accounts for and reports on changes in risk and capital requirements upon changes in the structure or balance sheet values of EIG and/or subsidiaries;
- considers compliance, consistency and ensures a harmonized approach in the operation of the risk management system at group level.

The Risk Committee analyzes the reports and data received from the Asset and Liability Management Committee and, after assessing the appropriateness/materiality/significance of the information, develops scenarios related to the measurement and management of the group's risk profile.

Capital Adequacy Committee.

The composition of the Capital Adequacy Committee overlaps with the composition of the Board of Directors. The Committee's role is based on the information processed by the Risk Committee and the Asset and Liability Management Committee to monitor the prudential indicators, the adequacy of funds and the measures that the companies in the insurance group plan with a view to ensuring sufficient eligible own funds to meet the prudential requirements.

Assets & Liabilities Management Committee

The asset and liability management policy is implemented at group level through an Asset and Liability Management Committee, responsible for preparing providing information for the purposes of measuring, tracking, managing and reporting risks inherent in the group.

The Committee is assisted by the Group Chief Financial Officer, and:

1. Periodically it prepares a consolidated balance sheet under IFRS, restate the and translating the consolidated balance sheet into a Solvency II balance sheet, in accordance with the Asset and Liability Management Policy and the regulatory requirements
2. Classifying own funds inn one of the three tiers, according to the- of the relevant regulatory documents;
3. it prepares the final version of the report on solvency and financial condition, defines and proposes to the Board of Directors the information to be disclosed in accordance with the public disclosure policy;
4. it prepares other inquiries and reports assigned to him for the purposes of we the tasks of assets- and Liability Management Committee and the Risk Committee.

Risk Committee

The Risk Committee is a collective body at the level of the insurance holding, which facilitates the activity of harmonized consistent implementation of the Risk Management Policy throughout the insurance group.

The Committee:

- identifies, assesses, manages, monitors and reports risks at group level;
- monitors, assesses and reports on the results of risk measurement at the insurance group level;
- prepares recommendations, reports, become and proposals to the Board of Directors of EIG and the governing bodies of the subsidiaries, in connection with undertaking risk mitigation measures in various areas;
- restates, accounts for and reports- bearing changes in risk and capital requirements upon changes in the structure or balance sheet values of EIG and/or subsidiaries;
- considers compliance, consistency and ensures a harmonized approach in the operation of the risk management system at group level. The Risk Committee analyzes the- and data received from the Asset and Liability Management Committee and, after assessing the appropriateness /materiality/significance of the information, develops scenarios related to the measurement and management of the group's risk profile.

Capital Adequacy Committee

The composition of the Capital Adequacy Committee overlaps with the composition of the Board of Directors. The Committee's role is based on the information processed by the Risk Committee and the Asset and Liability Management Committee to monitor the prudential indicators, the adequacy of funds and the measures that the companies in the insurance group plan with a view to ensuring sufficient eligible own funds to meet the prudential requirements.

Key functions at the Group level

The key functions in EIG, in accordance with the regulatory requirements, are separated within the framework of the system of governance. They represent the internal capacity to perform practical tasks at a group level. The key functions in the company are:

- risk management function;
- compliance function;
- internal audit function;
- actuarial function.

The key functions defined by the IC have been segregated and organized as independent structures in the company's organizational structure by a decision of the Board of Directors back in 2016. Direct reporting lines have been introduced, which guarantees independence and the possibility of effective and efficient fulfillment of obligations in the application of a consistent and harmonized approach to the system of governance at the insurance group level. The existence of direct reporting lines for persons performing control functions guarantees their independence, objectivity and impartiality.

In 2022, a major project of the key functions is aimed at bringing the EIG system of governance into compliance with the requirements of Regulation No. 71 of the FSC.

Another significant factor for the system in 2022 is the appointment of a new Chief Risk Management function at Group level.

Composition of key functions at EIG

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|---------------|-----------------------------------|----------------------------------|
| Key functions | Kremena Pateva/ Margarit Arnaudov | Head of Risk Management Function |
| | Anton Pironski | Internal auditor |
| | Milena Naydenova | Head of Compliance Function |
| | Risk Committee | Actuarial function |

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| Name | Kremena Pateva |
| Title | Head of Risk Management Function |
| Professional experience | <p>Kremena Pateva holds a bachelor's degree in Applied Mathematics, as well as a master's degree in Business Administration.</p> <p>She is a qualified actuary in the field of life insurance.</p> <p>She has a professional certificate in Management. Ms. Pateva has 10 years of experience in the field of insurance.</p> <p>She started working in 2009 as a statistician at Euroins-health insurance ZEAD, and later held the position of head of reporting and actuarial activities in the same company.</p> <p>Euroins-health insurance ZEAD is part of the group of Euroins Insurance Group, transformed by merging into IC EIG Re EAD in 2017. From 2016 to the present, she holds the position of head of risk management in EIG, participating directly, in the project of bringing of the systems and processes in accordance with the requirements of the Solvency II regime, as well as in other significant projects implemented by the group - Review of the insurance companies' balance sheets; project on accelerated completion; a project to build a reporting department and others.</p> |

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| Name | Margarit Arnaudov |
| Title | Head of Risk Management Function from 01. July 2022 |
| Professional experience | <p>Margarit Arnaudov holds a bachelor's degree in International Economic Relations (in English) (Summa Cum Laude) from the University of National and World Economy and a Master's degree in European Business and Finance from Nottingham Business School, UK. His professional path includes two years of experience in the field of accounting and business consulting (2010-2012), as well as nearly three years of experience in the field of corporate and investment banking (2012-2015). In 2016, he joined the team of a leading auditing and consulting company, with which he participated in the initial review of the balance sheets of the Bulgarian insurance sector after the implementation of the Solvency 2 Framework, as well as in the review of the quality of the assets of the Bulgarian banking sector. In the period until 2022, he was part of the teams</p> |

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| Professional experience | responsible for the audit and consulting (regulatory, financial, accounting and M&A) of numerous Bulgarian, European and international banking and insurance institutions, including performing risk management functions (as an outsourced service) of a life insurance company in Bulgaria. In July 2022, he joined the Euroins Insurance Group team as key risk management function and as Group Risk Manager. |
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| Name | Anton Pironski |
| Title | Internal auditor |
| Professional experience | Anton Pironski holds a master's degree in „Applied Mathematics“ from the Higher Institute of Mechanical and Electrical Engineering, Sofia. His career includes over 20 years of professional experience in the insurance industry. He has worked at IC Euroins AD since the company was founded, having held various management positions, namely: director of „Automotive Insurance“, head of „Internal Control“, deputy executive director, executive director. |

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| Name | Milena Naydenova |
| Title | Head of Compliance Function |
| Professional experience | Milena Naydenova has extensive experience in the field of law and finance. She has worked at Municipal Bank as head of the European Funds department from 2007-2012 and as head of the regulatory compliance and regulations department from 2013 to 2016. From 2016 to now, she holds the position of Head of the Compliance Function in Euroins Insurance Group. Milena Naydenova has a master's degree in finance and law from Southwest University „Neofit Rilski“, as well as a master's degree in European integration from Sofia University „St. Kliment Ohridski“. She also holds many Bulgarian and international certificates from various financial and legal institutions. Milena is fluent in English. |

Requirements for persons designated to perform key functions at Group level.

The persons designated to perform key functions in EIG are nominated and elected by the Board of Directors of the Company. Nominees for the performance of key functions are subject to evaluation in accordance with the „Policy regarding the requirements for qualifications and reliability of the persons who manage Euroins Insurance group AD, occupy a managerial position or perform key functions“. They have received due approval from the regulatory authority, where required by law.

When determining the persons performing key functions in the companies of the insurance group, the expediency of the decisions is followed, in view of the scale, nature, volume and complexity of the activity of the specific insurer.

The organization of the key functions in the individual subsidiaries in the insurance group is the responsibility of the management body of the specific company. In view of the specifics of the Group, insurers falling under the Solvency II regime organize the key functions in their organizational structures in compliance with the basic requirements laid down in the legislation, group policies and the company's internal acts. Companies falling outside the scope of European legislation/ companies with headquarters outside the European Union organize their activities in accordance with local regulations, building the necessary mechanisms allowing the effective functioning of the key functions at the group level. The persons at the insurers who are entrusted with the implementation of the practical tasks of the individual key functions are reported as part of the reference for AMSB. The executive members in the management bodies of the insurers are responsible for the smooth functioning and provision of information for the purposes of the consistent application of the system of governance at the group level.

The key functions in EIG are organized with a view to the principles of harmonized and consistent implementation and carry out the following main tasks:

Actuarial function

- The main tasks involve the preparation, implementation and control of policies in the field of technical reserves, modeling, methodology and calculation of technical reserves, their reliability and adequacy, as well as supporting the effective implementation of the risk management system, including participating in creating risk models.

Compliance function

- The main tasks involve assessment, control and reporting on the legal and regulatory environment, including advice to management in relation to compliance with the application of legislation, including recommendations and proposals for amendments and updating of internal regulatory documents

Internal audit function

- The main tasks involve the performance of inspections, according to a plan, making assessment of the correct and effective implementation of all internal control procedures, as well as the measures for independent monitoring and control of processes in order to identify weaknesses, errors, fraud and ineffective management.

Risk management function

- The main functions of the Risk Management structure are related to the identification, description, and management of business processes that affect the risk profile, including operational risk.

Functional scope of the practical tasks of the key functions in the Actuarial Function Group - functional scope:

- responsible for technical reserves, including the preparation, implementation and control of policies in the field of technical reserves, including expressing an opinion on the general underwriting policy and the adequacy of reinsurance contracts and the interrelationship of the reinsurance program with the underwriting policy and reserving process;
- responsible for the calculation of technical reserves, adjustments in actuarial models and assumptions, the suitability of methodologies, base models and assumptions, as well as the assessment of market information and the assessment of the sufficiency, quality, suitability, completeness and accuracy of data used in the calculation of technical reserves;
- prepares and certifies the company's statements and reports in connection with the actuarial activity and the actuarial report, compares the best estimates against the practical results, actual data and assessments, as well as identifies possible discrepancies, evaluates and prepares recommendations;
- Informs the management or supervisory body about the reliability and adequacy of the calculation of technical reserves;
- supports the effective implementation of the risk management system, including by participating in the creation of risk models underlying the calculation of the Solvency Capital Requirement and the Minimum Capital Requirement and in its own risk and solvency assessment as well as taking into account risks in individual segments and adequacy of premiums.

Compliance function - functional scope:

- advises the management and supervisory board in connection with the application of the regulatory acts on the implementation of the Solvency II regime, including monitoring, coordinating and preparing recommendations and proposals for updating and amending internal documents and may also participate in the development of documents related to the activity of the function;
- develops, proposes for approval and controls the implementation of the Compliance Policy;
- assessment, control and reporting on the legal environment, including identifying the risk of default and the effect of changes in laws, by-laws, directly applicable acts of the competent bodies of the European Union and the internal acts of the insurer;
- acts and measures relating to the system of governance within the meaning of the relevant legislation, as well as those for the prevention and protection against the occurrence of conflicts of interest and trust;
- other responsibilities assigned by decision and at the request of the company's management.

Internal Audit function - functional scope:

- prepares specific rules and procedures for carrying out the activity of the internal audit, as well as the annual activity plan;
- performs audit inspections, including planning, implementing, documenting and issuing a report upon completion of the audit engagement, as well as periodically preparing reports on findings, conclusions and recommendations

made as a result of audit activities performed, and subsequent follow-up procedures in connection with their implementation ;

- conducts closing meetings to discuss and effectively deal with challenges and detected weaknesses in control procedures and prepares motivated proposals for problems that have arisen and improvement of effective, efficient and economical implementation;
- maintaining effective communication with the management board and the management of the audited structures/directorates/departments;
- prepares an annual report on the internal audit activities;
- performs other tasks related to the position in order to support the activity, as well as at the direction of the management, according to the approved hierarchical structure.

Risk Management Function - functional scope:

- analyzes the indicators of the companies in relation to the reporting forms according to the Solvency II regulations;
- prepares periodic reports on these indicators, including reports for the purposes of supervision and management of the company;
- participates in taskforces related to the activity of the function;
- performs other tasks assigned by the management of the company.

Significant events for the Group's system of governance

The most significant event, in view of the Group's management system, is the promulgation of a new regulation by the regulatory body supervising the EIG Group - FSC. Regulation No. 71 of the FSC regarding the requirements for the system of governance is in force from 07.08.2021. The affected companies, in this case also EIG, have been granted a tolerance of 6 months to bring their systems in line with the provisions of the regulation. The group successfully completed the project and submitted the newly created and amended documents within the statutory deadline.

The development of the collection, processing, reporting and disclosure of environmental, social and governance (ESG) issues continues to be a significant event for the Group's system of governance in 2022. The most significant manifestation of changes and developments in the system of governance is in upgrading the intra-group reports and creating an environment for timely, accurate and adequate collection of quality information. Due to the still developing system in this area, the review and adaptation of the Group's internal documents is postponed until clarity and legal certainty regarding requirements, methods and reports are achieved. In this area, it is important to note that at the end of 2022, the directive amending the corporate sustainability reports - DIRECTIVE (EU) 2022/2464 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (the so-called CSRD – Corporate Sustainability Reporting Directive.) At the end of 2022, the final proposal of the European Financial Reporting Advisory Group (EFRAG) for a EEU sustainability reporting standards (ESRS) will be published. The package is expected to unify and set a common European standard for reporting the elements provided for in the CSRD. Although it is still at the level of discussion between the European institutions, the standard is in the process of being integrated on a test basis into the non-financial package for internal group reporting. The compliance function works in direct collaboration with the holding company on this topic. Work continues on actively upgrading the internal system for non-financial reporting and integrating the ESG strategy into the business strategy of the entire group, and the project will continue in 2023.

The final draft of the European Commission on review of the Solvency II directive (SII review) was introduced in September 2021. The amendment would have a significant impact on the Group's management system, but in the accounting year 2022 there is no movement in the legislative procedure.

The Group assesses the following as significant events from 2022 that are expected to have an impact in the future:

- The entry into force and effective application from 2025 of Directive (EU) 2022/2556 of the European Parliament and of the Council of 14 December 2022 amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU, 2014/65/EU, (EU) 2015/2366 and (EU) 2016/2341 as regards digital operational resilience for the

financial sector (Text with EEA significance), the so-called DORA act;

- The transposition of Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (the so-called Whistleblowing directive) expected in 2022 were actually promulgated at the beginning of 2023 - Act on the protection of persons filing reports or publicly disclosing information about breaches (SG, issue 11/02.02.2023, effective from 04.05.2023). The deadline for introducing a system in the company is the end of 2023 (17 December 2023). It is essential for the project to follow up and adapt the systems to the subsequent publications of the Commission for the Protection of Personal Data (CPPD), namely, in addition to the regulation and instruction, the CPPD is expected to develop and publicize a model register of signals and a form for accepting signals, which provided free of charge for use by all obliged entities. In view of the above, the topic will continue to be monitored in 2023 by the compliance function and the potentials for an effective reporting system are discussed in direct cooperation and with representatives of the control functions at the level holding.

EIG Remuneration Policy

The remuneration policy of EIG is implemented in accordance with the Articles of Association and other internal company acts, applying the relevant legislation - Commercial Act, IC, Delegated Regulation (EU) No. 2015/35, as well as the Guidelines of the EIOPA and others, based on which has developed a written remuneration policy. As an element of the system of governance, it is subject to periodic review, including at group level.

The main principles for the development of the policy for the remuneration of insurers in the Group are:

- promotes prudent and effective risk management and not encourage the taking of risks in excess of an acceptable level;
- consistent with the company's business strategy (activity programs, rules and policies), goals, values and long-term interests;
- provides for measures to avoid conflicts of interest;
- is consistent with the principles and best practices for protecting the interests of users of insurance services.

The general meeting of shareholders determines and changes the remuneration of the members of the Board of Directors of EIG. The remunerations received by the members of the Board of Directors of EIG for the reporting year 2022 are in accordance with the increased responsibilities and commitments, economic performance achieved and the insurance group's stable condition during the reporting period. EIG is planning a revision of the Group policy in the medium term.

The specific remunerations adopted by General meeting of shareholders are reflected in the individual management contracts and / or annexes to them. The members of the Board of Directors of EIG receive only a fixed permanent remuneration, approved by the General Meeting of Shareholders and reflected in their management contracts.

The members of the Board of Directors of EIG are not granted stock options, company shares or any other type of periodic variable remuneration. In view of the above, the related criteria have not been developed, as well as no applicable information on the period in which the shares cannot be transferred and the options on them cannot be exercised. EIG and the Group do not pay at its own expense contributions for additional voluntary pension insurance to the members of the management and control bodies, as well as to the other employees. EIG and the Group do not provide at its own expense a supplementary pension to the members of the AMSB, including the key functions. The category of work of persons holding positions in the AMSB or performing key functions does not fall under early retirement schemes within the meaning of the Social Security Code, so they do not apply.

B.2 Qualification and reliability requirements

Information about the policies and processes established by the Company to ensure the qualification and reliability of these persons.

Qualification and Reliability Policy of the Group

The companies in the EIG insurance group consistently apply the main principles and requirements of the group policy for qualification and reliability adopted in 2016. Insurers falling within the scope of application of the Solvency II regime strictly adhere to the set requirements by developing a company policy at the individual level, based on the group one. In case of additional requirements, regulations at the local level, the management body of the subsidiary company is responsible for providing for the same in its policy, informing the Group of significant additional requirements. When applying the group policy in third-party insurers, the representatives of the management and control body, including the persons actually managing and/or representing the company, must possess sufficient qualifications and experience necessary for effective participation in the management of the insurer. In this area, the main difference is the so-called former NSO republics where the requirements of reliability and financial stability are not sufficiently affected by local legislation. In the presence of a regulatory regime for the approval of these persons by the local supervisory authority and the presence of the required approval, for group purposes the requirements are considered to be met.

The EIG carried out a study of the specific requirements in the various jurisdictions /in and outside the EU/ with data up to the end of 2022. An analysis of the data and a review of the Group Policy is forthcoming, which is planned in the medium term. According to the analyzed data, the structure for application of the principles of qualification and reliability of AMSB members in the Group are:

| Name | Requirements for qualification and reliability of | Approval by regulator |
|---|---|-----------------------|
| Insurance Company Euroins AD | yes | yes |
| Insurance Company EIG Re EAD | yes | yes |
| Insurance Company Euroins Life EAD | yes | yes |
| Private joint-stock company Insurance Company Euroins Ukraine | yes | no* |
| Euroins Osiguruvanje AD, Northern Macedonia | no** | yes |
| Insurance Company Euroins Georgia AD | yes | yes |
| Private joint-stock company European Tourist Insurance, Ukraine | yes | no* |

*according to the local regulatory regime, AMSB members should meet specific requirements regarding their qualification and reliability, and persons with management functions /representative - executive director, person who actually manages/ undergo training and receive a certificate from the local regulator

** the approval of the regulator covers only the person who has management functions /representative - executive director, person who actually manages/ and who is registered as such. According to the internal organization of the company, the person actually managing the company is not a member of the Board of Directors, which is in accordance with local regulations and practices. Regarding the Republic of North Macedonia, it is important to note that in the accounting year 2022, a project was discussed to amend the legislation and introduce the fit and proper requirements. As of the date of preparation of this report, no act has yet entered into force, changing the legal environment and circumstances in this area.

Based on the reported data, as of 31.12.2022, the companies within the Group employed a total of 963 persons with a basic employment contract. The distribution among all employees is 65% women and 35% men, and in

management positions the distribution is 59% women and 41% men.

Qualification and Reliability Policy of the EIG

The conditions for the persons appointed to managerial positions are provided in the respective requirements for the position, respectively are included in the job descriptions.

The qualification and reliability policy sets out a number of requirements that must be met by those falling within its scope. All requirements are observed in the nomination of the respective persons and are subject to assessment. This report mainly reviews the terms and conditions for nomination, election and appointment of persons, members of the management or supervisory body of the company or those performing key functions.

Individuals must meet the requirements of the qualification and reliability policy in each moment - from their election and/or appointment to their release. The compliance of the approved nominations shall be declared to the regulatory authority.

The criteria and conditions that individuals must meet are mainly divided into:

- minimum / general requirements;
- additional requirements.

Minimum/general requirements for persons subject to assessment

The minimum/general requirements in accordance with the qualification and reliability policy apply in their entirety to all members of the Board of Directors and persons performing key functions, except for the actuarial function. The minimum requirements are applied consistently through the individual policies of the subsidiaries, which are in line with the group policy. They should guarantee the sufficiency of the qualifications, experience and knowledge of the nominated persons. The minimum requirements for persons are:

- to have a higher education degree and possess the appropriate professional qualification necessary for managing the activity;
- to have professional experience in the field of economics, finance, insurance or another field directly related to the performance of their assigned functions;
- not to have been convicted of an intentional crime of a general nature;
- not to have been members during the last three years of a management or control body or a general partner in a company for which bankruptcy proceedings have been opened, or in a company terminated due to bankruptcy, if there are unsatisfied creditors, in the last three years before the start date of the insolvency determined by the court, or which has been terminated by a court decision, due to carrying out an activity that is contrary to the law or that pursues illegal goals;
- not to be a spouse or relative by law or by collateral line up to the fourth degree inclusive or by matchmaking up to the third degree with another member of a management or control body;
- not to be deprived of the right to hold materially responsible positions;
- not to have been, in the last one year before the act of the relevant competent authority, members of a management or control body or partners with unlimited liability in a company whose license to carry out activities subject to a licensing regime was revoked, except in cases where the license was revoked at the company's request, as well as if the act of revocation of the issued license was duly revoked.
- not have been dismissed from a position in a management or control body of a commercial company, on the basis of an applied coercive administrative measure, except in cases where the act of the competent body has been duly revoked;
- to have a good reputation, be honest and financially sound;
- to have professional experience, in accordance with the regulatory and/or internal company requirements.

Additional requirements for persons, members of the governing and supervisory body and those performing key functions

The qualification and reliability policy also defines some specific requirements that are applied differently and are related to the requirements that should be applied to individual subjects falling within the scope of the report.

The members of the Board of Directors of EIG, as well as the members of the management and supervisory bodies in the companies in the insurance group must, taken together, have the appropriate qualifications, experience and knowledge at least about:

- insurance and financial markets;
- business strategy and business models;
- system of governance;
- financial and actuarial analyses;
- regulations and requirements. Each member, in addition to the stated general/minimum requirements, should possess sufficient professional qualifications and experience necessary to effectively participate in management, meeting the following additional requirements:
 - to have a master's degree;
 - professional experience of at least 3 (three) years in another management position in an insurer, insurance or financial holding, insurance holding with mixed activity, financial holding with mixed activity, reinsurer, pension insurance company, bank, state institution in the field of economy and finance or as representing an insurance broker, directly engaged in the activity of insurance mediation, when the activity of the broker in insurance transactions is comparable to the activity of the insurer, and if the person has an economic or legal education - not less than 2 (two) years;
 - to be reliable – to have a good reputation.

The persons performing key functions should have sufficient experience in the field, and for the internal audit function and the compliance function, the nominees should, when applying the general criteria for the availability of education, prove the existence of a master's degree.

The actuarial function in the subsidiary companies - insurers, is performed by the responsible actuary, who organizes, directs and is responsible for the actuarial service of the particular insurer. Exceptions are made by companies where the regulations define another order/profession and/or requirements for the persons engaged in the tasks of the actuarial function. In this section of the report, only the requirements applicable and related to the qualification and reliability requirements of the person selected as the responsible actuary are considered, in accordance with the local requirements for the Group. The description of the actuarial function is reviewed in this report.

The persons performing the actuarial function must not have been declared bankrupt and must not be in bankruptcy proceedings. They should meet the following minimum/general requirements:

- not to have been convicted of an intentional crime of a general nature;
- not to have been members during the last three years of a management or control body or a general partner in a company for which bankruptcy proceedings have been opened, or in a company terminated due to bankruptcy, if there are unsatisfied creditors, in the last three years before the start date of the insolvency determined by the court, or which has been terminated by a court decision, due to carrying out an activity that is contrary to the law , or that pursues illegal goals;
- not to be a spouse or relative by law or by collateral line up to the fourth degree inclusive or by matchmaking up to the third degree with another member of a management or control body in the company;
- not to be deprived of the right to hold materially responsible positions;
- not to have been, in the last one year before the act of the relevant competent authority, members of a management or control body or partners with unlimited liability in a company whose license to carry out activities subject to a licensing regime was revoked, except in cases where the license was revoked at the company's request, as well as if the act of revocation of the issued license was duly revoked.

The specific requirements for the actuarial function, according to the qualification and reliability policy, are:

- to possess a master's degree or PhD, with hours of higher mathematics, according to requirements defined in an ordinance of the Financial Supervision Authority;
- to have at least three years of experience as an actuary of an insurer, reinsurer, pension insurance company, in bodies supervising the activities of these persons, or as a licensed lecturer in insurance or actuary - when calculating the total experience under this requirement, the experience gained is also recognized as an actuary in a health insurance company;
- to have the recognized legal capacity of a responsible actuary by the FSC, after successfully passing an exam, or to have the recognized legal capacity of a responsible actuary in another member state;
- not to have been deprived of legal capacity on the basis of Art. 98, para. 1, items 1 – 3 and 5 of the CC and that he has not been deprived of legal capacity as an actuary by a state or public organization in the Republic of Bulgaria

- or in another member state on grounds related to bad faith in the performance of his duties as an actuary;
- not to be a member of the management or control body of another insurer or reinsurer, respectively.

All circumstances set forth in the description of the specific requirements for persons who actually lead the company or perform other key functions above are subject to verification. The method of verification is provided in the Qualification and Reliability Policy.

As a result of the submitted documents and their completeness, the nominee is subject to assessment of their qualification and reliability. Persons should meet the relevant requirements of law, statute and policy for qualification and reliability.

The official performs the assessment of qualifications and reliability of the persons in the following order:

1. The analysis and assessment of the professional qualification and experience of the nominees is performed on the basis of the CVs, diplomas and certificates issued by established educational institutions or organizations in the country and abroad, as well as on the basis of data and official documents collected ex officio according to the respective order from official sources.
2. The analysis and assessment of the professional skills, knowledge and reputation of the candidates is performed on the basis of references from previous employers provided by the nominee or by third parties, certificates for courses, trainings and others that serve as proof of knowledge and skills acquired by the candidate.
3. The analysis and assessment of the reliability of the candidates is performed on the basis of self-filled and signed declarations (according to a sample), proving the financial soundness of the candidate, clear criminal record and self-filled and signed declarations (according to a sample), proving the reliability and judicial past of the person.

In assessing the circumstances, the official takes the following into account:

- availability of all necessary documents and their compliance with the Qualification and Reliability Policy.
- compliance of the documents with the regulatory requirements, according to the Insurance Code, the Commercial Act, as well as all other regulatory requirements.
- for the persons who are members of the management and supervisory body, their compliance with the requirements, according to the Statute. Based on the assessment made, the official reports by submitting a completed and signed declaration (as per the model) that a verification of the credibility of the verified circumstances has been carried out, that the assessment has been carried out in accordance with the law and the qualification and reliability policy and that the person meets the requirements for the position. After approval of the submitted application, two of the members of the EIG Board of Directors, respectively two of the members of the management body at the insurer also sign the declaration presented and signed by the official.

Procedure for selecting and approving persons in EIG /at insurance holding level/

The members of the Board of Directors of EIG are subject to approval by the FSC before their election or appointment to the respective position. They are elected by the general meeting of the company's shareholders.

The persons who perform key functions in the company are elected and appointed by the Board of Directors, after discussing the evidence presented by them that they have the necessary qualities, qualifications and experience. The persons who hold managerial positions in the Company shall be elected in accordance with the procedure and manner provided for in the internal rules of the company. The documents and assessment of persons subject to approval by the FSC shall be duly provided to the regulator. Already approved persons are not subject to re-approval.

Hierarchy of the selection and appointment of the persons from the administrative, management or supervisory body in the EIG.

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

Risk management system and internal control system

A system of governance is in place and is functioning in insurance group of Euroins Insurance Group AD, in which a risk management system and an internal control system is integrated. The system of governance ensures the reliable and prudent management of the activity, including efficiency and creation of an adequate and transparent structure with a clear and appropriate division of responsibilities, ensuring the transfer of information, including in connection with the functioning of the accounting and financial systems. accountability and disclosure. The system of governance at the Group level, described in the Corporate Governance Statement to the Annual Financial Report and this section of the Group Report on Solvency and Financial Condition , ensures control by EIG of the consistent application of reporting systems and procedures, including introduced:

- appropriate mechanisms in relation to the solvency of the group in order to determine and measure all material risks taken and to ensure the appropriate ratio of eligible own funds to the risks;
- reliable reporting and accounting procedures for monitoring and managing intra-group transactions and risk concentration.

One of the main objectives of the established internal control and risk management systems is to assist the Management and other stakeholders in assessing the reliability of the company's financial statements, achieving strategic objectives, efficiency and effectiveness of operations, and applying the relevant legal and regulatory requirements. The internal control system includes internal control arrangements, administrative and accounting procedures, appropriate reporting lines at all levels, and a compliance function. EIG organizes its risk management activities by creating and effectively implementing a system of internal documents, both at the company and group level. The main tools for risk control in order to avoid and reduce risk is through an analysis of the opportunity / risk, ratio taking into account the solvency capital requirements. The identification, measurement, monitoring and reporting of risk is carried out on an ongoing and periodic basis in accordance with the current regulations and internal regulatory documents in the Group.

an integral part of the company's activities. They are directly implemented by the Board of Directors or the applicable other governance structure, as well as the heads of the structural subdivisions performing key functions. The main activity of identification, measurement and control of general risks in the EIG Group, as the insurance holding company, is carried out by the Risk Manager of EIG and the Risk Committee at EIG. The Risk Committees is a collective body at the level of the insurance holding, which facilitates the activity of harmonized and consistent implementation of the Risk Management Policy throughout the insurance group.

The risk management system of IC Euroins AD is a constantly operating system, ensuring timely and adequate management of the various types of risks to which the company is to expose my and / or may be exposed system, taking into account the nature, scale and type of activities of the companies included in the insurance group. It is a tool for effective management at the insurance group level, being applied consistently, harmonized and integrated in all subsidiary insurance companies. EIG's risk management system also covers systems at the level of subsidiaries. Subsidiaries upgrade the risk management system by adopting and implementing Risk Management Policies, in accordance with and following the main guidelines in the Risk Management Policy of Euroins Insurance Group AD.

EIG's risk management system is managed and administered by the Risk Manager at EIG and covers risks falling into the following areas:

- underwriting activity and formation of technical reserves;
- correspondence between assets and liabilities;
- investments and in particular derivatives and other similar liabilities;
- risk management in the field of liquidity and concentration;
- operational risk management;
- reinsurance and other risk mitigation strategies.

All risks at the level of the insurance group are identified, measured, tracked and reported on the basis of a periodic consolidated report prepared for the needs of Solvency II, according to the statutory and regulatory requirements and in accordance with the principles and methods laid down in the Assets and Liabilities Management Policy of Euroins Insurance Group AD. Risk-related activities are reported to the Board of Directors.

The risk categories inherent to EIG as an insurance holding company are identified and classified in accordance with the identified risk categories. For accounting and reporting risk, the Group applies a standard formula by identifying and distinguishing the following categories of risk at the consolidated level:

- **Underwriting risk** - reflects the risk resulting from insurance liabilities, in respect of the covered insurance risks and the processes used in the activities of the subsidiaries. Underwriting risk includes the following sub-risks:
 - Risk associated with premiums and reserves;
 - Risk of termination;
 - Catastrophic risks.
- **Market risk** - the risk of loss or adverse change in the financial position resulting, directly or indirectly, from fluctuations in the levels and volatility of market prices of the assets, liabilities and financial instruments of the subsidiaries. Market risk includes the following sub-risks:
 - Interest Risk;
 - Spread risk;
 - Share risk;
 - Property risk;
 - Concentration risk;
 - Currency Risk;
- **Operational risk** - risk of loss as a result of flawed or malfunctioning internal processes, people or systems, or external events in the subsidiaries.
- **Counterparty default risk** – reflects the possible losses as a result of unexpected default or deterioration of the credit position of the subsidiaries' counterparties or debtors over the next 12 months.

EIG organizes its risk management activities by creating and effectively implementing a system of internal documents, processes and limits both at the company and group level. The main tools for risk control in order to avoid reduce risk is through an analysis of the opportunity / risk, ratio taking into account the solvency capital requirements and the identification, measurement, monitoring and reporting of risk is carried out on an ongoing and periodic basis in accordance with the current regulations and internal regulatory documents in the Group.

The Company prepares and maintains its financial statements in accordance with International Accounting Standards and the International Financial Reporting.

Internal control and risk management are well integrated into the organizational structure, both at the level of the insurance holding and the subsidiaries that are part of the insurance group. They are an integral element of the decision-making processes at the group level, being carried out by employees at all levels of management as In 2022, in view of the initiation of hostilities by the Russian Federation against the Republic of Ukraine, the risk management system was focused on detailed tracking of the following effects

- The direct provision of the continuation of the activity of the two subsidiaries of EIG in Ukraine
- Assessment and management of the financial effect on the overall investment, liquidation and underwriting activity of EIG's two subsidiaries in Ukraine
- Limiting the effects of the slowdown of the activities of the two subsidiaries of the Group in Ukraine to the other companies within the EIG
- Assessment of the impact on the investment portfolio of macroeconomic changes within subsidiaries registered in and outside the EU, as a result of the actions of central banks and governments as a result of the military conflict that began
- Estimating the impact of inflationary pressures on general administrative costs and claims costs as a result of increases in energy prices as a result of hostilities.

Compliance function

The compliance function includes consultation of the administrative, management or supervisory authority (AMSB) regarding compliance with the legal, by-law and administrative provisions adopted in implementation of the IC. It also includes an assessment of the potential impact of any change in the legal status quo on the operations of the entity concerned, as well as the identification and assessment of compliance risk. In 2022, the Head of the Compliance function actively participated and as a priority participated in events related to corporate sustainability, including consultations and meetings with potential consultants, forums organized by auditors, EIOPA, UN NZIA and others.

Other significant projects in 2022 in which the Head of Compliance is assisting are:

- Completion of a project on bringing it in line with the requirements of Ordinance No. 71 of the FSC and sending the newly adopted and amended documents to the group supervision authority.
- Assistance of the European Bank for Reconstruction and Development in a project to build a scheme identifying the stage of development of financial institutions to achieve the principles of the United Nations in relation to the achievement of climate goals;
- intra-group reporting of quality information, including for ESG purposes;
- construction of a branch, a management system and regulations in the United Kingdom by IC Euroins AD;
- audit of outsourcing systems, including contract management and monitoring at company level;
- improvement of insurance services, through a review of the systems for creation, management and control of the products, including the identification of the possibilities for carrying out and applying the criteria for technical screening when carrying out insurance activity.

The compliance function at EIG is organized as an independent unit reporting to the Board of Directors. The function is carried out at group level by a Head of the Compliance function, who is appointed after due diligence for qualifications and reliability. The manager has received approval from the regulatory authority. According to the Group's policy, the establishment of the compliance function in insurers that are categorized as small in terms of volume, structure and market position should be expedient, and with a view to cost effectiveness, it can be organized and implemented at group level, applying the principles of proportionality and shared responsibility. The Head of Compliance Function is responsible for the identification of the persons - employees in the insurance companies who are operationally responsible for the implementation of the practical tasks related to the function at the local level.

The Head of Compliance reports with direct lines of reporting at Group level and interacts with both the EIG Board of Directors and AMSB representatives at insurer level. The head of Compliance implements an annual compliance plan approved by the Board of Directors, and in order to be flexible in applying measures for effective internal control and good practices, the head of Compliance also takes actions outside the plan, in case of an identified need and at the request of AMSB. The compliance function reports its activities in an Annual Report, which it presents to the Board of Directors of EIG and to the General Meeting of Shareholders.

In 2022, the Head of Compliance continued to monitor information, with a view to timely identification of regulatory risk and taking adequate measures to eliminate it.

B.4 Internal Audit function

Description of the manner in which the Company's Internal Audit function is performed.

The Internal Audit function is performed by a person designated as an internal auditor. The internal auditor adopts and implements a risk-based audit plan. They identify which processes and procedures should be audited in accordance with generally accepted internal auditing standards and the company's leading priorities and principles. The activity and tasks of the Internal Audit function are performed consistently, as described in this section, in the companies that are part of the insurance group at of Euroins Insurance Group AD.

In the context of internal auditing, the internal auditor performs actions to verify the reliability of procedures, methods and measures that serve to influence risk and that increase the probability that certain (process) objectives are reliably and efficiently achieved. The audit should reduce the likelihood of errors and fraud occurring within the processes, identify errors and/or weaknesses that have already been made, and provide recommendations for their elimination.

After performing each audit, the internal auditor prepares an audit report, which he provides to the managers of the audited activity for basic discussion. If necessary, an additional report is prepared. By a decision of the Board of Directors, it is assigned to take actions to eliminate the gaps based on the findings and recommendations made by the internal auditor. The internal auditor also performs subsequent follow-up procedures until the full implementation of corrective actions and recommendations. In cases where the actions taken are not sufficient to

eliminate the violations, the internal auditor reports this to the management body. If in the course of the audit facts and/or actions and/or inactions of officials are established, which give grounds for findings and recommendations regarding activities outside the subject and purpose of the audit being performed, the internal auditor reports additionally. Internal auditor prepares an annual report on the Internal Audit function activities.

A description of how the Company's internal audit function maintains its independence and objectivity from the activities it audits.

In order to ensure the necessary degree of independence of the internal audit, the internal auditor is directly subordinate to the management and/or control body of the company, depending on the way of organization of the management bodies, and is not subordinated in the organizational hierarchy to any person managing a given operational activity. A guarantee for the independence of the internal auditor are also:

- the right of own initiative;
- direct relationships with the management bodies and the Audit Committee;
- free access to information;
- direct communication with all employees of the company;
- the right to request opinions and information from the employees of the inspected sites;
- freedom of opinion;
- lack of rights to make management decisions;
- the structural and organizational separation of internal audit from the compliance function and from internal control.

The internal auditor's organizational independence is effectively achieved when he reports functionally to the management bodies and presents a true and accurate opinion. The internal auditor must have an unbiased and objective opinion and avoid any conflict of interest. It should not allow interference in determining the scope of the internal audit, in the execution of the audit work and in the presentation of the results.

B.5 Actuarial function

An actuarial function is in place and is functioning in the insurers in the EIG Group, which is performed by a responsible actuary who organizes, manages and is responsible for the actuarial service. All responsible actuaries participate in the Group's Risk Committee by invitation or on their own initiative, upon assessment of the topics discussed in the Committee. In view of the scale, volume and nature of activity of the specific insurer, part of the insurance group, as well as the complexity of the risks to which it is exposed, when assessing the expediency, it is permissible for the actuarial function and the risk management function to be combined by one person. An individual approach is applied. In Companies outside the EU, in view of local regulations and practices, it is permissible for the activity of data processing to be carried out by a person other than a responsible actuary, and the control is carried out by the actuary appointed in the Group.

The main activities and tasks performed by the actuarial function at the insurers in the EIG Group are:

- Coordinating the calculation of technical reserves. Participating in the development and monitoring compliance with the group policy for evaluation of technical reserves.
- Ensuring the suitability of the methodologies and basic models used, as well as the assumptions made in the calculation of technical reserves. Analyzing the effect of changes in data, methodologies and assumptions on the amount of technical reserves.
- Assessing the adequacy and quality of internal data used in the calculation of technical reserves and their compliance with data quality standards, including the necessity of using market information.
- Compares the best estimates with the practical results, actual data and assessments. When the comparison reveals a systematic deviation between the practical results and the best estimates, appropriate adjustments are made to the actuarial methods used and / or to the assumptions made.
- Informing the management or supervisory body about the reliability and adequacy of the calculation of technical reserves.
- At least once a year, presenting a report to the group actuarial function, which contains all the significant tasks undertaken during the reporting period and their results. Possible discrepancies are identified, they are assessed and recommendations are made, describing the measures by which they can be overcome. The report shall describe the methods and data used in the calculation of the technical reserves, the reliability and the fluctuations in the

results, the conclusions reached by back-testing. The inclusion of parts of the Company's report in the group report depends on their significance and materiality for the Group.

- Controlling the calculation of technical reserves through approximations and individual approaches in individual cases where there is insufficient data to apply reliable actuarial methods.
- Expressing an opinion on the common underwriting policy. Taking into account the risks in the individual segments, the adequacy of the premiums and the compliance with the risk appetite.
- Expressing an opinion on the adequacy of reinsurance contracts and the relationship of the reinsurance program with the underwriting policy and the reservation process.
- Supporting the effective implementation of the risk management system, including by participating in the creation of risk models underlying the calculation of the solvency capital requirement and the minimum capital requirement and in the own risk and solvency assessment.
- Preparing and certifying the reports of the Company in connection with the actuarial activity and the actuarial report.

B.6 Outsourcing

In the companies in the EIG insurance group have adopted and implemented specific outsourcing policies. The objectives of the policies are to determine the conditions and requirements for the outsourcing of individual activities, services, processes or functions, as well as to determine the definition of responsibilities and the stages of the outsourcing process, taking into account the regulatory requirements for carrying out of this process and it is guaranteed that the proper execution of the assigned activities, the control and monitoring capabilities of the management bodies of the specific company and the auditing and monitoring capabilities of the supervisory body are not at risk.

The outsourcing process should be defined and properly documented. The transfer of activities is carried out by concluding a written contract, according to the requirements established for the insurer, and the activities themselves and the persons to whom they are assigned are covered by the management and internal control systems of the company. Outsourcing contracts are terminated or amended with the assistance of a lawyer. The decision for outsourcing is made by the management body of the specific company. The conditions for allowing the outsourcing of functions are:

- they do not expose the activity of the Company to significant risk;
- they are not related to transferring the responsibility of the members of the management board of the company to an external contractor;
- are not related to the transferring the powers and functions of the members of the company's management board to an external contractor, including coordination and monitoring functions.

In the reporting year 2022, EIG has not identified a need and a high-risk contract that would require the development of a Policy for the transfer of activity, following the principle *mutatis mutandis*.

B.7 Other information

The governance system of EIG is adequate and built in accordance with the nature, scale and complexity of the risks associated with its activities. It is harmonized and consistent for companies throughout the group, for which an internal mechanism for coordination, interaction and management has been created.

To assess adequacy, a method should be applied covering specific criteria to be imposed on the characteristics of the insurer. For review criteria, the guiding principles are:

- legality;
- expediency;
- efficiency.

To build a comprehensive assessment model, not only the plane on which the system is built as a set of internal documents is analyzed, but also assessment models for qualitative analysis are applied, based on the practical significance of policies, their knowledge, sharing and compliance as evidence for efficiency.

In view of the above, the criteria applied in the adequacy assessment model are divided into main and additional.

Main criteria:

- compliance of the system of governance with the regulatory requirements.
- existence of an adequate and transparent organizational structure.
- clear and appropriate division of responsibilities.
- an effective system for providing information. Additional criteria:
- the system of governance complies with the requirements of the EIOPA Guidelines on system of governance;
- the system should be periodically reviewed.
- The management of the Company understand and share the principles of good corporate governance, pursuing a policy of achieving optimal relationships between the practices of the Company and its internal regulations.

Taking into account the reported and disclosed information, taking into account the fact that as of 31.12.2022, the systems of governance of some of the companies, including EIG, have completed a comprehensive process of analysis, revision and introduction of changes, namely the completion of a project on alignment with Ordinance No. 71, the Group's governance system meets the requirements and is adequate to the nature, scale, and complexity of the risks associated with its activity.

Other significant events after the reporting date

The subsequent events reported in the Annual Financial Report have no direct impact on the group's governance system.

Significantly after the date of the report on the management system, new members were registered with the Board of Directors of EIG, namely on 03/01/2023, 2 new members were registered: Mrs. Kremena Pateva, who previously served as Head of the Risk Management function at EIG and Mr. Todor Danailov, a long-standing employee of the group, actuary and specialist in the field of reinsurance. Qualification and reliability due diligence has been carried out prior to listing, and the necessary supervisory approvals have been obtained.

C

RISK PROFILE

One of the main objectives of EIG's established risk management system is to support management and other stakeholders in the achievement of strategic goals, effectiveness and efficiency of operations, the application of legal and regulatory requirements, the reliability of the Group's financial statements.

As an integral part of its business strategy, EIG performs its own risk and solvency assessment. Risk assessment includes:

1. Calculation of the solvency capital requirement and minimum capital requirement.
2. Control of compliance with the requirements regarding the capital solvency requirement, the Minimal capital requirement and technical reserves.
3. Degree of deviation of the risk profile - deviation of the capital solvency requirement from the value at risk of the main own funds, subject to a confidence interval of 99.5% for a period of one year.

Selection of calculation method

EIG calculates its group solvency according to method 1 (method of accounting consolidation). The consolidated data according to method 1 includes a complete consolidation of the data of the following insurance subsidiaries:

- Insurance Company Euroins AD (Bulgaria);
- IC Euroins-Life EAD (Bulgaria);
- Insurance Company EIG Re EAD (Bulgaria);
- Euroins North Macedonia (third country, outside the EU - North Macedonia);
- Euroins Ukraine (third country, outside the EU - Ukraine);
- CHAD European Tourist Insurance, „ (third country, outside the EU - Ukraine);
- Insurance company Euroins Georgia (third country, outside the EU - Georgia);
- Euroins Claim IKE, Greece (a company with auxiliary functions).

As at the end of 2022, the Group did not include in its consolidated economic balance sheet (and accordingly the general purpose statement, according to IFRS) the following companies, which were currently part of the Group in 2022:

- Euroins Romania - Asigurare Reasigurare SA - the company was excluded from the consolidation, due to the loss of control by EIG due to the decision to revoke the company's license by the Romanian supervisory authority on March 17, 2023
- Euroins Belarus AD - the company is excluded from the consolidation due to loss of control by EIG due to its sale at the end of December 2022
- OOO Euroins Russia - the company is reported as an associated company, but in December 2022 it was sold and was not included in the Group consolidation as of December 31, 2022

Process of preparing the Solvency II balance sheet

The Solvency II balance sheet is prepared on the basis of consolidated IFRS data, with the main differences being: the reinsurer's share in reserves, technical reserves, fixed assets valuation at market value, deferred tax assets and liabilities, insurance receivables.

The consolidated best estimate equals the sum of the best estimate of the insurance companies within the scope of the Group.

- The best estimate of the risk taking entity does not include the cash flows arising from the obligations under the reinsurance contracts entered into within the Group.
- The risk transferring company does not recognize the amounts recoverable under the reinsurance contracts entered into within the Group.

The consolidated risk allowance of the technical reserves based on consolidated data is equal to the sum of the risk allowance of the insurance companies within the scope of the Group.

Calculation of consolidated group solvency requirement

The Solvency Capital Requirement of the insurance companies within the scope of the Group is calculated on the basis of consolidated data according to method 1, according to the rules established in Section I, Chapter VI, Section 4 of Directive 2009/138/EC (standard SCR calculation formula). The final amount of the consolidated group solvency requirement is subject to assessment by the Group's supervisory authority.

Calculation of minimum group capital requirement

- When method 1 is used, the minimum group capital requirement (MCR) is calculated in accordance with Art. 230, § 2, para. 2 of Directive 2009/138/EC.

Minimum group capital requirement

The minimum capital requirements for EEA-licensed insurance companies included in the EIG method 1 consolidation:

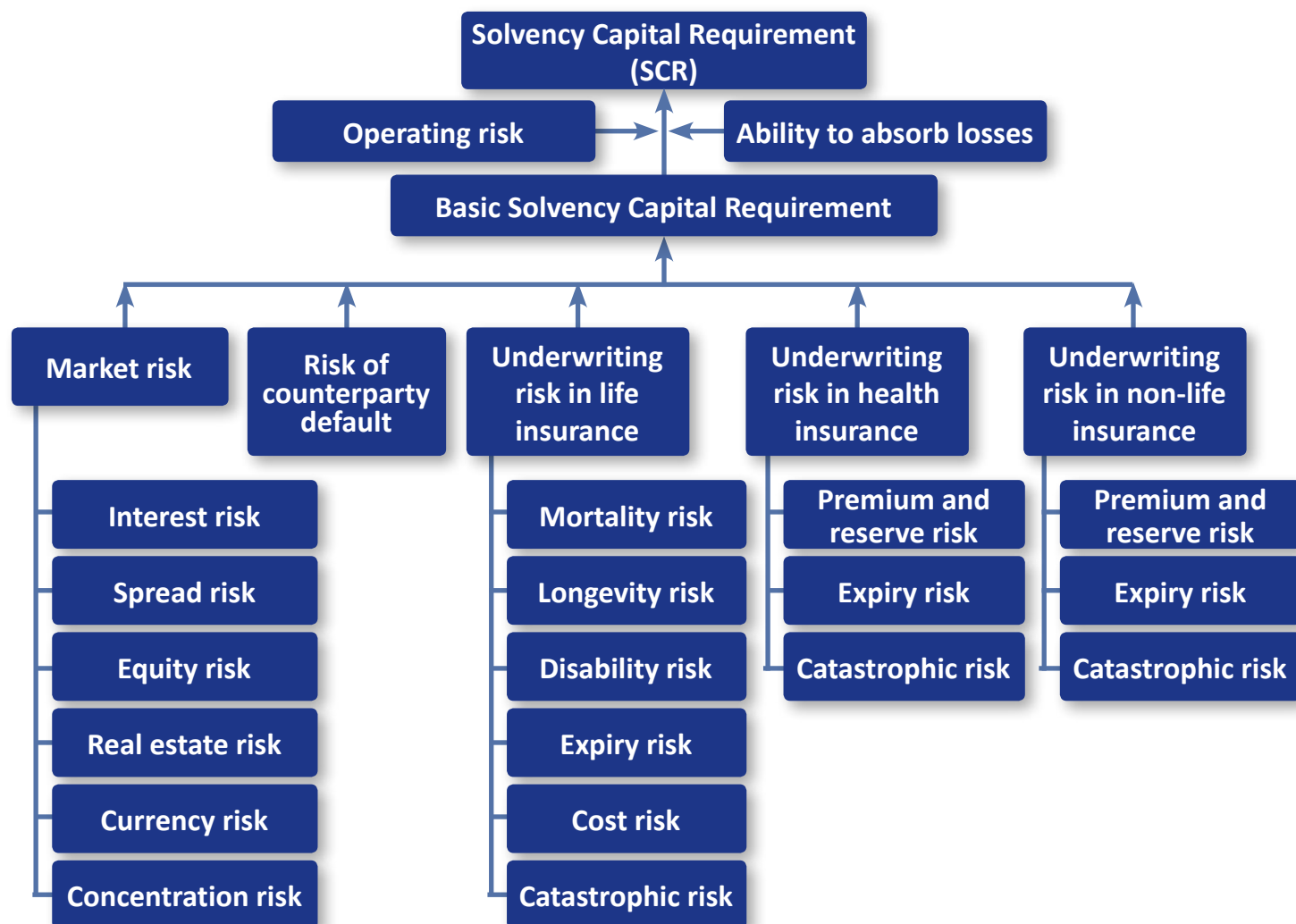
- Insurance Company Euroins AD (Bulgaria) - EUR 4,000,000 (BGN 7,823,320)
- IC Euroins-Life EAD (Bulgaria) - EUR 4,000,000 (BGN 7,823,320).
- Insurance Company EIG Re EAD (Bulgaria) - EUR 4,000,000 (BGN 7,823,320).

Local capital requirements of insurers in the Group included in the consolidation of EIG and headquartered in third countries are:

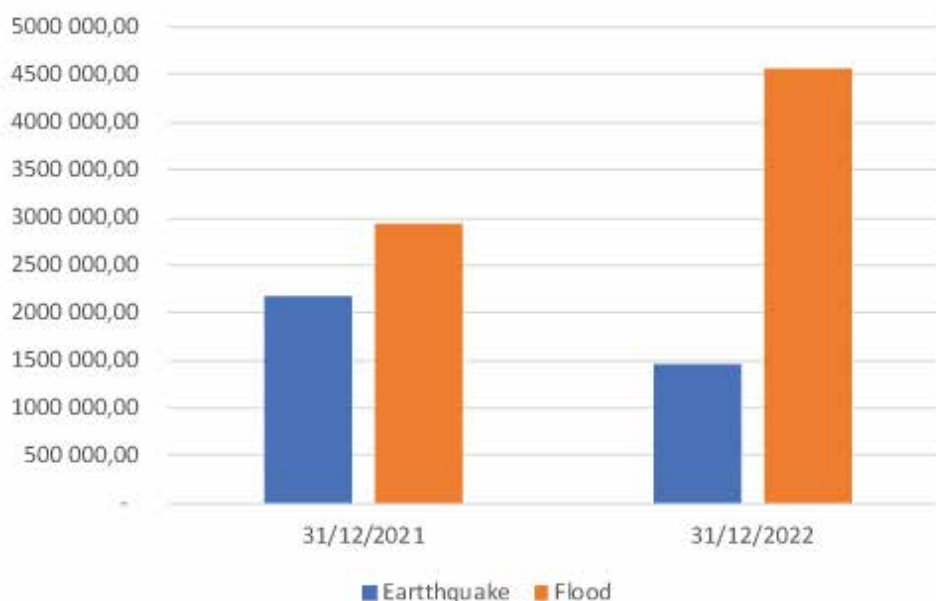
- Euroins North Macedonia (third country, outside the EU - Macedonia) - BGN 6,000,000;
- Euroins Ukraine (third country, outside the EU - Ukraine) - BGN 1,955,830, ;
- Private joint-stock company European Tourist Insurance, Ukraine - BGN 1,955,830
- Insurance Company Euroins Georgia AD - BGN 2,675,641;

The risk profile is constantly monitored, taking into account any changes in it.

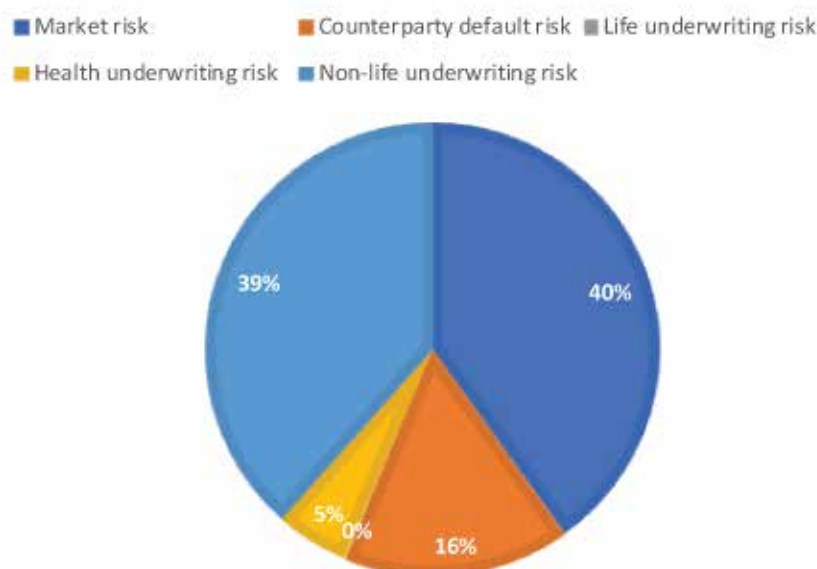
In order to promote good risk management and to achieve compliance between the regulatory capital requirements and the practice in the companies within the Group, the solvency capital requirement is defined as economic capital available to EIG as of 31.12.2022. This ensures that bankruptcy can occur only once in two hundred cases and that EIG is able with a probability of at least 99.5%, to fulfill its obligations to policyholders and beneficiaries in the next 12 (twelve) months. The economic capital is calculated on the basis of the true risk profile of the Group, taking into account the impact of risk mitigation techniques, as well as the effects of diversification. As of 31.12.2022, the coverage of the capital requirement is 132.02%, and the minimum capital requirement is 215.92%. The risk categories inherent to EIG as an insurance holding company are identified and classified in accordance with the identified risk categories at the level of subsidiaries. In accordance with the lines of business according to the license for carrying out insurance activity, b subsidiaries identify the following categories of risk:



In 2022, the companies within the scope of the group maintain stable levels of catastrophic risk.



The risk profile of the Group based on calculations made according to a standard formula as of 31.12.2022 is presented in the following chart:



C.1 Underwriting risk

The underwriting risk reflects the risk resulting from insurance liabilities, in respect of the covered insurance risks and the processes used in the activities of the subsidiaries.

Underwriting risk in general and health insurance includes the following sub-risks:

- risk associated with premiums and reserves
- risk of termination;
- catastrophic risks.

Underwriting risk in life insurance includes the following sub-risks

- Mortality risk
- Longevity risk
- Disability risk
- Expiry risk
- Cost risk
- Catastrophic risk

The identification of the underwriting risk and the risk in formation of technical reserves at Group level applies an individual approach to reporting the results provided by the subsidiaries in view of their activity, scale and nature of intrinsic risk, taking into account the following factors:

- share of the company in relation to the total volume of activity in the Group;
- the subsidiary's local legislation and requirements for the application of the Solvency II rules;
- other factors, approved by the Risk Management Committee.

In the underwriting risk management system and the risk of formation of technical reserves at the group level, the results are reported through the risk managers of the participating subsidiaries to the Risk Committee at EIG. The measurement and tracking of the underwriter risk at the EIG level is reported and reported to the Risk Committee, taking into account the opinion of the representatives of the actuarial function participating in it. In calculating the technical reserves, each insurance company, regardless of its policies, adheres to the following basic principles:

- technical reserves are calculated in a reasonable, reliable and objective manner;
- the data for calculating the technical provisions are appropriate, complete and accurate and meet the requirements of Art. 19 of Regulation (EC) 2015/35 on completeness and quality;
- the calculation of technical reserves is subject to the principles of market consistency, i.e., the calculation is based on and consistent with the information received from the financial markets and from the publicly available underwriting risk data.

C.2 Market risk

Market risk is the risk of loss or of an adverse change in financial position as a result, directly or indirectly, to fluctuations in the levels and volatility of the market prices of the assets, liabilities and financial instruments of the subsidiaries.

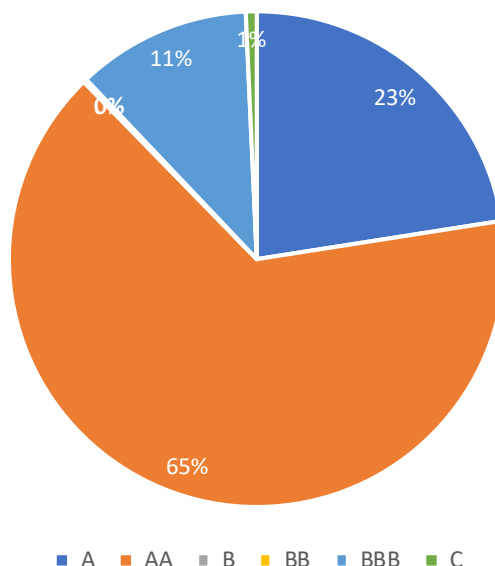
Market risk includes the following sub-risks:

- Interest rate risk;
- Spread risk;
- share-related risk
- property risk;
- concentration risk;
- currency risk.

All tradeable financial instruments in the Group are exposed to market risk, which represents the risk of increasing or decreasing their market value as a result of future changes in market conditions. Financial instruments are measured at fair value and any changes in market conditions are reflected directly in the financial statements.

C.3 Credit risk

Counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors of the subsidiaries over the next twelve (12) months. The Group maintains its established relationship with leading reinsurance companies in the high credit rating industry, which minimizes the risk of default of Type 1 counter-party. The share of reinsurers in the group technical reserves for 2022 amounts to a total value of BGN 295,025,719 thousand. The reinsurer's share is calculated according to the Solvency II methods.



C.4. Liquidity risk

Liquidity risk means the risk resulting from the uncertainty arising from the business operations, investment or financial activity of the insurance companies within the scope of the Group to realize investments and other assets to cover their financial obligations when they become due. This risk is minimized given the existence of a well-developed policy for managing insurance reserves and current cash flows and maintaining the high level of solvency and liquidity of the subsidiaries.

C.5 Operational risk

Operational risk is risk of loss as a result of flawed or malfunctioning internal processes, people or systems, or external events. In terms of operational risk management the CEOs of the companies within the Group:

- Allocate the powers and responsibilities for managing the operational risk, having an approved list of employees in charge of identifying and reporting operational events;
- Perform operational control over the periodicity and completeness of risk management reports and assessments, prepared by the Risk Management Function.

The main sources of operational risk at Group level are personnel, processes, systems, internal events. Losses from operational events that result from the different combination of factors are classified into several major categories:

- Internal fraud;
- External fraud;
- Customers, product and business practices;
- Damage to tangible assets;
- Interruption of activity and/or failure of the information system;
- Performance delivery and processing management.

The identification of the operational risk is carried out through constant monitoring, reporting and archiving of the operational events. The minimization of the operational risk is carried out through a set of measures aimed at reducing the probability of occurrence of an operational event and / or reducing the amount of the potential loss from the operational event.

C.6 Other significant risks

EIG does not have exposures arising from off-balance sheet items and risk transfer to special purpose vehicles for alternative transfer of insurance risk.

Depending on the type of risk, the Group applies a risk management strategy by applying all adequate behavioral techniques to maintain a good risk profile such as avoiding, minimizing, transferring and accepting risk, as far as the main activity of the insurance companies within EIG can bear the risk of occurrence of various events. During the reporting period no other significant risks were observed to which the Group was exposed, except those listed in the risk profile.

In managing the investment risk, EIG observes the rules laid down in the principle of the „prudent“ investor, as the Group considers that in 2020 it is exposed to concentrations of risk in view of the circumstances that occurred during the year and the change in the investment strategy, as described in section A of this report. Risks in investing in assets and financial instruments are identified by the group, regularly measured and monitored in view of aggregate solvency needs.

The main technique for risk mitigation in the Group are reinsurance contracts. With them, certain parts of the risks written by the subsidiaries, exceeding the risk appetite of EIG, are transferred to reinsurance companies. In the process of underwriting risk management at a group level a conservative policy is pursued and the reinsurance programs of the companies are optimized, as a method for risk transfer. The reinsurance programs are adapted to Solvency II requirements. In cases where there are insured objects with an insurance amount exceeding its capacity, the companies in the Group proceed to purchase additional reinsurance coverage on an optional basis.

The same procedure is also applied in case of insurance coverage provided by the companies on a risk that is either excluded from its reinsurance coverage or not actively marketed. Then there is no opportunity to equalize the risk in the aggregate, and accordingly there is a probability of a single loss against which there is no portfolio to generate a premium to cover the loss.

EIG has introduced a range of stress tests and scenario analyzes to test its solvency status and resilience under adverse market conditions or shocks. These are unexpected and potentially severe events, but are likely to materialize. So the company is ready to react with timely measures at any moment and to keep its financial and capital position stable. Once a year or upon the occurrence of a significant event within the Group, stress tests and sensitivity analysis are performed in relation to the significant risks and events. Assets and liabilities are stressed with the risk factors used in the standard formula.

C.7 Other information

There is no other significant information regarding the risk profile of the company.

D

VALUATION FOR SOLVENCY PURPOSES

In the assessment of assets and liabilities, other than technical reserves, aimed at solvency, the Group consistently applies the EIG Assets and Liabilities Management Policy. Assets liabilities other than technical reserves are valued independently, with the exception of some special cases, EIG applies IFRS valuation methods that are consistent with the valuation approach provided for in Delegated Regulation No. 2015/35 in connection with Directive 2009/138/ EC.

Only in some special cases are they inapplicable. Considering that for accounting purposes, the terms and conditions for determining fair value in accordance with the principles of IFRS 13 are applied, defined as: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" it is the same in accordance with the Solvency II valuation and is applied by the Group also for valuation for solvency purposes.

The preferred method for valuing assets and liabilities other than technical provisions for solvency purposes is the primary method under Delegated Regulation No. 2015/35, where „quoted market prices in active markets for the same assets or liabilities“ are used. Where this valuation approach is not possible, „quoted market prices in active markets for similar assets or liabilities adjusted to reflect differences“ are used. When it is not possible to use the above methods, alternative assessment methods are applied.

EIG and the companies in the Group apply the definitions of IAS 38, including the definitions of active markets and intangible assets. Intangible assets, in accordance with Delegated Regulation No. 2015/35 are valued at zero unless they can be sold separately and there is a quoted market price in an active market for the same or similar assets. EIG does not report such assets for 2020.

The Group forms the types of technical reserves defined by the Insurance Code, Directive 2009/138/EC of the European Parliament and of the Council (Solvency II) and its regulations.

The consolidated best estimate equals the sum of the best estimate of the insurance companies within the scope of the Group, and:

- The best estimate of the risk taking entity does not include the cash flows arising from the obligations under the reinsurance contracts entered into within the Group;
- The risk transferring entity does not recognize the amounts recoverable under the reinsurance contracts entered into within the Group.

The consolidated risk allowance of the technical reserves based on consolidated data is equal to the sum of the risk allowance of the insurance companies within the scope of the Group.

D.1 Assets

In 2022, in Other comprehensive income, the Group reports a change in the reserve from recalculation in the currency of presentation of foreign activities in the amount of BGN (11,989) thousand, as well as a gain from revaluation of assets at fair value in other comprehensive income in amount of BGN 234 thousand The total amount of Other comprehensive income in 2022 amounts to BGN (12,223) thousand.

Goodwill and tangible assets

According to Art. 12 of Delegated Regulation No. 2015/35, insurance companies set as zero the value of the following assets:

- goodwill;
- Intangible assets other than goodwill, the intangible assets are valued at zero unless they can be sold separately and there is a quoted market price in an active market for the same or similar assets.

| Assets in BGN | | C0010 | C0020 |
|----------------------------|-------|-------|----------------|
| Goodwill | R0010 | 0,00 | 111 763 000.00 |
| Deferred acquisition costs | R0020 | 0,00 | 0,00 |
| Intangible assets | R0030 | 0,00 | 2 267 000.00 |

Deferred tax assets.

For the purposes of Solvency II, deferred tax assets other than carryovers of unused tax credits and carryovers of unused tax losses are calculated on the basis of the difference between the values attributed to assets and liabilities in accordance with Directive 2009/138 / EC (Solvency Framework Directive II). and the values attributed to the same assets and liabilities for tax purposes. The carry-over of unused tax credits and of unused tax losses are calculated in accordance with IAS approved by the European Commission.

According to IFRS, deferred tax assets and liabilities are measured at the tax rates which are expected to apply for the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws), effective or materially effective at the date of the report. The measurement of deferred tax assets and liabilities reflects the tax consequences that would result from the expected manner of reversal of temporary differences. As of December 31, 2020, the current corporate tax rate is 10%.

| Assets in BGN | | C0010 | C0020 |
|---------------------|-------|------------|--------------|
| Deferred tax assets | R0040 | 21,633 367 | 1,924,000.00 |

Property, plant and equipment held for own use

This item of the balance sheet includes office equipment, furniture, furnishings, vehicles and right-of-use assets used for own purposes. Property, plant and equipment that are valued at acquisition cost in the Financial Statements are revalued at fair value for Solvency II purposes. Under the Solvency II requirements, assets are measured at fair value according to the method indicated in Directive 2009/138 - Art. 75, regardless of how they are used or reported in accordance with IFRS. The IFRS 16 assessment is also included.

In the Solvency II balance sheet the valuation of property, plant and equipment is subject to the requirement to comply with the market value standard, namely: the estimated amount for which an asset or liability may change ownership at the valuation date through an arm's length transaction between a willing buyer and a willing seller, after appropriate marketing, where each party has acted in an informed, prudent and non-coercive manner.

The value of the relevant group of assets as of 31.12.2022 is equal to:

| Assets in BGN | | C0010 | C0020 |
|---|-------|------------|------------|
| Sale of property, plant and equipment held for personal use | R0060 | 28,799,809 | 19,939,000 |

Investments:

This is the total value of investments, excluding assets held for index-linked and unit-linked mutual fund contracts. The value of the relevant group of assets as of 31.12.2022 is equal to:

| Assets in BGN | | C0010 | C0020 |
|---|-------|----------------|----------------|
| Investments (other than assets held for index-linked and unit-linked investment fund contracts) | R0070 | 180,947,614.26 | 180,911,660.26 |

Real estate (other than for own use) - Value of real estate other than for own use. It also includes real estate under construction that is not for own use, and as of 31 December 2022, the Group does not own real estate (other than that for own use).

Shareholdings in related undertakings, including participations - Shareholdings within the meaning of Article 13, paragraph 20 and Article 212, paragraph 2 and equity participations in related undertakings under Article 212, paragraph 1, letter b) of Directive 2009/138/EC. Where part of the assets in relation to shareholdings and

related enterprises relate to index-linked and unit-linked contracts those parts are reported in „Assets held for index-linked contracts and unit-linked contracts“ After the sale of its shareholding in OOO Euroins Russia the Group does not have any holdings in related entities.

Shares – this item includes all investments made by the enterprise in shares. Under Solvency II, quoted market prices in active markets for the same assets and liabilities are used as the primary method of valuation of assets and liabilities. The evaluation method is specified in a template in accordance with Regulation 2015/2450.

At the end of the reporting year, investments in shares were valued at their market value and using the adjusted capital model:

| Assets in BGN | | C0010 | C0020 |
|---|-------|---------------|---------------|
| Equity instruments | R0100 | 27 315 279.63 | 27 279 325.63 |
| Equity instruments traded on a stock exchange | R0110 | 27 243 240 | 27 207 286 |
| Equity instruments not traded on a stock exchange | R0120 | 72 040 | 72 040 |

Bonds – the value of both the government and corporate bonds specified in the report is assessed according to the basic method of valuation of assets and liabilities, using the quoted market prices in the active markets for the same assets and liabilities.

| Assets in BGN | | C0010 | C0020 |
|------------------|-------|------------|------------|
| Bonds | R0130 | 38 343 456 | 38 343 456 |
| Government bonds | R0140 | 3 521 523 | 3 521 523 |
| Corporate bonds | R0150 | 34 821 933 | 34 821 933 |

Collective investment schemes - This item includes investments in collective investment schemes (undertakings whose main objective is collective investment in transferable securities). The valuation of investments in investment funds is at fair value in accordance with the principles of Solvency II. The corresponding valuation is at fair value in accordance with the Solvency II requirement. The value shown on the balance sheet of Solvency II and IFRS is the same. As at the reporting date, investments in collective investment schemes equaled:

| Assets in BGN | | C0010 | C0020 |
|------------------------------------|-------|------------|------------|
| Collective investment undertakings | R0180 | 62 099 026 | 62 099 026 |

Deposits other than cash equivalents - this category of assets includes all deposits other than cash and cash equivalents specified in a separate group of the balance sheet. They are a highly liquid investment and closely related to cash that is easily reversible. Various methods have been used to estimate the deposits.

A revaluation under IFRS is required only if there is no fair value in accordance with IFRS or the amortizable value valuation method used is similar to their fair value.

| Assets in BGN | | C0010 | C0020 |
|--------------------------------------|-------|---------------|---------------|
| Deposits other than cash equivalents | R0200 | 53 189 853.35 | 53 189 853.35 |

Assets held for index-linked and unit-linked mutual fund contracts - assets held for index-linked and unit-linked investment fund contracts (classified in activity 31 as defined in Annex I to Delegated Regulation (EU) 2015/35).

| Assets in BGN | | C0010 | C0020 |
|--|-------|--------|--------|
| Assets held for index-linked and unit-linked investment fund contracts | R0220 | 73 621 | 74 000 |

Other loans and mortgages

Evaluated according to Art. 75 of Directive 2009/138/ EEC, A revaluation under IFRS is required only if there is no fair value in accordance with IFRS or the amortizable value valuation method used is similar to their fair value.

| Assets in BGN | | C0010 | C0020 |
|---------------------------|-------|------------|------------|
| Other loans and mortgages | R0260 | 55 665 227 | 55 665 227 |

Reinsurance reimbursements.

The recoverable amounts from reinsurers are presented in the assets of the balance sheet, both according to Solvency II and to IFRS. The difference between the Solvency II value and the Financial Statements is the result of differences in the calculation of gross technical provisions.

| Assets in BGN | | C0010 | C0020 |
|---|-------|-------------|-------------|
| Reinsurance refunds under | R0270 | 295 025 719 | 353 782 000 |
| Non-life Insurance and health insurance, similar to non-life insurance | R0280 | 292 727 646 | 353 631 000 |
| Life and health insurance, similar to life insurance, with the exception of health and index-linked in an investment fund | R0310 | 2 298 074 | 151 000 |

Insurance receivables and receivables from intermediaries

Receivables are measured at amortized cost in accordance with IFRS. For the purposes of preparing the Solvency II balance sheet, the net future receivables in the amount of BGN have been eliminated, as well as the additional provision made for matured receivables at Euroins level in the amount of BGN 4 million, including the value of receivables on insurance recourse claims, net of impairment.

| Assets in BGN | | C0010 | C0020 |
|---|-------|------------|------------|
| Insurance receivables and receivables from intermediaries | R0360 | 69 475 986 | 88 505 000 |

Receivables - reinsurance and commercial.

Amounts due from reinsurers and related to reinsurance activities that are not included in recoverable amounts under reinsurance contracts. This includes amounts receivable from reinsurers that relate to settled claims of policyholders or beneficiaries; receivables from reinsurers that are not related to insurance events or settled insurance claims, such as commissions. Receivables from reinsurers are non-technical elements. In addition, the risk of default by the reinsurer is reflected in the Solvency II balance sheet, taking into account the default, for example when downgrading the reinsurer.

| Assets in BGN | | C0010 | C0020 |
|------------------------------------|-------|------------|------------|
| Reinsurance receivables | R0370 | 6 463 000 | 6 463 000 |
| Receivables (trade, non-insurance) | R0380 | 47 355 000 | 47 355 000 |

Cash and cash equivalents

This item includes cash on overnight deposits, deposits with a maturity of up to 90 (ninety) days, current accounts and cash at the Group's cash desk. The value of cash is estimated using the basic method specified in the template in accordance with Regulation 2015/2450, as the amount on the Solvency II balance sheet and on the financial statement is equal.

| АКТИВИ В ЛВ. | | C0010 | C0020 |
|---------------------------|-------|---------------|---------------|
| Cash and cash equivalents | R0410 | 28 457 439.04 | 28 457 439.04 |

Other assets not specified elsewhere.

The value of the specified assets is the sum of all assets not meeting any of the above asset characterization items. The Company does not own any other assets not specified elsewhere.

D.2 Technical reserves

The following table shows the values of the technical reserves of the companies within the scope of the Group.

| | IC Euroins | Euroins North Macedonia | ERV Ukraine | Euroins Georgia | Euroins Ukraine | EIG RE | Euroins Life | Eliminations | EIG consolidation |
|------------------------|----------------|-------------------------|--------------|-----------------|-----------------|---------------|--------------|----------------|-------------------|
| Best estimate | 348 751 704,78 | 15 195 128,69 | 3 166 835,59 | 5 888 754,39 | 25 774 024,08 | 53 187 183,34 | 5 306 541,80 | (9 698 000,00) | 447 572 172,67 |
| Risk margin | 6 145 276,74 | - | - | - | - | 715 993,94 | 85 961,02 | | 6 947 231,70 |
| Share of the reinsurer | 235 351 346,62 | 1 081 446,53 | 82 021,04 | 2 221 625,62 | 20 113 000,00 | 45 564 657,00 | 309 622,27 | (9 698 000,00) | 295 025 719,08 |

The following table presents the net best estimate of technical reserves.

| | Net best estimate of technical reserves |
|---|---|
| Insurance and proportional reinsurance in relation to medical expenses | 6 956 540,28 |
| Insurance and proportional reinsurance in relation to income protection | 2 025 942,42 |
| Workers' compensation insurance and proportional reinsurance | 1 626 740,41 |
| Insurance and proportional reinsurance of third-party liability in relation to motor vehicles | 103 023 783,47 |
| Other insurance and proportional reinsurance an connection with motor vehicles | 8 400 130,18 |
| Marine, aviation and transport insurance and proportional reinsurance | 3 512 560,76 |
| Property insurance and proportional reinsurance against fire and other disasters | 10 434 974,74 |
| General liability insurance and proportional reinsurance | 919 170,33 |
| Loan and guarantee insurance and proportional reinsurance | 993 454,37 |
| Insurance and proportional reinsurance in relation to medical expenses | 370 974,73 |
| Assistance and proportional reinsurance | 4 528 970,57 |
| Insurance and proportional reinsurance against various financial losses | 467 550,17 |
| Non-proportional accident reinsurance | 2 510,50 |
| Proportional Marine, aviation and transport Re-insurance | 4 270 215,63 |
| Non-proportional property reinsurance | - |
| Non-proportional health reinsurance | 16 015,50 |
| Index-linked and unit-linked life insurance payables | 73 620,92 |
| Other (re)insurance payables in connection with life insurance | 4 923 298,61 |
| | 152 546 453,59 |

In order to verify the results, a comparison of the best estimates is made and the assumptions on which their calculation with historical results is based. In order to verify the value of the formed technical reserves of the subsidiaries, a LAT test of the formed reserve, a run-off analysis and a comparison of the results for the size of the reserves calculated on the basis of different evaluation methods are currently being performed. The value of the expected future cash flows, when performing the test, is determined on the basis of: the weighted average value of the claims ratio for a period of not less than five years; the frequency and average amount of claims and their development over time. In the presence of representative market data, the value of the above parameters is compared with market statistics. The calculation of the best estimate for the companies in the Group is based on up-to-date and reliable information and realistic assumptions, using appropriate actuarial and statistical methods. Deterministic methods were used to calculate the best estimate, based on observed historical data, to which no simulations were applied, which implies the use of stochastic methods. By applying additional adjustments to inflation and periods not included in the calculations, some of the limitations of the applied methods have been avoided. The data used to calculate the reserves for all types of activities cover a sufficiently long observation period.

The best estimates of technical provisions in relation to all companies within the scope of the EEA are discounted with the interest curves provided by EIOPA. The reserves of companies outside the scope of the European Union are discounted with the yield of government securities issued and guaranteed by the respective country in the euro or dollar currency using the „BVAL to maturity“ valuation method.

The companies within the scope of the Group have internal processes and procedures to ensure that the data used in the calculation of their technical reserves are appropriate, complete and reliable and meet the requirements of Art. 19 of Regulation (EU) 2015/35.

The following table presents a comparison of the assessment of technical reserves for solvency purposes and their assessment in the financial statements:

| | Value of reserves according to the financial statements | Value of reserves according to Solvency II |
|------------------------|---|--|
| Gross reserve | 548 728 000.000 | 454 519 404.373 |
| Share of the reinsurer | 353 782 000 | 295 025 719 |

D.2.8 Description of:

A) Recoverable amounts under reinsurance contracts and from special purpose vehicles for alternative transfer of insurance risk;

B) all significant changes in the relevant assumptions made when calculating the technical reserves, compared to the previous reporting period.

All reinsurance contracts of companies within the Group are placed with reinsurance companies with investment credit rating from Standard & Poor's or AM Best and are prepared and placed with the assistance of some of the largest reinsurance brokers - AON Benfield, WillisRe, Guy Carpenter, JLT Re London, etc.

Under these contracts, which are obligatory, reinsurers are obliged to follow the decisions of the insurance company they have reinsured, which means that in the event of an insurance event and the need to pay insurance indemnity, they must automatically assume on their own account part of the indemnity corresponding to the share / percentage incurred according to the clauses of the reinsurance contract.

The only exception in which the reinsurer is not obliged to comply with the decision of the insurance company is in the cases of the so-called "ex-gratia" payments.

In the case of ex-gratia, all the information / file on the case is sent to the reinsurer and only after his explicit written consent can a reimbursement be charged at his expense and compensation can be obtained accordingly.

In the case of proportional contracts, calculations for paid indemnities / refunds with the reinsurers are most often made on a quarterly basis, but there are also cases in which they are made once a year. The reinsured has the right

to resort to the so-called „cash-call“ option in cases where the indemnity to be paid is above a certain amount, previously agreed and specified in the contract.

There is no practice of providing evidence for the compensation paid under proportional contracts. This is done only at the explicit request of the reinsurer.

In the case of non-proportional contracts, the „case by case“ system works when there is a contractual basis for demanding payment from the reinsurers. In these cases, after establishing the fact that the indemnity will be or has already exceeded a certain amount, the reinsured person submits a request for reimbursement. In the case of non-proportional contracts, the reimbursement is made on the basis of proof provided by the reinsured person (copy of bank statement / SWIFT).

In cases where the reinsurer's participation has already been committed in the past and any subsequent claims payments would be fully recoverable by the reinsurers, as well as the need to pay significant amounts with a high reinsurer's share, the reinsured person may also require advance payment by the reinsurers, in which cases the basis on which the requested advance amount was calculated and, accordingly, the reinsurers' share in it, is provided. All additional costs incurred in the handling process (for Loss adjusters, lawyers, medical staff, transfers, additional expertise, travel, etc.) are considered part of the paid insurance indemnity, which is subject to reimbursement by reinsurers. The costs incurred by the reinsured for staff salaries and ordinary administrative expenses of the reinsured company, such as copying and administration of documents, shall not be reimbursable.

In litigation, reinsurers must reimburse part of the court costs paid by the reinsured company during the process, including interest due by the reinsured, unless otherwise expressly agreed in the reinsurance contract. Information on the amounts recoverable under reinsurance contracts is submitted either through the so-called Loss Advices. They are sent to the broker servicing the contract and he in turn has the obligation to notify the contract s) and subsequently to collect the amounts specified the documents and transfer them to the account of the subsidiaries.

The brokers that service the contracts have specialized IT systems for collection of receivables by types of business, subscription years, etc., and strictly monitor the movement of cash flows and the regularity of payments.

The Group does not have special purpose vehicles for alternative transfer of insurance risk.

D.3. Other liabilities

This section deals with the assessment of liabilities for the purposes of Solvency II, excluding technical provisions, the value of these liabilities and a description of the bases, methods and main assumptions used in their assessment for the purposes of solvency are set out in the relevant group of liabilities.

D.4 Valuation of other liabilities

Contingent liabilities

As of 31.12.2022, the Group has no contingent liabilities.

Pension-related payables

As of 31.12.2022, the Group recognizes liabilities related to pensions, according to the information presented below. The assessment of liabilities is based on the requirements of IAS 19, which are in accordance with the fair value assessment, according to the framework of Delegated Regulation 2015/35.

| Liabilities in BGN | | C0010 | C0020 |
|--------------------------|-------|------------|------------|
| Pension-related payables | R0760 | 610 247.97 | 610 247.97 |

Provisions other than technical reserves

The financial liability reported under this item is related to the financial guarantee provided to Eurohold Bulgaria AD by Euroins Insurance Group as part of the Euro Med Bulgaria Program for Euro Medium Term Notes Program (EMTN Program) traded on Irish Stock Exchange.

The assessment made by the Group is based on the expected probability of default of Eurohold Bulgaria AD's obligations on this bond issue, based on the rating of the issuer. Euroins Insurance Group AD carries out an annual review of the presumptions related to the recognized payables under the financial guarantee based on available

market information, taking into account the remaining term of the bond issue, as well as the change in the creditworthiness of Eurohold Bulgaria AD.

As of 31.12.2022 the Group has the following provisions other than the technical reserves.

| Liabilities in BGN | | C0010 | C0020 |
|--|-------|--------------|--------------|
| Provisions other than technical reserves | R0750 | 2 307 976.99 | 2 307 976.99 |

Deposits of reinsurers

As of 31.12.2022 the Group has no deposits of reinsurers.

Deferred tax liabilities

Deferred tax liabilities are the amounts of income tax payable in future periods in relation to taxable temporary differences. Deferred taxes other than carryovers of unused tax credits and carryovers of unused tax losses are calculated on the basis of the difference between the values attributed to assets and liabilities in accordance with Art. 75 of the Framework Directive the values attributed to the same assets and liabilities for taxation purposes.

The carry-over of unused tax credits and the carry-over of unused tax losses are calculated in accordance with the International Accounting Standards adopted by the European Commission.

As of 31.12.2022, the value of deferred tax liabilities is equal to:

| Liabilities in BGN | | C0010 | C0020 |
|--------------------------|-------|---------------|--------|
| Deferred tax liabilities | R0780 | 10,958,751.12 | 22.000 |

Derivatives

As of 31.12.2022, the Group has no such exposures.

Financial liabilities other than debts to credit institutions

This item includes financial liabilities that are related to lease obligations, according to IFRS 16. The liabilities in question are initially valued at fair value and are subject to subsequent updating and amortization, according to the interest rates at which the Group is financed.

The Group presents its liabilities to received short-term and long-term financing, the valuation being carried out according to IFRS 9, with the value recognized for the purposes of the economic balance being similar to that of the general purpose statement due to the absence of a significant expected effect of discounting future cash flows.

| Liabilities in BGN | | C0010 | C0020 |
|---|-------|------------|------------|
| Financial liabilities other than debts to credit institutions | R0810 | 97,329,310 | 97,329,310 |

Financial debt

The Group presents its liabilities to received short-term and financing from credit institution, the valuation being carried out according to IFRS 9, with the value recognized for the purposes of the economic balance being similar to that of the general purpose statement due to the absence of a significant expected effect of discounting future cash flows.

| Liabilities in BGN | | C0010 | C0020 |
|---------------------------------|-------|---------|---------|
| Payables to credit institutions | R0800 | 290,000 | 290,000 |

Insurance and brokerage payables.

This item includes amounts due to (re)insurance companies (e.g. commissions payable to intermediaries but not

yet paid by the company). The balance sheet value of these liabilities according to the financial statement is similar to that of Solvency 2 with the exclusion of the part of the future liabilities due to intermediaries.

| Liabilities in BGN | | C0010 | C0020 |
|---|-------|--------------|-----------|
| Insurance payables and payables to intermediaries | R0820 | 7,011,847.74 | 7,996,000 |

Payables to reinsurers

This item includes the amounts due to reinsurers, other than deposits and related to the reinsurance business, which are not included in the reinsurance coverage. The reported difference stems from the conservative method of assessing these liabilities under Solvency II.

| Liabilities in BGN | | C0010 | C0020 |
|----------------------|-------|---------------|------------|
| Reinsurance payables | R0830 | 16,704,000.00 | 16,704,000 |

Trade payables

This is the total value of trade payables, including amounts due to employees, suppliers, etc., that are not related to insurance. The balance sheet value of other payables in the financial statement according to IFRS coincides with the value according to Solvency II.

| Liabilities in BGN | | C0010 | C0020 |
|---------------------------------|-------|---------------|---------------|
| Payables (trade, non-insurance) | R0840 | 33,093,088.61 | 33,093,088.61 |

Subordinated liabilities

Subordinated liabilities are payables that rank after other specified payables in the event of liquidation of the enterprise. This is the total value of subordinated liabilities classified as basic own funds.

On 25 August 2020 a loan agreement was concluded in the form of subordinated term debt with Starcom Holding AD with a limit of EUR 12.6 million (of which around BGN 17 million with accrued interest were paid), an interest rate of 6% and a repayment period not earlier than 5 years from the date of crediting the last tranche of the loan, and the rest of the subordinate debt (around BGN 25.3 million) was provided to a subsidiary of the Group by a third party outside the Group.

| Liabilities in BGN | | C0010 | C0020 |
|---|--------------|----------------------|----------------------|
| Subordinated liabilities | R0850 | 42,648,000.00 | 42,648,000 |
| <i>Subordinated liabilities that are in basic own funds</i> | <i>R0870</i> | <i>42,648,000.00</i> | <i>42,648,000.00</i> |

D.5 Alternative valuation methods

The alternative methods used are in accordance with the requirements of Delegated Regulation (EU) No. 2015/35 of the Commission, having been tested and confirmed during the mandatory external audit of EIG according to International Accounting Standards.

E

CAPITAL MANAGEMENT

E.1 Own funds

Additional information about groups.

EIG calculates its group solvency according to method 1 (method of accounting consolidation). There are no significant restrictions on the substitutability and transferability of the own funds eligible to meet the Group Solvency Capital Requirement.

According to Art. 336 of Commission Delegated Regulation (EU) No. 2015/35 the consolidated group solvency capital requirement is calculated as the sum of:

- solvency capital requirement, calculated on the basis of the consolidated data specified in Art. 335, §1, letters a), b) and c) of the aforementioned regulation, according to the rules established in Title I, Chapter VI, Section 4 of Directive 2009/138/EC;
- the proportional share of the solvency capital requirement of each enterprise specified in Art. 335, §1, letter d) of the above Regulation for a third-country related insurance or reinsurance undertaking that is not a subsidiary (the Solvency Capital Requirement is calculated assuming that the headquarters of this undertaking is within the Union);
- for the companies specified in Art. 335, §1, letter e) of the aforementioned regulation, the proportional share of the capital requirements for credit institutions, investment intermediaries, financial institutions, persons managing alternative investment funds, UCITS management companies, institutions for occupational pension insurance within the meaning of Directive 2003/41/EC, calculated in accordance with the applicable sectoral rules, and the proportional share of the abstract capital requirements of the enterprises carrying out financial activities that are not supervised;
- for the companies specified in Art. 335, §1, letter f) of the aforementioned regulation, the amount determined in accordance with Art. 13, Art. 168 - 171, Art. 182 - 187 and Art. 188 of the regulation.

All companies within the scope of the Group fall under subparagraph a) of Art. 336 and the amount of the consolidated Group solvency capital requirement is BGN 84,132,839.60.

The sources of diversification effects at group level are:

- Diversification of the investment portfolio of the Group; The concentration risk reflects the lack of diversification of the issuers to which the insurance companies in the Group have exposures. At 31.12.2022 the statutory reserves amount to BGN 22,180,820 thousand.
- Diversification by geographic areas and types of activity of the Group's insurance activities. Underwriting activity of the companies in the Group is carried out in different geographical areas during the reporting period, which leads to diversification and reduction of underwriting risk. The following table shows the percentage of geographic diversification by line of business and the amount of underwriting risk calculated on the basis of this percentage.

| | Volume of premiums in BGN | Volume of reserves in BGN | Geographical diversification | Total volume of premiums and reserves |
|---|---------------------------|---------------------------|------------------------------|---------------------------------------|
| Insurance and proportional reinsurance in relation to medical expenses | 20,207,866.55 | 3,123,919.54 | 74% | 1,036,800.79 |
| Insurance and proportional reinsurance in relation to income protection | 9,250,507.51 | 1,464,223.66 | 78% | 857,432.81 |
| Workers' compensation insurance and proportional reinsurance | 2,017,450.02 | 1,146,202.05 | 100% | 278,972.78 |
| Insurance and proportional reinsurance of third-party liability in relation to motor vehicles | 56,136,474.32 | 79,666,955.23 | 46% | 117,509,529.82 |
| Other insurance and proportional reinsurance an connection with motor vehicles | 24,517,300.02 | 5,160,372.29 | 63% | 26,931,666.10 |
| Marine, aviation and transport insurance and proportional reinsurance | 5,249,907.26 | 2,965,693.25 | 70% | 7,607,289.62 |
| Property insurance and proportional reinsurance against fire and other disasters | 17,954,828.62 | 7,094,910.52 | 72% | 23,311,630.86 |
| General liability insurance and proportional reinsurance | 4,675,061.29 | 883,644.48 | 75% | 5,206,240.77 |
| Loan and guarantee insurance and proportional reinsurance | 8,131,850.20 | 173,253.67 | 100% | 8,305,103.88 |
| Insurance and proportional reinsurance in relation to medical expenses | 2,632,200.29 | 391,490.35 | 90% | 2,949,865.55 |
| Assistance and proportional reinsurance | 17,844,681.45 | 3,661,340.49 | 30% | 17,745,953.94 |
| Insurance and proportional reinsurance against various financial losses | 1,815,879.61 | 470,505.62 | 87% | 2,212,818.19 |
| Non-proportional accident reinsurance | 21,164.62 | 16,015.50 | 100% | 37,180.12 |
| Non proportional Marine, aviation and transport Re-insurance | 596,746.76 | 2,304,029.30 | 100% | 2,900,776.06 |
| Non-proportional property reinsurance | - | - | | - |
| Non-proportional health reinsurance | 2,078.73 | 1,489.82 | 100% | 2,313.01 |

The amount of non-life insurance underwriting risk (non-life underwriting) is BGN 41,538,129.71. The diversification is in the amount of BGN -5.493 788.49. The risk related to determining of premiums and reserves in non-life insurance is in the amount of BGN 39,384,093.12, the risk related to determining of premiums and reserves in health insurance, like the total, is in the amount of BGN 5,458,377.

When method 1 is used, the group minimum capital requirement (MCR) is calculated in accordance with Art. 230, § 2, para. 2 of Directive 2009/138/EC. The consolidated Solvency Capital Requirement of EIG is calculated as a sum of the solvency capital requirement of the insurance companies within the Group, calculated on the basis of consolidated data according to method 1, according to the rules established in Section I, Chapter VI, Section 4 of Directive 2009/138/EC (standard SCR calculation formula).

The minimum group capital requirement is the sum of

- The minimum capital requirements for EEA-licensed insurance companies included in the EIG method 1 consolidation:

- Insurance Company Euroins AD (Bulgaria) - EUR 4,000,000 (BGN 7,823,320)
- IC Euroins-Life EAD (Bulgaria) - EUR – 4,000,000 (BGN 7,823,320).
- Insurance Company EIG Re EAD (Bulgaria) - EUR – 4,000,000 (BGN 7,823,320).

• local capital requirements where licensing will be withdrawn, for third country insurance companies, in the EIG method 1 consolidation:

- Euroins North Macedonia (third country, outside the EU - Macedonia) - BGN 6,000,000.;
- Insurance company Euroins Ukraine (third country, outside the EU - Ukraine) - BGN -1,955,830,
- Private joint-stock company European Tourist Insurance, Ukraine - BGN 1,955,830
- Insurance Company Euroins Georgia AD - BGN 2,675,641;

The Group does not use an internal model to calculate the Group Solvency Capital Requirement. Subsidiaries within the scope of the Group carry out their investment activities with the aim of:

- ensuring the security of the fulfillment of all obligations arising from all insurance commitments (the Group's investment portfolio is based on the principle of prudence, aiming to minimize risk with a special emphasis on long-term income growth);
- ensuring liquidity and solvency to allow the companies in the Group to fulfill all their obligations in a timely manner;
- ensuring profitability, which is one of the sources of income for the Companies in the Group.

The assets of the companies in the scope of the Group should be invested in order to obtain additional income, while at the same time maintaining the necessary short-term and long-term liquidity.

The investment portfolio is well diversified, ensuring the required level of security and to minimize the risk of financial losses in the event of adverse changes in an investment or category of investment.

Structure, size and quality of own funds at the end of the reporting period and at the end of the previous reporting period, including an analysis of the significant changes in each line during the reporting period - according to Annex 1 - report S.23.01.04.01 of the annual quantitative reports on Solvency II .

Eligible amount of own funds to cover the solvency capital requirement, classified by tiers- according to appendix 1 - reference S.23.01.04.01 of the annual quantitative reports on Solvency II.

Eligible amount of the main own funds to cover the solvency capital requirement, classified by tiers- according to Annex 1 - reference S.23.01.04.01 of the annual quantitative reports on Solvency II.

A quantitative and qualitative explanation of any material differences between the equity shown in the company's financial statements and the surplus of assets over liabilities calculated for solvency purposes. The equity stated in the financial statements of the Group is BGN 147,377,326.

The surplus of assets over liabilities, calculated for solvency purposes, amounts to BGN 68,423,779.71.

Solvency II

II. The most significant differences between the two reports are presented in the table below:

| Assets in BGN | Value according to Solvency II | Value according to Financial statements | Explanation |
|---|--------------------------------|---|---|
| Goodwill | | 111,763,000.00 | Positive goodwill is reported as 0 under S2 |
| Intangible assets | | 2,267,000.00 | |
| Share of the reinsurer in reserves | 295,025,719 | 353,782,000 | Different method of calculation |
| Liabilities in BGN | 454,519,404.373 | 41,468,000.00 | Different method of calculation |

In EIG, there is no item of basic own funds, which is subject to the specified in Art. 308 b, §9 and §10 of Directive 2009/138/EC - transitional provisions.

The group has no additional own funds.

The item deducted from own funds and a brief description of all material restrictions affecting the availability and transferability of own funds within the company. The group does not have an item deducted from equity.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The solvency capital requirement (SCR) is calculated once a year in accordance with the provisions of the Insurance Code (IC). Therefore, EIG has calculated the Solvency Capital Requirement based on a consolidated audited balance sheet as of 31.12.2022.

Minimum capital adequacy requirement (Minimum Capital Requirement, MCR) as at 31.12.2022 is in the amount of BGN 36,844,228.86. The solvency capital requirement as of 31.12.2021 is BGN 4,132,839.60 .

The amount of the solvency capital requirement of EIG, distributed by risk modules is according to Annex 2 - part of the annual reports at group level on Solvency II. The group does not use simplified calculations.

No Group-specific parameters are used.

| | Net amount of reserves in BGN | Net amount of premiums written (in BGN) |
|---|----------------------------------|---|
| Insurance and proportional reinsurance in relation to medical expenses | 6,956,540.28 | 22,419,837.45 |
| Insurance and proportional reinsurance in relation to income protection | 2,025,942.42 | 8,875,397.73 |
| Workers' compensation insurance and proportional reinsurance | 1,626,740.41 | 2,306,224.51 |
| Insurance and proportional reinsurance of third-party liability in relation to motor vehicles | 103,270,348.56 | 108,954,258.89 |
| Other insurance and proportional reinsurance an connection with motor vehicles | 8,400,130.18 | 26,065,819.28 |
| Marine, aviation and transport insurance and proportional reinsurance | 3,512,560.76 | 21,668,628.13 |
| Property insurance and proportional reinsurance against fire and other disasters | 10,434,974.74 | 29,723,033.07 |
| General liability insurance and proportional reinsurance | 919,170.33 | 4,086,472.34 |
| Loan and guarantee insurance and proportional reinsurance | 993,454.37 | 9,432,161.79 |
| Insurance and proportional reinsurance in relation to medical expenses | 370,974.73 | 2,768,745.66 |
| Assistance and proportional reinsurance | 4,528,970.57 | 16,266,339.68 |
| Insurance and proportional reinsurance against various financial losses | 467,550.17 | 1,768,268.25 |
| Non-proportional accident reinsurance | 2,510.50 | 10,304.10 |
| Proportional Marine, aviation and transport Re-insurance | 4,270,215.63 | 59,261.65 |
| Non-proportional property reinsurance | - | - |
| Non-proportional health reinsurance | 16,015.50 | 32,819.80 |

| | Net amount of reserves in BGN | Venture capital (in BGN) |
|--|----------------------------------|-----------------------------|
| Profit-Sharing payables—Guaranteed payments | - | |
| Profit-sharing payables — Future discretionary payments | - | |
| Index-linked and unit-linked life insurance payables | 73,620.92 | |
| Other life insurance (re)insurance payables | 5,025,604.98 | |
| Total risk capital for all (re)insurance liabilities in connection with life insurance | - | 489,237,957.72 |

| Total calculation of MCR | |
|------------------------------------|----------------------|
| Linear MCR | 36,844,228.86 |
| SCR | 85,075,515.77 |
| MCR - upper limit | 38,283,982.10 |
| MCR— lower limit | 21,268,878.94 |
| Combined MCR | 36,844,228.86 |
| Absolute lower limit of MCR | 7,823,230.00 |
| Minimum Capital Requirement | 36 844 228,86 |

There was no significant change in the Solvency Capital Requirement and the Minimum Capital Requirement during the reporting period.

E.3 The use of the equity risk sub-module is not applied in the calculation of the solvency capital requirement.

The Group does not use an internal model (only applies to companies that use an internal model, i.e. it is not applicable to insurance companies in the EIG Group).

E.4 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

There is no non-compliance of the minimum capital requirement at the end of the reporting period.

E.5 Other information

Material information regarding the company's capital management. No other relevant information.

The present Group report on solvency and financial condition of Euroins Insurance Group AD was approved by the Board of Directors on the date: May 22, 2023

(sgd.ill.)

 Kiril Boshov
 Executive Director

DECLARATIONS

The following declarations are attached:

Item B.3.4 A declaration stating how often the company's own risk and solvency assessment is reviewed and approved by the company's administrative, management or supervisory body;

Item B.3.5 A Declaration explaining how the company has determined its own solvency needs in light of its risk profile and how its capital management activities and its risk management system interact.

Item D.2.4 When the matching adjustment referred to in Article 77b of Directive 2009/138/ EC has been applied - a description of the countervailing adjustment and the portfolio of payables and target assets to which the countervailing adjustment applies, as well as quantifying the impact of reducing the countervailing adjustment to zero on the financial position of the Company, including the amount of technical reserves, the solvency capital requirement, the minimum capital requirement, basic own funds and the amount of own funds eligible to cover the minimum capital requirement and the solvency capital requirement;

Item D.2.5. A statement indicating whether the Company has used the volatility adjustment under Article 77d of Directive 2009/138 / EC, as well as quantifying the impact of reducing the volatility adjustment to zero on the Company's financial position, including the amount of technical reserves, the solvency capital requirement, the minimum capital requirement, basic own funds and the amount of own funds eligible to cover the minimum capital requirement and the solvency capital requirement;

Item D.2.6 A statement indicating whether Company has used the transitional risk-free interest rate term structure under Art. 308c of Directive 2009/128/EC, as well as quantifying the impact of the non-application of transitional measures measure on the entity's financial position, including the amount of technical reserves, minimum capital requirement and the solvency capital requirement, basic own funds and the amount of own funds eligible to cover the minimum capital requirement and the solvency capital requirement;

Item D.2.7. A statement indicating whether Company has used the transitional deduction under Article 308d of Directive 2009/138/EC, as well as quantifying the impact of the non-application of the deduction measure on the Company's financial position, including the amount of technical reserves, minimum capital requirement and the solvency capital requirement, basic own funds and the amount of own funds eligible to cover the minimum capital requirement and the solvency capital requirement.

Appendix 1 – table in English

Appendix 2 – table in English

DECLARATION

according to item B.3.4. from the Report on the solvency and financial condition of **EUROINS INSURANCE GROUP AD** for 2020

I, the undersigned **KIRIL BOSHOV**, in my capacity as Executive Directors of **EUROINS INSURANCE GROUP AD**, UIC 175394058, with seat and management address: city of Sofia, 43 Christopher Columbus Blvd., hereby

DECLARE that

The own risk and solvency assessment is reviewed and approved by the Management body of the Company once a year. In the event of the occurrence of material circumstances that are relevant to risk and solvency, the assessment may be revised more than once a year.

Declarer:

KIRIL BOSHOV (sgd. ill.)
Executive director



DECLARATION

according to item B.3.5. from the Report on the solvency and financial condition of **EUROINS INSURANCE GROUP AD** for 2022

I, the undersigned **KIRIL BOSHOV**, in my capacity as Executive Directors of **EUROINS INSURANCE GROUP AD**, UIC 175394058, with seat and management address: city of Sofia, 43 Christopher Columbus Blvd., hereby

DECLARE that

EUROINS INSURANCE GROUP AD determines its own needs regarding solvency when taking into account the risk profile by periodically performing its own risk and solvency assessment (ORSA), assessing the overall needs in terms of the Company's solvency, compliance with prudential requirements; the degree of deviation of the risk profile thereby revealing the interaction between the capital management activities and the risk management system.

The results of the assessment are an integral part of the business strategy, as it represents an important tool in decision- making.

The estimation is carried out regularly, at least once a year, but also whenever material events occur and a significant change in the risk profile of **EUROINS INSURANCE GROUP AD**.

Declarer:

KIRIL BOSHOV (sgd. ill.)
Executive director



DECLARATION

according to item D.2.4. from the Report on the solvency and financial condition of **EUROINS INSURANCE GROUP AD** for 2022.

I, the undersigned **KIRIL BSHOV**, in my capacity as Executive Director of **EUROINS INSURANCE GROUP AD**, UIC 175394058, with seat and management address: city of Sofia, 43 Christopher Columbus Blvd., hereby

DECLARE that

In 2022 **EUROINS INSURANCE GROUP AD** did not apply the matching adjustment referred to in Article 77b of Directive 2009/138/EC.

Declarer:

KIRIL BSHOV (sgd. ill.)
Executive director



DECLARATION

according to item D.2.5. from the Report on the solvency and financial condition of **EUROINS INSURANCE GROUP AD** for 2022.

I, the undersigned **KIRIL BSHOV**, in my capacity as Executive Director of **EUROINS INSURANCE GROUP AD**, UIC 175394058, with seat and management address: city of Sofia, 43 Christopher Columbus Blvd., hereby

DECLARE that

In 2022 **EUROINS INSURANCE GROUP AD** did not apply the volatility adjustment referred to in Article 77b of Directive 2009/138/EC.

Declarer:

KIRIL BSHOV (sgd. ill.)
Executive director



DECLARATION

according to item D.2.6. from the Report on the solvency and financial condition of EUROINS INSURANCE GROUP AD for 2022.

I, the undersigned **KIRIL BSHOV**, in my capacity as Executive Director of **EUROINS INSURANCE GROUP AD**, UIC 175394058, with seat and management address: city of Sofia, Sofia, 43 Christopher Columbus Blvd. hereby

DECLARE that

In 2022 **EUROINS INSURANCE GROUP AD** did not apply the transitional risk-free interest rate term structure referred to in Article 308c of Directive 2009/138/EC.

Declarer:

KIRIL BSHOV (sgd. ill.)
Executive director



DECLARATION

according to item D.2.7. from the Report on the solvency and financial condition of EUROINS INSURANCE GROUP AD for 2022.

I, the undersigned **KIRIL BSHOV**, in my capacity as Executive Director of **EUROINS INSURANCE GROUP AD**, UIC 175394058, with seat and management address: city of Sofia, Sofia, 43 Christopher Columbus Blvd. hereby

DECLARE that

In 2022 **EUROINS INSURANCE GROUP AD** did not apply the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

Declarer:

KIRIL BSHOV (sgd. ill.)
Executive director



| Own funds | | Total C0010 | Tier 1 - unrestricted C0020 | Tier 1 - restricted C0030 | Tier 2 C0040 | Tier 3 C0050 |
|---|-------|-----------------|-----------------------------------|---------------------------------|-----------------|-----------------|
| Basic own funds before deduction for participations in other financial sector - Ordinary share capital (gross of own shares) | R0010 | 576,243,000.00 | 576,243,000.00 | | | |
| Non-available called but not paid in ordinary share capital at group level | R0020 | | | | | |
| Share premium account related to ordinary share capital | R0030 | | | | | |
| Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings | R0040 | | | | | |
| Subordinated mutual member accounts | R0050 | | | | | |
| Non-available subordinated mutual member accounts at group level | R0060 | | | | | |
| Surplus funds | R0070 | | | | | |
| Non-available surplus funds at group level | R0080 | | | | | |
| Preference shares | R0090 | | | | | |
| Non-available preference shares at group level | R0100 | | | | | |
| Share premium account related to preference shares | R0110 | | | | | |
| Non-available share premium account related to preference shares at group level | R0120 | | | | | |
| Reconciliation reserve | R0130 | -518,493,836.49 | -518,493,836.49 | | | |
| Subordinated liabilities | R0140 | 42,648,376.90 | | 17,265,043.57 | 25,383,333.33 | |
| Non-available subordinated liabilities at group level | R0150 | | | | | |
| An amount equal to the value of net deferred tax assets | R0160 | 10,674,616.26 | | | | 10,674,616.26 |
| The amount equal to the value of net deferred tax assets not available at the group level | R0170 | | | | | |
| Other items approved by supervisory authority as basic own funds not specified above | R0180 | | | | | |
| Non available own funds related to other own funds items approved by supervisory authority | R0190 | | | | | |
| Minority interests (if not reported as part of a specific own fund item) | R0200 | | | | | |
| Non-available minority interests at group level | R0210 | | | | | |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | | | | | | |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | R0220 | | | | | |
| Deductions | | | | | | |
| Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities | R0230 | | | | | |
| whereof deducted according to art 228 of the Directive 2009/138/EC | R0240 | | | | | |
| Deductions for participations where there is non-availability of information (Article 229) | R0250 | | | | | |
| Deduction for participations included by using D&A when a combination of methods is used | R0260 | | | | | |
| Total of non-available own fund items | R0270 | | | | | |
| Total deductions | R0280 | | | | | |
| Total basic own funds after deductions | R0290 | 111,072,156.61 | 57,749,163.45 | 17,265,043.57 | 25,383,333.33 | 10,674,616.26 |
| Ancillary own funds | | | | | | |
| Unpaid and uncalled ordinary share capital callable on demand | R0300 | | | | | |
| Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | R0310 | | | | | |
| Unpaid and uncalled preference shares callable on demand | R0320 | | | | | |
| A legally binding commitment to subscribe and pay for subordinated liabilities on demand | R0330 | | | | | |
| Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | R0340 | | | | | |
| Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | R0350 | | | | | |
| Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0360 | | | | | |
| Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0370 | | | | | |
| Non available ancillary own funds at group level | R0380 | | | | | |
| Other ancillary own funds | R0390 | | | | | |
| Total ancillary own funds | R0400 | | | | | |
| Own funds of other financial sectors | | | | | | |
| Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – total | R0410 | | | | | |

| Own funds | | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|--|-------|----------------|--------------------------|------------------------|---------------|---------------|
| Institutions for occupational retirement provision | R0420 | | | | | |
| Non regulated entities carrying out financial activities | R0430 | | | | | |
| Total own funds of other financial sectors | R0440 | | | | | |
| Own funds when using the D&A, exclusively or in combination of method 1 | | | | | | |
| Own funds aggregated when using the D&A and combination of method | R0450 | | | | | |
| Own funds aggregated when using the D&A and combination of method net of IGT | R0460 | | | | | |
| Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A) | R0520 | 111,072,156.61 | 57,749,163.45 | 17,265,043.57 | 25,383,333.33 | 10674616.26 |
| Total available own funds to meet the minimum consolidated group SCR | R0530 | 100,397,540.35 | 57,749,163.45 | 17,265,043.57 | 25,383,333.33 | |
| Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A) | R0560 | 111,072,156.61 | 57,749,163.45 | 14,437,290.86 | 28,211,086.04 | 10,674,616.26 |
| Total eligible own funds to meet the minimum consolidated group SCR | R0570 | 79,555,300.08 | 57,749,163.45 | 14,437,290.86 | 7,368,845.77 | |
| Consolidated Group SCR | R0590 | 84,132,839.60 | | | | |
| Minimum consolidated Group SCR | R0610 | 36,844,228.86 | | | | |
| Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A) | R0630 | 132.02% | | | | |
| Ratio of Eligible own funds to Minimum Consolidated Group SCR | R0650 | 215,92% | | | | |
| Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A) | R0660 | 111,072,156.61 | 57,749,163.45 | 14,437,290.86 | 28,211,086.04 | 10,674,616.26 |
| SCR for entities included with D&A method | R0670 | | | | | |
| Group SCR | R0680 | 84,132,839.60 | | | | |
| Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A | R0690 | 132.02% | | | | |

| Basic Solvency Capital Requirement | | Net solvency capital requirement | Gross solvency capital requirement | Allocation from adjustments due to RFF and Matching adjustments portfolios |
|------------------------------------|-------|----------------------------------|------------------------------------|--|
| | | C0030 | C0040 | C0050 |
| Market risk | R0010 | 42,213,417 | 42,213,417 | |
| Counterparty default risk | R0020 | 17,068,466 | 17,068,466 | |
| Life underwriting risk | R0030 | 148,004 | 148,004 | |
| Health underwriting risk | R0040 | 5,598,289 | 5,598,289 | |
| Non-life underwriting risk | R0050 | 41,538,130 | 41,538,130 | |
| Diversification | R0060 | -29,450,754 | -29,450,754 | |
| Intangible asset risk | R0070 | | | |
| Basic Solvency Capital Requirement | R0100 | 77,115,552.07 | 77,115,552 | |

| Article 112 | Z0010 | No Value C0100 |
|--|-------|----------------|
| Calculation of Solvency Capital Requirement | | |
| Adjustment due to RFF/MAP nSCR aggregation | R0120 | |
| Operational risk | R0130 | 16,365,380.82 |
| Loss-absorbing capacity of technical provisions | R0140 | |
| Loss-absorbing capacity of deferred taxes | R0150 | -9,348,093.29 |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | R0160 | |
| Solvency Capital Requirement excluding capital add-on | R0200 | 84,132,839.60 |
| Capital add-ons already set | R0210 | |
| Solvency capital requirement for undertakings under consolidated method | R0220 | 84,132,839.60 |
| Other information on SCR | | |
| Capital requirement for duration-based equity risk sub-module | R0400 | |
| Total amount of Notional Solvency Capital Requirements for remaining part | R0410 | |
| Total amount of Notional Solvency Capital Requirements for ring fenced funds | R0420 | |
| Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | R0430 | |
| Diversification effects due to RFF nSCR aggregation for article 304 | R0440 | |
| Method used to calculate the adjustment due to RFF/MAP nSCR aggregation | R0450 | No adjustment |
| Net future discretionary benefits | R0460 | |
| Minimum consolidated group solvency capital requirement | R0470 | 36,844,228.86 |
| Information on other entities | | |
| Capital requirement for other financial sectors (Non-insurance capital requirements) | R0500 | |
| Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies | R0510 | |
| Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions | R0520 | |
| Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities | R0540 | |
| Capital requirement for non-controlled participation requirements Capital requirement for residual undertakings | R0550 | |
| Overall SCR | | |
| SCR for undertakings included via D and A | R0560 | |
| Solvency capital requirement | R0570 | 84,132,839.60 |

I, the undersigned Emiliya Veselinova Marinchevska, certify that this is a true and accurate translation done by me from Bulgarian into English of the attached document: Group report on solvency and financial condition of Euroins Insurance Group AD. The translation consists of 81 (eighty one) pages.

Translator:
Emiliya Veselinova Marinchevska