

CAPITAL STEERING AND OPTIMIZATION: A P&C BUSINESS CASE

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October 10th, 2025, Milan – Università Cattolica del Sacro Cuore



AGENDA

- **Introduction on Generali, Key Financial Targets and Capital Management Framework**
- **Capital Steering and Optimization: Integrated Value Creation**
 - **Solvency: Effective Risk Appetite Framework**
 - **Balance Sheet: Deep Dive on Capital Mapping**
 - **Profit & Loss: «Translation Framework» between different accounting standards**
 - **Capital Fungibility Enhancement Initiatives: Loss Portfolio Transfer example**

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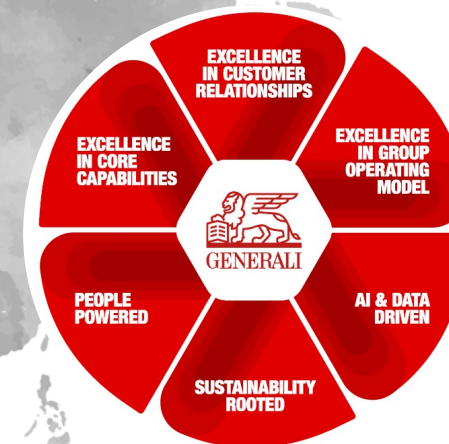
GENERALI GROUP IN A NUTSHELL

Generali is one of the largest global players in the insurance industry and asset management.

Established in 1831, it is present in over 50 countries in the world, with almost 87 thousand employees and 161 thousand agents serving 71 million customers.

We have a leading position in Europe and a growing presence in Asia and America.

LIFETIME PARTNER 27 DRIVING EXCELLENCE



GWP
€ 95.2 Bn

Life € 61.4 Bn
P&C € 33.8 Bn



Operating Result
€ 7.3 Bn

Life € 4.0 Bn
P&C € 3.1 Bn
A&WM € 1.2 Bn
Holding & Others € -0.9 Bn



Dividends
€ 2.2 Bn

Accrual basis



Group Solvency Ratio
210%

EOF € 49.1 Bn
SCR € 23.4 Bn



Note: data at YE24 (Public Source: «Annual Integrated Report and Consolidated Financial Statements 2024»)

NEW STRATEGIC PLAN «LIFETIME PARTNER 27» FINANCIAL TARGETS AND PRIORITIES FOR CAPITAL MANAGEMENT

CAPITAL MANAGEMENT FINANCIAL TARGETS

New Strategic Plan «Lifetime Partner 27» financial targets

STRONG EARNINGS PER SHARE GROWTH

8-10%

EPS CAGR¹
2024-2027

SOLID CASH GENERATION

>€11 Bn

Cumulative Net Holding Cash Flow²
2025-2027

INCREASING DIVIDEND PER SHARE

>10%

DPS CAGR^{2,3} 2024-2027
with a ratchet policy

«Lifetime Partner 27» Capital Management Priorities & KPIs



SUSTAINED GROWTH IN CASH AND CAPITAL GENERATION



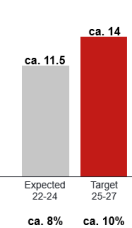
ACCELERATED CASH CONVERSION



INCREASED FOCUS ON SHAREHOLDER REMUNERATION

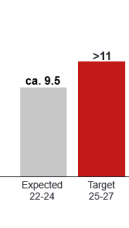
SUSTAINED GROWTH IN CASH AND CAPITAL GENERATION

Remittance from subsidiaries
Cash basis* (€ Bn)

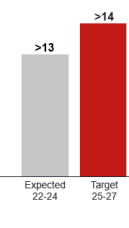


ca. 8% ca. 10%

Net Holding Cash Flow (NHCF)
Cash basis* (€ Bn)



Normalized Group Capital Generation
(€ Bn)



Capital Management actions as % of Total Remittance

CLEAR CAPITAL MANAGEMENT FRAMEWORK WITH INCREASED FOCUS ON SHAREHOLDER REMUNERATION

DIVIDENDS⁴

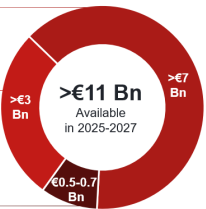
- DPS CAGR target >10%
- Confirmed commitment to keep DPS at least equal to prior year
- Attractive cumulative dividends, around 30% above the 2022-2024 Plan

BUYBACK AND OTHER CAPITAL DEPLOYMENT

- Committing to a minimum annual €0.5 Bn Share Buyback, to be assessed at the beginning of each year
- Share-based incentive initiatives (of which LTIP⁶) executed via Share Buyback
- Strict discipline on M&A, also benchmarked against Share Buyback
- Any residual amount distributed to shareholders at the end of the Plan

INTERNAL CAPITAL DEPLOYMENT

- €0.5 – 0.7 Bn to support business growth and strategic initiatives



Achievement of Remittance⁷ is crucial to meet the new strategic plan ambition, so to ensure shareholders' remuneration and effective capital deployment.

1. 3-year CAGR based on the Group's Adjusted Net Result. Baseline to be communicated at the FY24 results presentation

2. Expressed on cash basis (see note 4)

3. Subject to all relevant approvals. 3-year CAGR with 2024 baseline at €1.28 per share

4. Cash basis refers to the fact that cash flows are reported under the year of payment

5. Subject to the relevant approvals; 2024 baseline: €1.28 per share

6. Long Term Incentive Plans

7. Remittance consists of dividends and similar form of distribution from subsidiaries (also referred to as Business Units) to the Parent Company Assicurazioni Generali S.p.A.

Note: financial targets and KPIs as per Generali's «Lifetime Partner 27» strategic plan (Public Source: «Generali Investor Day – Venice, January 30th, 2025» presentation)

GENERALI CAPITAL MANAGEMENT FRAMEWORK KEY ELEMENTS

Capital metrics embedded into evaluation of capital deployment for existing Business Units and new ventures. Cost of capital defined on a country and business line basis

Solid capital planning and monitoring processes at local level to evaluate remittance capacity

Standardized mapping of capital available locally, leveraging on capital optimization initiatives and accounting for (i) LGAAP, (ii) liquidity and other constraints, and (iii) risk tolerances



Clear governance and procedures for management of cash and capital transfers between Holding and Business Units

Preferred solvency range for main entities linked to risk appetite framework; **clear and simple rules for capital upstream**



Capital and cash are Group resources, which are managed on a centralized basis to optimize the use of capital, while safeguarding regulatory and operational financial requirements

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CAPITAL STEERING AND OPTIMIZATION: INTEGRATED VALUE CREATION

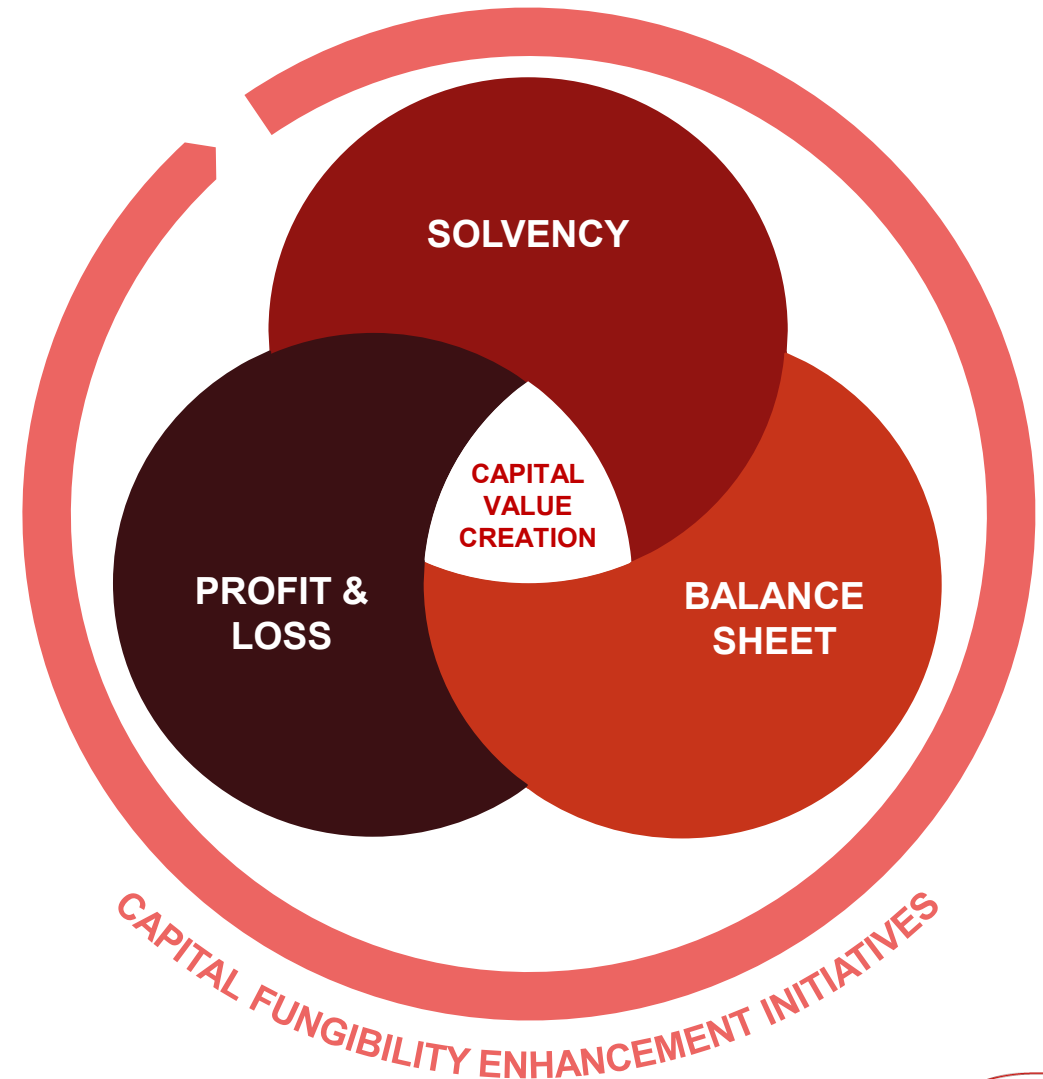
- There is **not a unique and universal definition of “Capital”** that fits all the needs from an overall business perspective.
- **Different metrics should be applied to manage the business** depending on the applicable framework of analysis and all of these metrics are relevant to the insurance activities.
- **The quality and level of the capital**, as well as its absorption ability (and therefore the Solvency Ratio) **have to be taken into consideration** in order to adequately assess its optimization capacity.



When looking at capital value creation, the integration of the following three dimensions should be considered:

- ❑ **Solvency**, starting from the definition of an effective Risk Appetite Framework to be fully integrated with Capital Management and business decisions;
- ❑ **Balance Sheet**, relying on specific analyses that allow for a detailed Capital Mapping, targeted in particular to execute one-off distributions of excess capital;
- ❑ **Profit & Loss**, ensuring sustained growth in generated profits, leveraging also on a joint vision on different accounting standards.

All of the above, to be done while continuously analysing **Capital Fungibility Enhancement Initiatives** to further optimize the way capital is employed.



CAPITAL STEERING AND OPTIMIZATION: INTEGRATED VALUE CREATION

A P&C BUSINESS CASE: THE STARTING POINT

amounts in € Mn and %

COMPANY'S PROFILE & MAIN KPIs

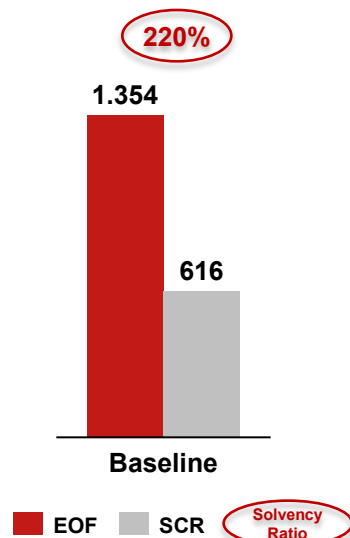
«Red Star»

- is an **insurance company operating in the P&C segment** and owned by «Red Galaxy», that is the Parent Company of a large insurance group
- operates under Solvency II regime and has an Internal Model in place**
- has **no intragroup participations or senior loans exposures**

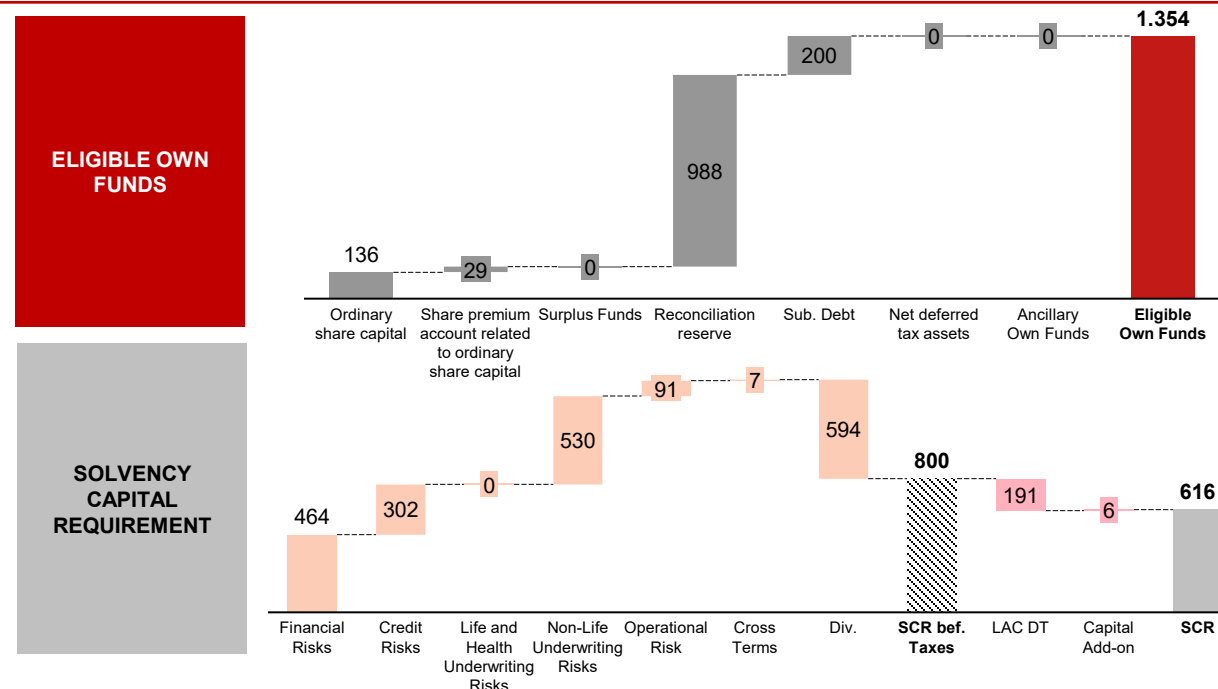
As reference, the following **main KPIs** have been observed for «Red Star» for the latest annual disclosure:

Loss Ratio	64%
Combined Ratio	91%
LGAAP Net Result	34
Dividend Payout Ratio	100%
IFRS17 Net Result	49

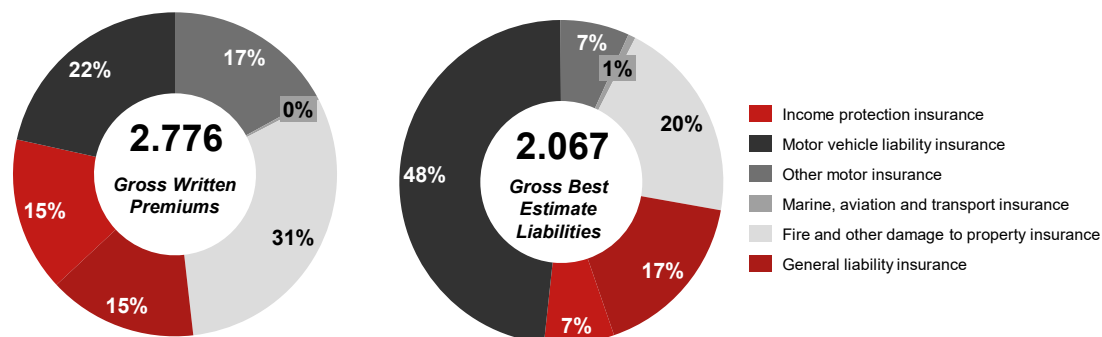
SOLVENCY POSITION



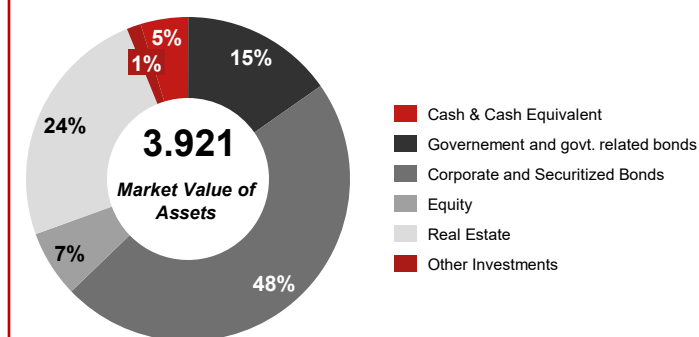
ELIGIBLE OWN FUNDS AND SOLVENCY CAPITAL REQUIREMENT BREAKDOWN



BUSINESS MIX



ASSET ALLOCATION

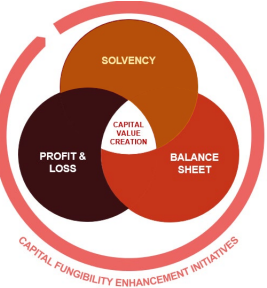


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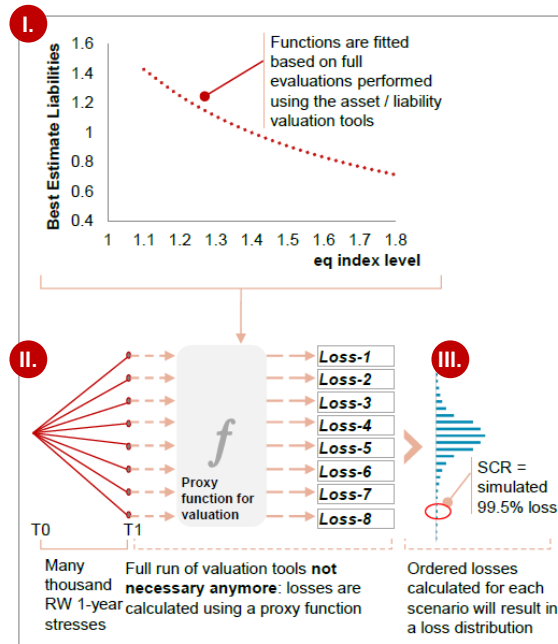
SOLVENCY: INTERNAL MODEL FULL LOSSES DISTRIBUTION COMPUTATION



The Internal Model requires to provide the Full Losses Distribution (FLD) of Solvency II Own Funds depending on the risks identified. Calculating the Solvency Capital Requirement with full accuracy would require nested stochastic modelling, however computational efforts make this unrealistic to be implemented for large portfolios. Therefore, most internal models approximate nested stochastic modelling through Monte Carlo simulations with proxy functions.

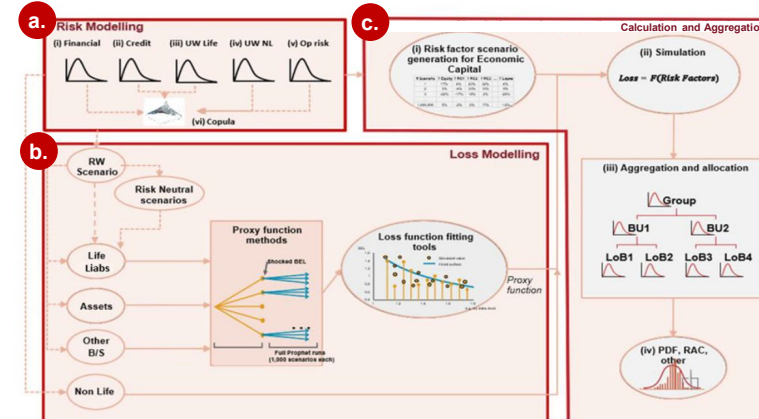
MAIN IDEA UNDERLYING THE FLD SIMULATION USING PROXY FUNCTIONS

- I. Determination of simple “proxy” functions that describes the value of assets and liabilities as a function of all risk factors that are stressed in the Solvency Capital Requirement calculation.
- II. These “proxy” functions can be used in a Monte Carlo simulation to generate multiple thousand scenarios of Market Value of Assets and Best Estimate Liabilities, which allow to calculate the loss in each scenario.
- III. These losses are then ordered to produce a Full Losses Distribution (FLD) from which the SCR determined at the 99.5th percentile can be inferred.



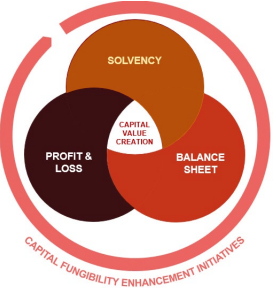
INTERNAL MODEL CALCULATION PROCESS STEPS

- a. **Risk Modelling:**
 - Identification of all the quantifiable risks to which the company is exposed
 - Calibration of the probability distribution for each risk factor
 - Correlation matrix definition and calibration between each risk factor
- b. **Loss Modelling:** for each balance sheet item, a “proxy” function that estimates the value of the item to changes of the different risk factors is calculated
- c. **Calculation and Aggregation**
 - Steps a. and b. outputs collection
 - Generation of a statistically adequate number of risk factor scenarios
 - Recalculation of the value of individual balance sheet items for each generated scenario
 - Aggregation of individual balance sheet items for each scenario and Full Losses Distribution (FLD) determination



CAPITAL STEERING AND OPTIMIZATION: INTEGRATED VALUE CREATION

SOLVENCY: RISK APPETITE FRAMEWORK LIMITS AND TARGET SETTING



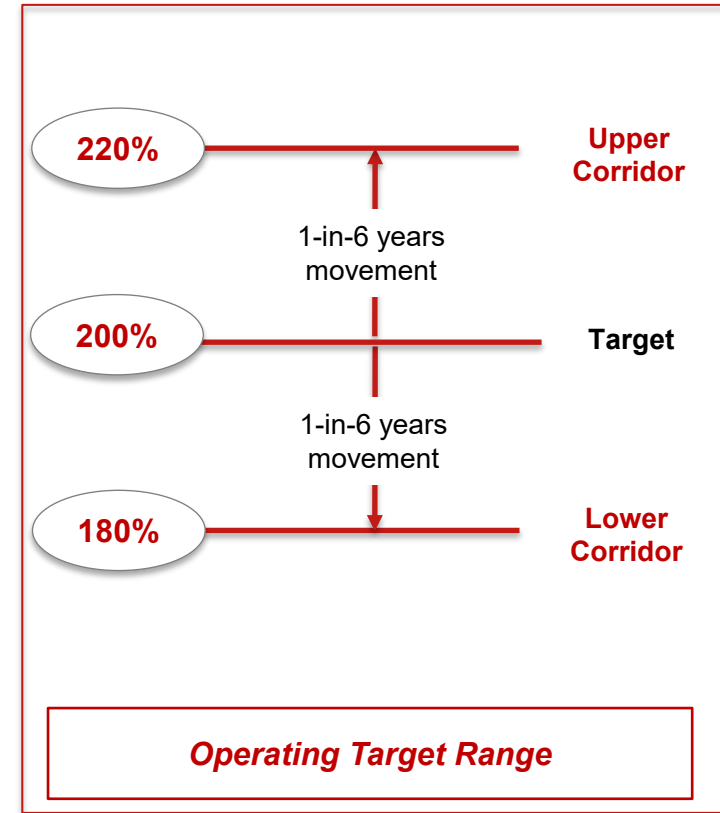
Quantitative limits and target levels aimed at ensuring that a company operates coherently with its risk appetite statement. Through the distribution of losses one can associate the probability of default (used also by the rating agencies to perform their assessments) to the minimum Solvency Ratio to not default after the stress.

STEP 1. SET THE LIMITS

STEP 2. SET THE TARGET

STEP 3. SET THE CORRIDOR

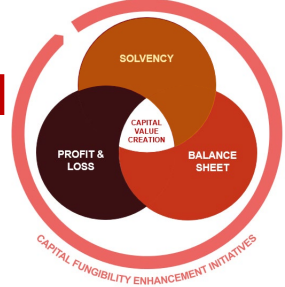
Confidence Level (CD)	99.50%	99.80%	99.90%	99.95%	99.98%	99.99%
Probability of Default (PD) – in years	1-in-200	1-in-500	1-in-1000	1-in-2000	1-in-5000	1-in-10000
Equivalent Rating	BBB	BBB+	A-	A+	AA+	AAA
STEP 0. START FROM THE FLD UNDERLYING THE SCR OF «RED STAR» Full Losses Distribution (FLD) Tail						
Minimum Solvency Ratio to not default after stress	100%	130%	150%	175%	200%	235%
		Hard Limit	Soft Limit		Target	



Setting limits and targets according to the risk profile of the company is crucial to effectively manage capital and to fully integrate risk management with capital allocation framework

CAPITAL STEERING AND OPTIMIZATION: INTEGRATED VALUE CREATION

SOLVENCY: RISK APPETITE FRAMEWORK PRINCIPLES AND ACTIONS



- Coherent with the Risk Appetite Statement
- Need for soft corrective initiatives
- Need for strong corrective initiatives

Key principles

Maintenance of an Operating Target Range for the disciplined execution of capital management plan

Allow for volatility within the Operating Target Range, properly reflecting sensitivity to market conditions

Solvency Risk Appetite as integrated component of a broader Capital Management Framework

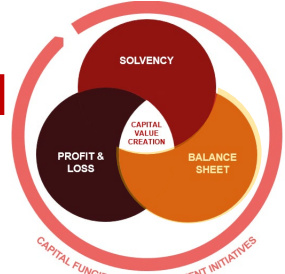
Solvency Ratio		Capital Management actions examples
Upper Operating Target Range	230%	- Re-risking of the investment portfolio - Capital reduction (e.g. extra-dividend, share buyback, anticipation of subordinated debt reimbursement) - Consideration of additional business growth initiatives
Lower Operating Target Range	180%	- Disciplined execution of capital management plan - Maintain investments and business growth strategy as planned - Execution of planned hedging strategy
Soft Limit	150%	- Increase budget in hedging strategy - Reconsideration of investments, debt management and business growth strategy
Hard Limit	130%	- De-risking of the investment and insurance portfolio - Review of the dividend payout ratio - Evaluation on reduction of the payout of Senior Management incentive schemes - Suspension of the payout of Senior Management incentive schemes - Suspension of the dividend payments

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CAPITAL STEERING AND OPTIMIZATION: INTEGRATED VALUE CREATION

BALANCE SHEET: CAPITAL MAPPING DEFINITIONS AND PROCESS STEPS



Effective capital mapping of the company's balance sheet under different frameworks (in particular both LGAAP and Solvency II) allows for a deeper understanding of the capital structure, optimizing the identification of resources available to be distributed.

Capital Mapping Process

0. Base Solvency Position

Start from the base **Eligible Own Funds** and **Solvency Capital Requirement** figures

1. Non-distributable Capital

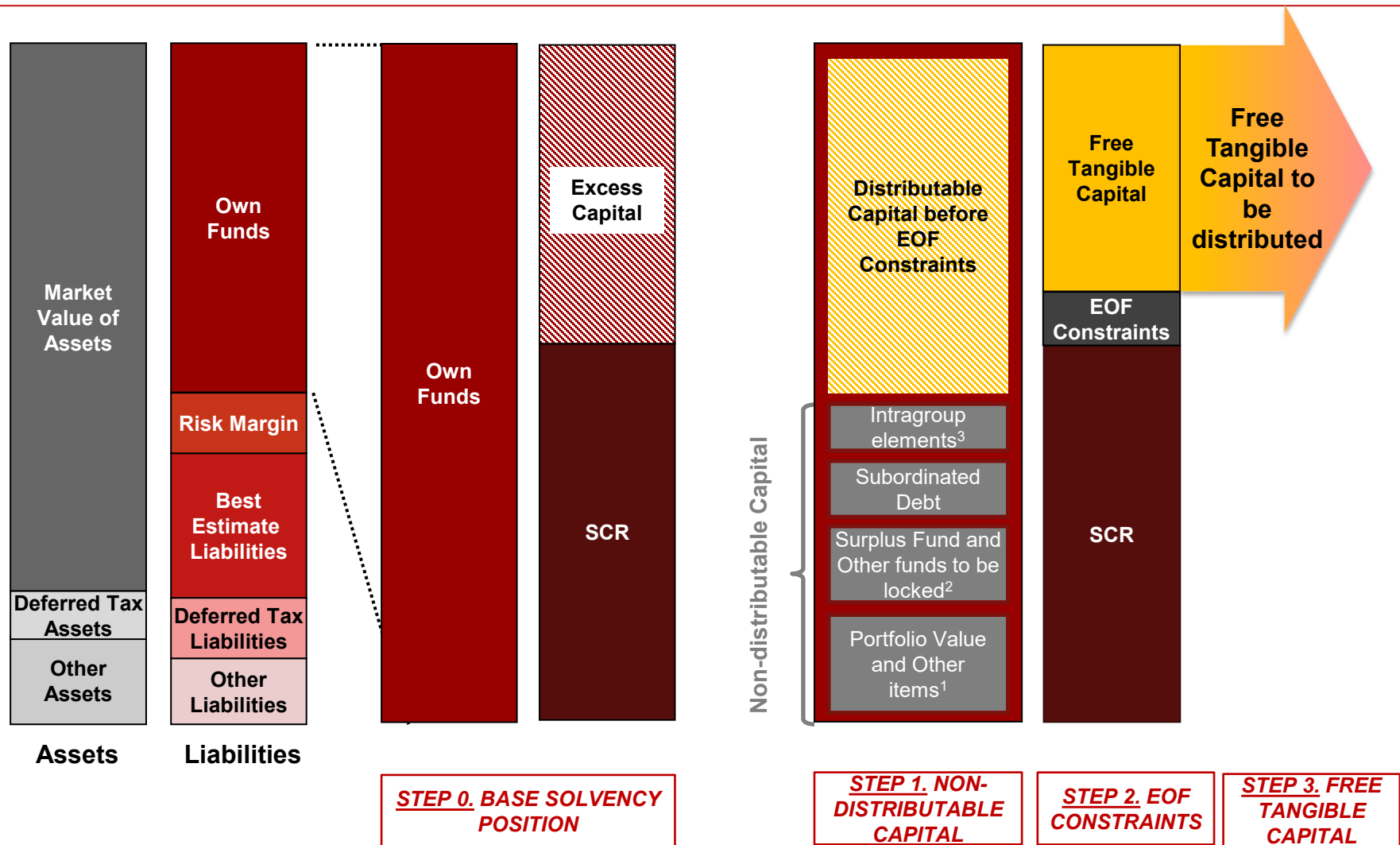
Identify the **elements that need to be considered as non-distributable** (i.e. non-transferable because not tangible or tied to specific local requirements)

2. EOF Constraints

Apply constraints due to target **Solvency levels to be kept or other limitations** (e.g. Solvency II Tiering)

3. Free Tangible Capital

Determine the **amount of Free Tangible Capital that can be distributed** to the Parent Company.



1. "Portfolio Value" is equal to the Market Value of Assets backing liabilities less Technical Provisions at fair value. "Other items" are those residual ones identified to be locked after a case by case analysis.

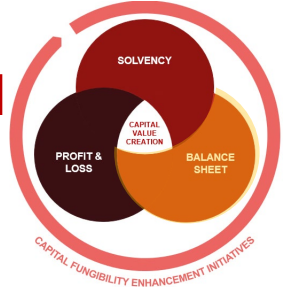
2. "Other funds" include Going Concern Reserve (Germany) and other specific solvency elements approved by the relevant Supervisory Authority.

3. "Intragroup elements" include in particular Participations and Senior Loans in place with other Group's entities.

CAPITAL STEERING AND OPTIMIZATION: INTEGRATED VALUE CREATION

BALANCE SHEET: CAPITAL MAPPING NUMERICAL EXAMPLE

amounts in € Mn and %



STEP 0. BASE SOLVENCY POSITION

Own Funds	Eligible Own Funds	1,354
	Solvency Capital Requirement	616
	<i>Excess of Capital</i>	738
	Solvency Ratio	220%
SCR	Hard Limit	130%
	Soft Limit	150%
	Lower Operating Target Range	180%
	Upper Operating Target Range	230%

STEP 1. NON-DISTRIBUTABLE CAPITAL

Distributable Capital before EOF Constraints	Ordinary Share Capital	136
	Share Premium related to Ordinary Share Capital	29
	Subordinated Debt	200
	Portfolio Value and Other items	817
	a. Non-distributable Capital	1,183
Non-distributable Capital	b. Eligible Own Funds	1,354
	c. = b. - a. Distributable Capital before EOF constraints	171

Portfolio Value for a P&C insurance entity generally consists mainly of:

- Reserve Adequacy
- Equalization Provision
- Discount effect
- Risk Margin

STEP 2. CONSTRAINTS & STEP 3. FREE TANGIBLE CAPITAL

Free Tangible Capital	Tiering Constraints	--
	Other Eligible Own Funds Constraints	--
	d. Target Solvency to be kept (HP.)	200%
	e. Solvency Capital Requirement	616
	f. = d. * e. Eligible Own Funds to be kept at Target	1,232

Setting the **Target Solvency** to be kept and used to determine the Free Tangible Capital **is crucial**.

Therefore, the **importance of a sounded Risk Appetite** fully integrated with Capital Management Framework.

Continuous optimization of SCR (e.g. via intragroup reinsurance) can allow to further increase **Free Tangible Capital** and its distribution, while ensuring sounded Solvency position.

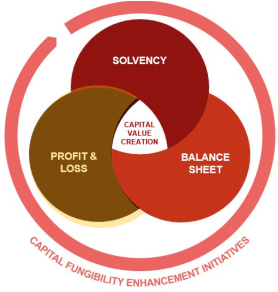
g. = MIN [c. ; b. - f.] Free Tangible Capital 122

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CAPITAL STEERING AND OPTIMIZATION: INTEGRATED VALUE CREATION

PROFIT & LOSS: STEERING LGAAP RESULTS LEVERAGING ON IFRS17 TARGETS

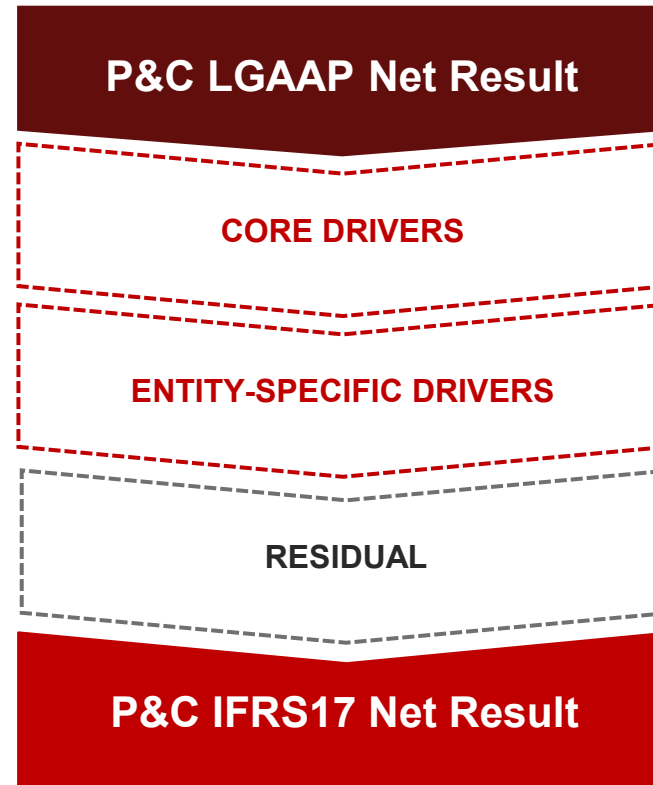


WHY DEFINING A «TRANSLATION FRAMEWORK» BETWEEN LGAAP AND IFRS17 P&L RESULTS IS IMPORTANT FOR EFFECTIVE CAPITAL STEERING?

Global insurance players generally consolidate their **group results based on international accounting standards** such as IFRS17. **P&L targets** part of the incentive systems and assigned to Business Units are therefore **coherently based on IFRS17**.

The **entry into force of IFRS17 has created a wider gap** in terms of results representation when **compared to statutory LGAAPs**, that still **remain the driver underlying the «tangible» value** generated and in scope for capital distribution.

Therefore, the **need to define a «translation framework» between LGAAP and IFRS17 P&L** in order to facilitate and enhance **strategic steering on LGAAP results**, relying on IFRS17 results' trend and related targets ambitions embedded into incentive systems.



Core Drivers represent **conceptual differences** introduced by IFRS17 that might not exist under LGAAP, such as: **discounting, unwinding of interest, risk adjustment, loss component, expected credit loss and different valuation between LGAAP and IFRS9**.

They mainly reflect the shift from traditional accounting to a measurement model based on expected cash flows and present value.

Entity-specific Drivers arise from local accounting frameworks to explain differences that are specific to each Entity's LGAAP compared to IFRS17 (e.g. differences in business segment allocation).

Residual represents the remaining unexplained differences (targeted to be limited) to finalize the bridge analysis between LGAAP and IFRS17 Net Result.

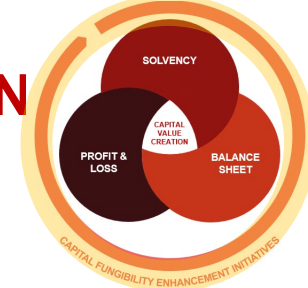
A «translation framework» between LGAAP and IFRS17 P&L is generally easier to be achieved for P&C business. On the other side, for Life business more complex and wider considerations are needed in order to be able to connect the two accounting standards.

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CAPITAL STEERING AND OPTIMIZATION: INTEGRATED VALUE CREATION

CAPITAL FUNGIBILITY ENHANCEMENT INITIATIVES: OVERALL INTRODUCTION



CAPITAL FUNGIBILITY ENHANCEMENT INITIATIVES' MAIN OBJECTIVES

CAPITAL POSITION STRENGTHENING: Available Capital increase and/or volatility reduction, Solvency Capital Requirement reduction and/or volatility reduction

EARNINGS STABILIZATION: Multi-year protection and reduction of the volatility of the Balance Sheet and/or the Profit & Loss

CASH UPSTREAMING: Optimizing free capital fungibility, raising liquidity to Parent Company, while transferring risks as well

Examples of initiatives undertaken to optimize capital fungibility



Reinsurance and ART Solutions

- P&C Loss Portfolio Transfer (LPT) solutions
- P&C Excess of Loss Treaties
- CAT Bonds



Strategic Hedging

- Macro-Hedging on targeted assets classes
- Forward Sale Instruments to manage financial risks
- Hedging on Currency risk



Debt and Debt-like Instruments

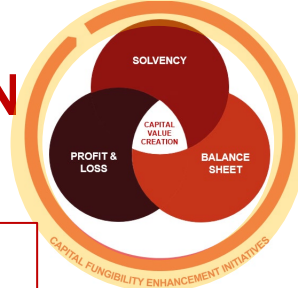
- Subordinated Debt contributing to Available Capital
- Senior Loans to optimize cash deployments and needs
- Ancillary Own Funds



**TODAY'S
FOCUS**

CAPITAL STEERING AND OPTIMIZATION: INTEGRATED VALUE CREATION

CAPITAL FUNGIBILITY ENHANCEMENT INITIATIVES: LOSS PORTFOLIO TRANSFER OVERVIEW



LOSS PORTFOLIO TRANSFER CORE FEATURES

- A **Loss Portfolio Transfer (LPT)** solution works like a **traditional quota share**: the reinsurer covers a predefined percentage of each loss resulting from a portfolio. More specifically, **a percentage of up to 100% can be agreed for run-off or back-book portfolios**.
- A LPT solution can be used to **hedge against uncertainties in terms of the timing risk and the risk that the actual loss will exceed expectations** (i.e. the Reserving Risk, part of the Non-Life Underwriting Risks module).
- LPT solutions are generally used by insurers to **transfer risks related to liabilities which may already exist** (such as claims that have been processed but not yet paid) **or may soon appear** (such as incurred but not reported claims).

CONSIDERATIONS ON RESERVING RISK AND COUNTERPARTY RISK

Reserving Risk is generally material for **back-book portfolios** and has three main sources of risk:

- the **assumptions** on which the **best estimate** is based could **prove to be inaccurate**;
- the **fluctuations of the loss payments** around the best estimate (i.e. the risk of random fluctuations);
- deviations with regard to the loss payment date or run-off period and/or the disbursement pattern (so called **Timing Risk**).

With a LPT solution, **the ceding company retains its legal obligations towards the policyholders**. Therefore, the risk of default (**Counterparty Risk**) on the exposures ceded to the reinsurer is taken into consideration when computing the Solvency Capital Requirement.

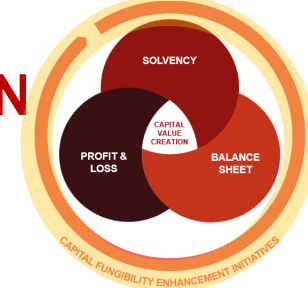
MAIN BUSINESS NEEDS ADDRESSED BY A LOSS PORTFOLIO TRANSFER

- **Protection** against unfavourable reserves development.
- Immediate **capital relief** at contract inception.
- **Attractive even with abundant capital**, as that capital may be utilized more efficiently.
- Might be particularly **effective in M&A contexts** to "ring-fence" specific portfolios (e.g. potentially undesirable and/or troublesome).

CAPITAL STEERING AND OPTIMIZATION: INTEGRATED VALUE CREATION

CAPITAL FUNGIBILITY ENHANCEMENT INITIATIVES: LOSS PORTFOLIO TRANSFER EXAMPLE

amounts in € Mn and %



SOLVENCY POSITION BEFORE THE LPT

Eligible Own Funds	1,354
Solvency Capital Requirement	616
Excess of Capital	738
Solvency Ratio	220%

Details on relevant standalone risks (bef. Diversification and bef. LAC DT)

Reserving Risk	135
Counterparty Risk	35

Technical Provisions

Gross Best Estimate Liabilities	2,067
Risk Margin	94

Out of simplicity, we are not including Interest Rate Risk, that would be affected (even if generally in a limited way) by the LPT as well

LPT MAIN WORKING ASSUMPTIONS

- Quota Share of 50% applied to all the Lines of Business
- Assets remains with the ceding company (i.e. deposit approach applied)
 - Deposit is set to 100% of Best Estimate Liabilities Ceded
 - Interest on deposit is set to 0%
- Reinsurance Margin (to be paid in cash by the ceding company to the reinsurer) is set to 4% of the Best Estimate Liabilities Ceded
- Reinsurer has a AA rating

Best Estimate Liabilities Ceded	1,034
Deposit	1,034
Reinsurance Margin	41

With regard to LoBs, one might decide to include only specific Lines of Business rather than the full perimeter, based on portfolio's features (e.g. volatility around run-off evolution, reserving profile, capital support needed, etc.)

SOLVENCY POSITION AFTER THE LPT (SIMPLIFIED ASSESSMENT REPRESENTATION)

EOF (before LPT)	1,354
(+) Change in Risk Margin	+19
(-) Reinsurance Margin	-41
(+) Change in DTL and Residual effects	+16
EOF (after LPT)	1,348

- Risk Margin decreases following the cession of Reserving Risk.
- Reinsurance Margin paid to the reinsurer as cash impact negatively the EOF.
- Deferred Tax Liabilities decrease, therefore with a positive impact on EOF, following the cession of future profits.

SCR (before LPT)	616
(-) Change in Reserving Risk	-68
(+) Change in Counterparty Risk	+1
(+) Change in Diversification	+36
(+) Change in LAC DT	0
SCR (after LPT)	586

- Reserving Risk decreases proportionally to the quota of reserves ceded.
- Counterparty Risk increases only slightly, thanks to reinsurer's high rating quality.
- Diversification benefit decreases following the "natural" hedging with financial risks driven by higher Underwriting Risks before the LPT.
- LAC DT doesn't change, as the company is assumed to have still room in terms of Net DTL.

Solvency Ratio (before LPT)	220%
Solvency Ratio (after LPT)	230%
Impact from the LPT	+10 p.p.

THANK YOU

