



HYDRA INSURANCE COMPANY LTD

Solvency and Financial Condition Report (SFCR)

Reference Date: 31/12/2025

Submission Date: 7th April 2026

Confidential

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1 Executive Summary

1.1 Overview

Hydra Insurance Company Limited, (hereafter also referred to as “Hydra”, “Hydra Insurance” or the “Company”) was established in Cyprus in 2001. The Company operates in the Non-Life Insurance field.

This document, namely the Solvency and Financial Condition Report (SFCR), has been prepared in accordance with the Commission Delegated Regulation (EU) 2015/35 of October 2014, supplementing the Directive 2009/138/EC of the European Parliament and of the Council. This is a publicly available document that provides information regarding the Company’s performance for the year ending on 31 December 2025.

The management has made an assessment of the Company’s ability to continue as a going concern and they are satisfied that the going concern basis of accounting is appropriate.

The SFCR report has been approved by the Board of Directors of Hydra Insurance and has also been audited and approved by the Company’s external auditors.

1.2 Business and Performance

Hydra Insurance operates only in Cyprus. The table below provides an analysis of the underwriting profit of the Company as at the valuation date and shows that the Motor is the most important line of business, representing about 45% of the total Insurance Result.

Underwriting performance	2025 (€ 000)						
	Health & Accident	Motor	Marine	Fire	General Liability	Misc.	Total
Insurance Revenue	470	16,384	59	2,407	1,343	0	20,663
Insurance Service Expense	242	14,083	32	2,064	510	0	16,931
Insurance Service Result before R/I	227	2,301	27	343	833	0	3,731
Allocation of R/I Paid	7	990	16	1,163	72	0	2,247
Amount Recovered from R/I	1	-172	0	1,018	126	0	974
Net Expense from R/I Contracts	6	1,161	15	145	-53	0	1,273
Insurance Service Result	221	1,140	12	198	886	0	2,458
IFIE	-1	-84	0	-3	-8	0	-96
R/I IFIE	0	-3	0	0	0	0	-3
Net Insurance Financial Result	-1	-86	0	-3	-8	0	-99
Net Insurance Result	221	1,054	12	195	878	0	2,359

Table 1: Executive Summary – Underwriting Profit YE 2025

The investment portfolio is presented in the table below (in comparison to the previous reporting period):

Investment Portfolio	2025	2024	Evolution
Asset Class	€ 0	€ 0	%
Shares	816.474	588.201	38,81%
Cash in Bank	2.453.804	7.955.952	-69,16%
Bonds	18.942.192	14.083.504	34,50%
Investment Properties	4.705.000	4.862.000	-3,23%
Total	26.917.469	27.489.657	-2,08%

Table 2: Executive Summary – Investments Portfolio movement

1.3 System of Governance

The Board of Directors is the oversight body of Hydra Insurance. It bears the ultimate responsibility for ensuring that Corporate Governance arrangements within the Company are sufficient and appropriate to the size, nature and complexity of its business.

The Executive Committee, Risk and Reserving Committee, Audit Committee and Investment Committee have been set up by the BoD for monitoring and overseeing specific aspects of the Company's business. The Company has also established Risk Management, Compliance, Internal Audit and Actuarial function to ensure effective oversight of its operations.

1.4 Risk Profile

As at the reference date the company is exposed mainly to Non – Life Underwriting risk, Market risk and Counterparty risk. The table below summarizes the capital requirement at the end of 2025:

Type of Risk	31/12/2025 €
<i>Interest rate</i>	733.097
<i>Equity risk</i>	705.701
<i>Property risk</i>	1.110.973
<i>Spread risk</i>	904.549
<i>Concentration risk</i>	0
<i>Currency risk</i>	0
<i>Counter - Cyclical Premium</i>	0
<i>Diversification Market Risk</i>	-959.049
Market Risk	2.495.271
Counterparty risk	1.144.079
Health Non-SLT Underwriting	137.559
Non-life Underwriting	4.459.523
Life Underwriting	0
<i>Diversification BSCR</i>	-1.928.883
BSCR	6.307.548
Operational Risk	609.370
Tax adjustment	-535.336
SCR Total	6.381.583
Available Capital	16.539.434
SCR (%)	259,17%

Table 3: Executive Summary – Risk Profile

1.5 Valuation for solvency purposes

As at 31 December 2025, the Company had the following liabilities:

Liabilities	Solvency II Value	Statutory Accounts Value
	€ 000's	€ 000's
Gross technical provisions – non-life (excluding health)	12,631	13,113
TP calculated as a whole (Best estimate + Risk margin)	0	0
Best Estimate	12,154	0
Risk margin	476	0
Gross technical provisions - health (similar to non-life)	165	320
TP calculated as a whole (Best estimate + Risk margin)	0	0
Best Estimate	160	0
Risk margin	5	0
(Re)insurance accounts payable	606	606
Insurance & Intermediaries Payables	163	163
Deferred tax liabilities	370	326
Amounts owed to credit institutions	0	0
Payables (trade, not insurance)	591	591
Any other liabilities (excluding subordinated liabilities), not elsewhere shown	371	371
Total Liabilities	14,897	15,490

Table 4: Executive Summary – Liabilities

1.6 Capital Management

As at 31/12/2025, the Company's own funds amounted to €16,54m and are mainly comprised of ordinary share capital and reserves. The total Own Funds represent 413,49% of the MCR and 259,17% of the SCR.

Key Risk	Risk Type	Solvency Capital Requirements € 000's
	Total Non - Life Underwriting Risk	4,460
Non - Life Underwriting Risk	Non - Life premium and reserve risk	4,253
	Non - Life Lapse Risk	373
	Non - Life CAT Risk	608
	Diversification effects	-774
	Total Market Risk	2,495
Market Risk	Interest rate risk	733
	Equity risk	706
	Property risk	1,111
	Spread risk	905
	Currency risk	0
	Concentration risk	0
	Illiquidity premium risk	0
	Diversification effects	-959
	Counterparty Default Risk	1,144
Counterparty Default Risk	Counterparty default risk of type 1 exposures	775
	Counterparty risk of type 2 exposures	441
	Diversification effects	-72
	Health Underwriting Risk	138
Health Underwriting Risk	Non-SLT Health (similar to non-life technique)	138
	Health CAT	0
	Diversification effects	0
Basic Solvency Capital Requirement (BSCR) pre diversification		
Diversification Effect		
Basic Solvency Capital Requirement (BSCR)		
Operational Risk		609
Adjustment for Deferred taxes		
Capital at Risk	SCR	6,382
	MCR	6,382

Table 5: Executive Summary – SCR and MCR

For the calculation of the SCR and the MCR the Company uses EIOPA's Solvency II Standard Formula.

2 Business and Performance

2.1 Business

2.1.1 Company Information

Hydra Insurance Company Limited was established in 2001, as a natural development of the successful presence of its founders in the Cyprus Insurance Market for more than 50 years, based on their long-standing commitment to customer service, customer satisfaction and customer trust.

The Company specializes in general insurance business, providing a full range of innovative insurance products: Personal Insurances, catering for the needs of individuals and Commercial Insurances catering for the needs of the business community. Over these years, and notwithstanding the highly competitive local insurance environment, Hydra Insurance has managed to grow into a large organization, with a consistent superior performance both in terms of business development as well as profitability.

The Company has a significant market share, with a premium income of €20,6m in 2025, transacting general business with longer presence in the market.

The address of the Company's registered office and of its external auditors are shown below:

Registered Office	External Auditors
Hydra Insurance Co Ltd	Eastern Young
11 Strovolou Avenue, SEK Building, 5th Floor	Esperidon 10
2018 Strovolos, P.O Box 24653 – 1302, Nicosia, Cyprus	1087 Nicosia Cyprus
Tel: +357 22 454700	+357 22 209999
Fax: +357 22 454704	+357 22 209999
www.hydrainsurance.com	ey.cyprus@cy.ey.com

Table 6: Registered Office and External Auditors

2.1.2 Supervisory authority responsible for financial supervision

The insurance Companies Control Service is the supervisory authority responsible for the financial supervision of Hydra Insurance.

The address and contact details of the supervisory authority is shown below:

Supervisory authority
Insurance Companies Control Service
P.O. Box 23364, 1628 Nicosia
Tel: +357 22602990
Fax: +357 22302938
insurance@mof.gov.cy

Table 7: Supervisory authority

2.1.3 Qualifying holdings

The shareholders of the company with more than 25% holding through direct and indirect shareholding are Mr. Polys Kleanthous and Mr. Kleanthis Kleanthous.

2.1.4 Position within the legal structure of the Group

Hydra Insurance does not belong to a Group.

2.1.5 Material Lines of Business by Operating Segment, Solvency II and geographical areas

Hydra Insurance carries out its business only in Cyprus and maintains offices in Nicosia, Larnaca, Kiti and Paralimni. It offers the following lines of business:

- Motor Insurance including Third Party and Comprehensive Coverage
- Fire and other damage to property
- Accident and Health insurance
- Marine, aviation and transport
- Liability Insurance including professional, employers' and public liability

The table below indicates the level of the Written/Earned premiums by Solvency II line of business.

YE 2025 LoB	Gross (€ 000)*		Ceded (€ 000)		Net (€ 000)	
	Written	Earned	Written	Earned	Written	Earned
Health & Accident	569	476	9	11	560	466
Motor Third Party Liability	9.291	8.963	567	567	8.724	8.396
Motor Own Damage	7.300	7.042	445	445	6.854	6.597
Marine	35	36	19	22	16	14
Fire	2.370	2.265	1.772	1.748	598	517
General Liability	1.526	1.530	428	346	1.098	1.185
Misc.	0	0	0	0	0	0
Total	21.091	20.312	3.240	3.139	17.851	17.173

* Gross data includes policy fees

Table 8: Written/Earned Premiums YE 2025

For comparison purposes, the Written/Earned premiums of the previous valuation date are presented below:

YE 2024 LoB	Gross (€ 000) *		Ceded (€ 000)		Net (€ 000)	
	Written	Earned	Written	Earned	Written	Earned
Health & Accident	504	497	8	8	496	489
Motor Third Party Liability	8.601	8.481	233	230	8.368	8.251
Motor Own Damage	5.734	5.654	155	153	0	0
Marine	38	37	13	12	25	25
Fire	2.496	2.461	1.698	1.674	797	787
General Liability	1.117	1.101	242	239	874	862
Misc.	0	0	0	0	0	0
Total	18.488	18.231	2.349	2.316	10.560	10.414

* Gross data include policy fees

Table 9: Written/Earned Premiums YE 2024

2.1.6 Significant Events during the reporting period and up to the date of the report

The geopolitical situation in Middle East escalated on 28 February 2026 due to the armed conflict. The conflict has caused significant volatility in global energy markets and disruptions to the supply of oil and gas, contributing to increased uncertainty in commodity prices and potential inflationary pressures. Broader consequences have also been observed in financial

markets and global supply chains, particularly affecting energy and transportation sectors, as heightened geopolitical tensions around key shipping routes add to market uncertainty.

Although the Company has no direct exposure, the conflict may still create negative effects on the Cypriot economy. Rising energy prices, fluctuations in foreign exchange rates, increased financial market volatility, supply chain disruptions and intensified inflationary pressures may indirectly impact the operations of the Company. In addition, potential adverse effects on the tourism sector, which constitutes a key pillar of the Cypriot economy, may further influence economic activity and business conditions. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact on the Company's financial position, financial performance and cash flow position.

The Company has given emphasis to implement successful and robust business continuity plans in order to ensure that it will continue to operate efficiently and effectively in the future.

Even if it is a challenging period for all the market, the Company managed to have strong capital structure, good fundamentals and solid continuity plans that allow the Company to sustain its financial and solvency position at a healthy level.

2.1.7 Distribution channel and Customer Service

Hydra Insurance offers insurance services both directly and through its intermediaries.

The Company's mission is to put the customer at the center of all its operations by constantly seeking to develop innovative solutions that exceed the customer's needs. The Company aims to be the insurance company of choice for customers, agents and all other associates, with innovative insurance solutions to satisfy clients' needs with exemplary personalized service.

2.2 Underwriting

In 2025, Hydra Insurance had a€2.3m Net Insurance Results, with the main contributors being the Motor and Liability lines.

Underwriting performance	2025 (€ 000)						
	Health & Accident	Motor	Marine	Fire	General Liability	Misc.	Total
Insurance Revenue	470	16,384	59	2,407	1,343	0	20,663
Insurance Service Expense	242	14,083	32	2,064	510	0	16,931
Insurance Service Result before R/I	227	2,301	27	343	833	0	3,731
Allocation of R/I Paid	7	990	16	1,163	72	0	2,247
Amount Recovered from R/I	1	-172	0	1,018	126	0	974
Net Expense from R/I Contracts	6	1,161	15	145	-53	0	1,273
Insurance Service Result	221	1,140	12	198	886	0	2,458
IFIE	-1	-84	0	-3	-8	0	-96
R/I IFIE	0	-3	0	0	0	0	-3
Net Insurance Financial Result	-1	-86	0	-3	-8	0	-99
Net Insurance Result	221	1,054	12	195	878	0	2,359

Table 10: Underwriting profit 2025

The Company's Insurance Revenue during the year increase to €20,66m compared to €19,13m for the year 2024; mainly driven by the increase in the earned premiums of the Motor line of business. Insurance Service Expense increased to €16,93m during the year compared to €14,82 in 2024.

The table below provides an analysis of the underwriting profit of the Company as at the previous valuation date:

Underwriting performance	2024 (€ 000)						
	Health & Accident	Motor	Marine	Fire	General Liability	Misc.	Total
Insurance Revenue	435	15,171	55	2,228	1,244	0	19,133
Insurance Service Expense	212	12,328	28	1,806	447	0	14,822
Insurance Service Result before R/I	223	2,843	26	422	797	0	4,311
Allocation of R/I Paid	6	796	12	935	58	0	1,807
Amount Recovered from R/I	0	-38	0	227	28	0	217
Net Expense from R/I Contracts	5	834	12	709	30	0	1,590
Insurance Service Result	217	2,009	14	-287	767	0	2,721
IFIE	-3	-265	0	-11	-25	0	-303
R/I IFIE	0	6	0	0	0	0	7
Net Insurance Financial Result	-3	-258	0	-10	-25	0	-296
Net Insurance Result	215	1,751	14	-297	742	0	2,424

Table 11: Underwriting profit 2024

2.3 Investment Performance

The table below indicates the Company's Investment portfolio by asset class.

Investment Portfolio	2025	2024	Evolution
Asset Class	€ 0	€ 0	%
Shares	816	588	38,81%
Cash in Bank	2.454	7.956	-69,16%
Bonds	18.942	14.084	34,50%
Investment Properties	4.705	4.862	-3,23%
Total	26.917	27.490	-2,08%

Table 12: Investments Performance evolution

2.3.1 Investments in Securitization

The Company does not hold any investment in securitization instruments.

2.4 Performance of other Activities

The Company does not carry out any other significant activities other than its insurance and related activities.

2.5 Any other disclosures

There are no other material issues to be disclosed.

3 System of Governance

3.1 General Information on the System of Governance

3.1.1 Structure of Administrative and Management Body

Corporate governance is essential in reinforcing the BoD's oversight role and its independence in making decisions and in the production of transparent and timely information. The Company is committed to implementing a sound governance framework through which objectives are set and the means of attaining these objectives and monitoring performance is determined.

To achieve this, the Company operates within a set of corporate governance principles. These principles require that the Company has:

- Established strategic objectives and a set of corporate values that are communicated throughout the Company.
- Set and enforced clear lines of responsibility and accountability throughout the Company.
- Ensured that BoD members and Senior Management are qualified for their positions, have a clear understanding of their role in corporate governance and are able to exercise sound independent judgment about the affairs of the Company and that Fit and Proper requirements are met.
- Ensured that there is appropriate oversight of the Company's activities by Senior Management.
- Effectively utilized the work conducted by internal and external auditors, as well as other control functions, given their critical contribution to sound corporate governance.
- Ensured that compensation policies and practices are consistent with the Company's ethical values, objectives, strategy and environmental control.
- Conducted corporate governance in a transparent manner.
- Maintained an understanding of the Company's operational structure, including when operating in jurisdictions, or through structures, that impede transparency.
- Continued to balance the needs of its shareholders.

The organizational structure of the Company is presented in the diagram below:

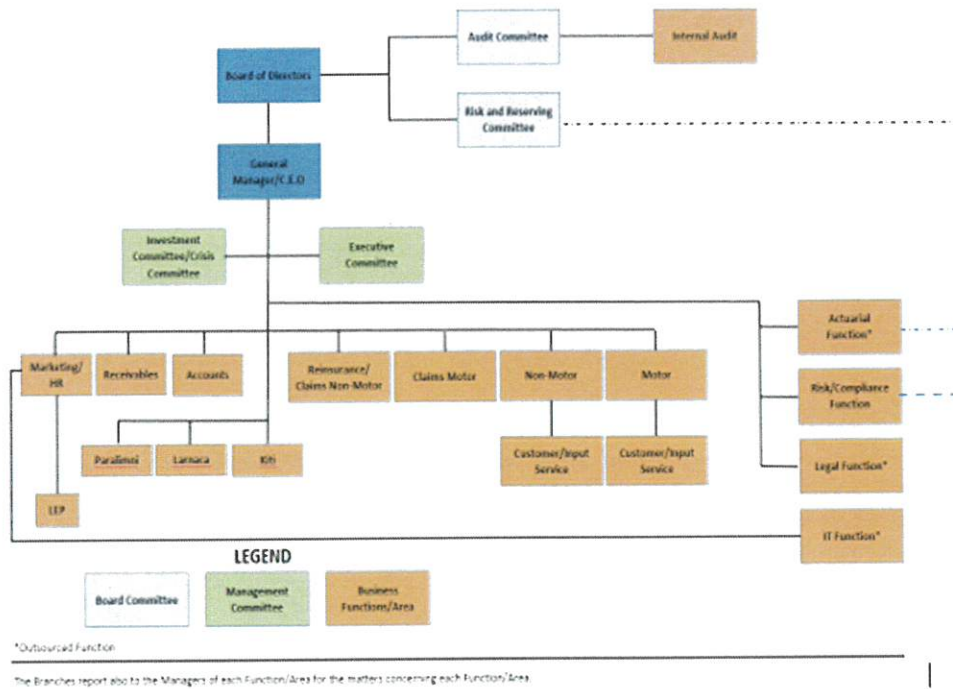


Figure 1: Organizational Structure

The positions of key function holders are the following:

Name	Role
Pavlos Kleanthous	Managing Director
Georgios Athanasiou	Head of Risk and Compliance
Ioannis Kleanthous	Marketing Manager
Thomas Sfyris	Internal Actuary
Michalis Pekris	Financial Controller

Table 13: Key function holders

The Company’s actuarial and internal audit functions have been outsourced to external professionals.

3.1.1.1 Board of Directors

This refers to the controlling body of Hydra Insurance Company, i.e., the BoD which bears the ultimate responsibility for ensuring that Corporate Governance arrangements within the Company are sufficient and appropriate to the size, nature and complexity of its business. The BoD may delegate authority to certain Committees in order that they monitor and oversee specific aspects of the business. Delegating to specialized Committees does not in any way release the BoD from collectively discharging its duties and responsibilities. Specifically, the BoD has regular and robust interaction with the Committees it establishes, requesting information from them proactively and challenging it when necessary.

3.1.1.1.1 Composition of the Board

The Board of Directors of the Company is structured as follows:

Name	Role
Chrysanthos Chrysanthou	President of the Board of Directors
Pavlos Kleanthous	Member of the Board
Ioannis Kleanthous	Member of the Board
Kleanthis Kleanthous	Member of the Board
Polys Kleanthous	Member of the Board
Andreas Kamilaris	Member of the Board
Georgios Stylianides	Member of the Board
Alexis Nicolaou	Member of the Board

Table 14: Composition of the Board

3.1.1.2 Board Committees / Executive Committees

For its more effective operation, the BoD has established the following Committees with oversight responsibility over key functions. The ultimate responsibility and approval of relevant issues remain with the BoD.

Audit Committee

The Committee is accountable to the BoD and shall assist the BoD in meeting its responsibilities in ensuring an effective system of internal control and compliance and for meeting its external financial reporting obligations, including its obligations under applicable laws and regulations and shall be directly responsible on behalf of the BoD for the selection, oversight and remuneration of the external auditor.

The Composition of the Audit Committee is the following:

Name	Role
Chrysanthos Chrysanthou	President of the Board of Directors
Georgios Stylianides	Member of the Board
Alexis Nicolaou	Member of the Board

Table 15: Composition of the Audit Committee

The Committee has the following responsibilities, powers, authorities and discretions:

- Monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgments contained in them.
- Monitor and review the effectiveness of the Internal Audit Function.
- Ensure co-ordination between the internal and external auditors and shall approve the appointment and removal of the head of internal audit.
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process.

- Develop and implement policy on the engagement of the external auditor to supply non-audit services.
- Ensure a timely response is provided to the issues raised in the external auditor's Management letter.
- Ensure the effectiveness of the Company's internal control systems and procedures for compliance with the Company's compliance Manual.
- Meet with the external auditor and with the head of internal audit at least once each year to ensure that there are no unresolved issues or concerns.

Risk and Reserving Committee

The Committee, as an advisory Committee to the BoD assists with the formulation of the Company's overall risk strategies and policies for managing significant business risks and is responsible for designing and implementing the Company's Risk Management Framework. In addition, the Committee ensures that the Company's overall system of internal control operates effectively and monitors and reviews risk exposures and breaches while also monitoring and approving the Reserves.

The Composition of the Risk and Reserving Committee is the following:

Name	Role
Chrysanthos Chrysanthou	President of the Board of Directors
Pavlos Kleanthous	Member of the Board
Ioannis Kleanthous	Member of the Board
Kleanthis Kleanthous	Member of the Board
Polys Kleanthous	Member of the Board
Andreas Kamilaris	Member of the Board
Georgios Stylianides	Member of the Board
Alexis Nicolaou	Member of the Board

Table 16: Composition of the Risk and Reserving Committee

The duties of the Committee are:

- Oversee the development, implementation and maintenance of the Company's overall Risk Management Strategy and Framework and system of internal control.
- Monitor the development and approval of detailed risk policies across the Company, ensuring that these are consistent with the Company's risk appetite and policies.
- Ensure the key risks of the Company are managed cost effectively and within the Company's risk appetite, tolerances and strategies set out in policies approved by the BoD.
- Monitor the volume and value of errors over time, including error trends within a specific area of the business.
- Monitor and review the performance of the Company's RMF.

- Review Management, internal audit and external advisors' reports on the effectiveness and integrity of risk management systems.
- Review and challenge actuarial reserves and advise the BoD on their approval.

Investment Committee

The Committee, as an advisory Committee to the BoD assists with the formulation of the Company's overall investment strategy and policy, oversees and reports on the implementation of the investment strategy, and recommends any material changes to such strategy to the BoD.

The composition of the Investment Committee is the following:

Name	Role
Pavlos Kleanthous	Managing Director
Ioannis Kleanthous	Marketing Manger
George Athanasiou	Head of Risk and Compliance

Table 17: Composition of the Investment Committee

The duties of the Committee are:

- Formulate and recommend to the BoD an overall Investment policy.
- Review the appointment and remuneration of external investment managers and custodians.
- Recommend relevant performance benchmarks to the BoD.
- Monitor performance of investment managers against the benchmarks and against the Investment policy on at least a quarterly basis, ensuring compliance with the Investment policy.
- Monitor as far as possible performance against industry peers.
- Receive and review regular reports from the external investment managers.
- Ensure that the Committee takes a proactive approach to risk management and keeps abreast of emerging trends and concepts.
- Support and/or challenge the work being carried out by the ExCo and the CFO is to ensure that it is appropriate and effective.

Executive Committee

In accordance with best practice and in order to promote the effective operation of management, Senior Management has set up an Executive Committee (ExCo).

The Executive Committee enables the coordination of all internal business areas and functions within the Company and discusses the Company's strategic decisions. In addition, the Executive Committee is responsible for the regular review of the Company's performance, Company's strategy, objectives, business plans and budgets and ensures that any necessary corrective action is taken.

The Committee consists of the key members of the Senior Management team. The Company's Management Committees are proportionate to the Company's size, nature of business and complexity.

3.1.1.3 Key Functions, Roles and Responsibilities (risk-management, compliance, internal audit, actuarial)

In accordance with articles 44, 46, 47 and 48 of Solvency II, the Company has established the following functions to ensure effective oversight of its operations:

- Risk Management
- Compliance
- Internal Audit
- Actuarial

Risk Management

The RMF is responsible for the identification, measurement, management and reporting of the key risks that the Company faces.

It reports to the General Manager. It also has a direct reporting line to the BoD through the Risk and Reserve Committee in order to ensure its operational independence and safeguard its ability to escalate important issues. The RMF is subject to the audit of the Internal Audit Function regarding the adequacy and effectiveness of its control procedures.

The responsibilities of the function are governed by the Risk Management Manual. The Risk Management Manual is approved by the BoD and reviewed annually.

Compliance

The Compliance Function reports to the General Manager.

The main function of the Compliance Function is the establishment and application of suitable procedures for the purpose of achieving a timely and on-going compliance with the existing legal and regulatory framework. The activities and responsibilities of the Function are governed by the Compliance Manual, which is approved by the BoD and reviewed annually.

The function is subject to audit by the Internal Audit Function.

Internal Audit

The Internal Audit function of the Company is administratively independent of any functions which have operational responsibilities and carry out its assignments with impartiality. The Internal Audit function reports to the BoD through the Audit Committee. It does not subordinate to any other operational function of the Company; however, all its reports are communicated to the Company's Senior Management.

The Internal Audit Function is responsible for evaluating the adequacy and effectiveness of the internal control system and other elements of the system of governance. The responsibilities of this function are governed by the Internal Audit Manual, which is approved by the BoD and reviewed annually.

The duties and responsibilities of the Internal Audit Function were assigned to an external audit firm, which reports significant findings and any other matters in an Internal Audit reporting format deemed appropriate to both Senior Management and the Audit Committee.

The Internal Audit Function has the following responsibilities:

- Ensure that the IAF staff is sufficient in number and appropriately trained.
- Ensure that all auditing methodology (including audit objectives, programs and procedures), is documented by the Internal Audit staff.
- Compliance with recommendations is verified with the follow-up procedures.

- Monitor the performance and effectiveness of the Internal Control System.
- Conduct general or sample ex-post audits of the functions and transactions of the Company.
- Evaluate compliance with and the efficiency of risk control / management procedures.
- Evaluate the efficiency of the Company's accounting and information systems.
- Evaluate the efficiency of the organizational structure and reporting lines.
- Evaluate the adequacy of mechanisms set by the BoD.
- Carry out special investigations and special audits in situations where it is possible to relate with suspected fraud.
- Prepare, at least on an annual basis, a risk assessment and audit plan.
- Assess, at least on an annual basis, the need to operate in jurisdictions or through complex structures that reduce transparency.
- Assess the risk management procedures.
- Assess the data upon which the Company has calculated its Pillar 1 and Pillar 2 solvency requirements as well as the data that the actuarial function has used for the valuation of the technical provisions.
- Assess the compliance procedures followed by the Company.
- Assess the Internal Governance System, as well as the Company's Business Continuity and Disaster Recovery Plans.

Senior Management is responsible for risk management and the operation and enhancement of internal control. This includes responsibility for implementing the action plans as endorsed by the Audit Committee.

Actuarial

The Actuarial function reports to the General Manager and to the Risk and Compliance Function. It is subject to the audit of the Internal Audit Function regarding the adequacy and effectiveness of its procedures. It is part of the System of Governance of the Company and must therefore undertake its duties in an objective, fair and independent manner.

The Actuarial function advises the Senior Management and the BoD of the Company on the valuation of the technical provisions, the overall underwriting policy and the reinsurance arrangements and contributes to the effective implementation of the risk-management system. Additionally, it is responsible for the technical pricing of products within the scope defined by the BoD. The responsibilities of the Actuarial Function are governed by the Actuarial Function Manual.

The duties and responsibilities of the Actuarial Function were assigned to an external firm, which reports to the General Manager, Risk and Compliance Function and where necessary, cooperates with other functions to carry out its role.

3.1.2 Three Lines of Defense model

The Corporate Governance framework for the Company is based on the 'three lines of defense model'. The "three lines of defense" model supports the implementation of a robust internal control system and is aligned with the 'four eye principle' that the Company is required to comply with under Article 41 (1) of Level 1 text of Solvency II i.e. the Company is effectively run by at

least two persons. In practice, there is sufficient control and challenge at all levels of the organization.

1st line of defense:

Origination and primary risk management. This refers to the control activities carried out by business line management (i.e. controls within the risk-taking functions, operations, HR, IT etc). These control activities will usually be built into policies, systems, processes and procedures of specific business.

2nd line of defense:

Challenge and risk control. This refers to the bodies that provide challenge and oversight over the activities of the 1st line of defense. These include Risk Management, Actuarial and Compliance Functions which, together with Internal Audit (3rd Line of defense) comprise the Company’s key control functions.

3rd line of defense:

Assurance. This refers to bodies that provide independent and objective assurance of the effectiveness of the Company’s systems of internal control established by the first and second lines of defense. In practice this is the Company’s Internal Audit Function and ultimately the Audit Committee.

The three lines of defense, as implemented in the Company, are presented in the diagram below:

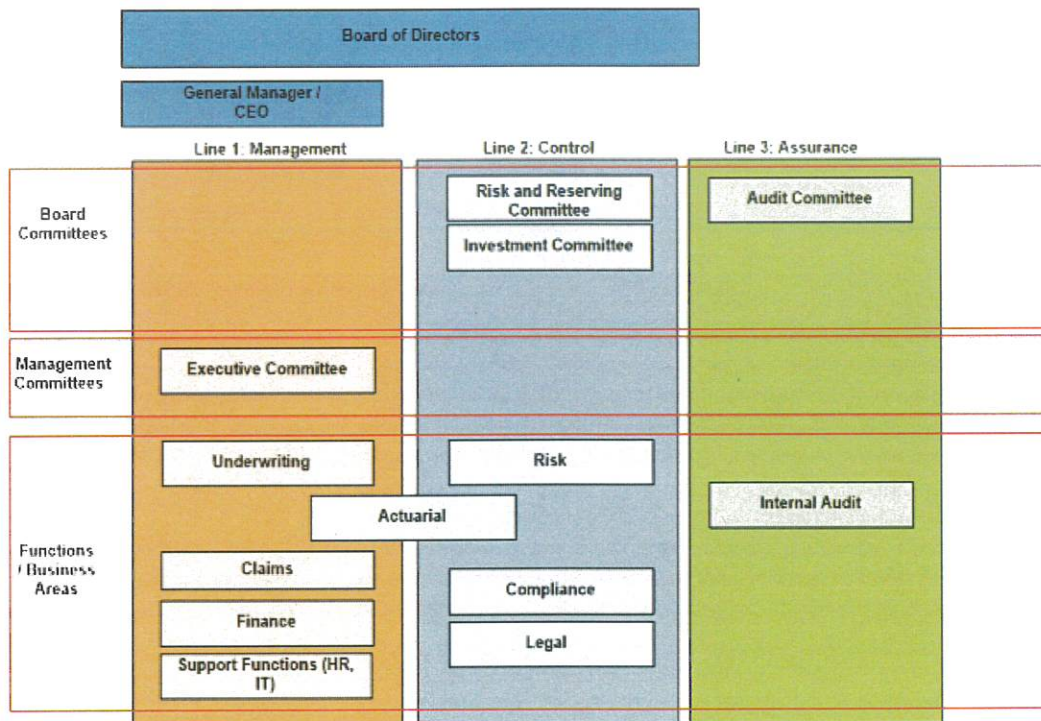


Figure 2: Three lines of defense

3.1.3 Other Material transactions

No other material transaction has taken place during the reporting period.

3.2 Fit and Proper Requirements

In accordance with the supervisory requirements, the company requires that all the persons who effectively run the company and the holders of key functions to be fit and proper, to Conduct and achieve competence.

3.2.1.1 Fitness

In assessing the fitness of a person, his/her professional competence and capability are considered.

The assessment of professional competence covers the assessment of the competence in terms of Senior Management and in the area of business activities carried out by the Company (technical competence).

This assessment is based on the person's previous experience, knowledge, and professional qualifications and should demonstrate due skill, care, diligence and compliance with the relevant standards for the area sector they have worked in.

The Company will have regard to whether the person is competent, and demonstrate, through experience and training, that they are able to perform the key functions. Any previous dismissal or suspensions from employment, including drug or alcohol abuse, may also be considered.

All individuals must maintain their competence for the role they fulfil. The HR function is responsible for ensuring that all individuals receive appropriate training for maintaining their competence.

Professional qualifications applicable to each key function are in line with the supervisory authority's requirements.

With regards to the BoD, the collective knowledge, competence and experience of its members should at a minimum include:

- Market knowledge, i.e. an awareness and understanding of the wider business, economic and market environment in which the Company operates.
- Business strategy and business model, i.e. an appropriately detailed understanding of the Company's business strategy and model.
- System of governance, i.e. the awareness and understanding of the risks the Company is facing and the capability of managing them. Furthermore, the ability to assess the effectiveness of the Company's arrangements to deliver effective governance, oversight and controls in the business.
- Financial and actuarial analysis, i.e. the ability to interpret the Company's financial and actuarial information, identify key issues, put in place appropriate controls and take necessary measures based on this information.
- Regulatory framework and requirements, i.e. an awareness and understanding of the regulatory framework in which the Company operates, and the regulatory requirements and expectations relevant to it and the capacity to adapt to changes which stem from the regulatory framework without delay.
 - By collective knowledge the members of the BoD are not each expected to possess expert knowledge, competence and experience within all areas of the undertaking. However, the collective knowledge, competence and experience of the BoD as a whole has to provide for a sound and prudent management of the undertaking.
 - When changes occur within the BoD, e.g. replacement of one of its members, the undertaking is expected to be able to demonstrate that the collective knowledge of the members of the BoD is maintained on an adequate level so that the sound and prudent management of the undertaking will continue.

3.2.1.2 Propriety

In assessing the propriety of a person, the Company assesses its honesty, integrity, reputation and financial soundness.

The Company may take into account convictions for criminal offences, adverse findings in civil proceedings, or disciplinary actions by regulators in Cyprus or abroad.

The criteria include an assessment of reasons to believe from past conduct that the person may not discharge their duties in line with applicable rules, regulations and guidelines. Such reasons may arise from criminal antecedents, financial antecedents, and supervisory experience with that person or past business conduct. This approach does not imply that all previous infringements will automatically result in a failure to meet the requirements, but rather than they will be assessed on a case-by-case basis by the Company before an appointment and application to the supervisory authority is made.

At application, criminal records checks will be performed for approved persons, and other selected roles. Annual criminal records' checks of approved persons will not be conducted. Approved people will self-certify that they remain proper.

The Company will also consider whether the person has a debt that remains outstanding or was not paid within a reasonable period and/or has been involved in bankruptcy proceedings or other insolvency arrangements.

3.3 Risk Management System

Risk is inherent in the Company's business activities and is linked to strategic and capital decisions. The Company aims, through appropriate risk management, to achieve the Company's business and financial strategy without exceeding set risk tolerances and by considering internal constraints (solvency, liquidity) and external constraints set by regulators and other stakeholders.

3.3.1 Risk Management framework

The Company Risk management framework objectives are to provide:

- A clearly defined and well documented risk management strategy that:
 - Sets the Company's risk management objectives, key risk management principles, overall risk appetite and assignment of responsibilities for Risk across all the activities of the Company.
 - Is consistent with the Company's overall business strategy.
- Adequate written policies that:
 - Include a definition and categorization of the material risks faced by the Company, by type, and the levels of acceptable risk limits for each risk type.
 - Implement the Company's risk strategy.
 - Facilitate control mechanisms.
 - Take into account the nature, scope and time horizon of the business and the risks associated with it.
- Appropriate processes and procedures enable the Company to identify, assess, manage, monitor and report the risks it is or might be exposed to.

The Company's risk management framework is an embedded part of the business and fully interacts with the strategic planning and the capital management process and is the guiding framework for the implementation of the ORSA process.

The risk management framework establishes the mechanism and strategy through which the Company manages risk, taking into account its business objectives and vision, as well as its overall risk appetite. In this way, the risk strategy sets the principles for risk governance, which

in turn feed into the Company's organisational structure for the forming of business functions and Committees, the assignment of roles and responsibilities and the definition of lines of reporting.

Acting on their responsibilities, the relevant functions then prepare or contribute to the preparation of the policies and procedures for the identification, measurement, monitoring and mitigating of the Company's risks, which is achieved through the establishment of the appropriate infrastructure (i.e. information systems and software programs which facilitate the management and measurement of risks). At the same time, a proper and user-friendly infrastructure enables the Company's Senior Management and staff to comply with the set policies and procedures, responding to their duties and responsibilities defined under the organisational structure, and meeting the goals of the Company's risk strategy.

To cascade the strategic framework, the Company has developed specific risk frameworks for each risk category which include the principles, risk appetite, limits and policies for its management. The guiding methodology for these risk processes is documented in the key risks section of this Manual and, in more detail, in the dedicated risk Manuals as stated earlier.

The Company defines key risk categories for mapping risk events into meaningful groups. The risk categories align with regulatory requirements, and with the Company's risk profile and activities and are the following:

- Underwriting risk and Reserving Risk
- Credit risk
- Investment (Market) risk
- Operational risk (includes legal and compliance risk)
- Asset Liability risk
- Liquidity risk
- Concentration risk
- Strategic risk
- Reputational risk

The Company's risk categories are further broken into sub-categories of risks that are precise, specific and mutually exclusive. These sub-categories are used for identifying and assessing existing and emerging risk exposures as part in the risk management process and are registered in the Company's risk register. The aggregation of risk exposures into the above categories creates the risk profile of the Company.

3.4 Own Risk and Solvency Assessment

Hydra Insurance has as an integrated part of its business strategy, a regular practice of assessing the Company's overall solvency needs with a view to its specific risk profile (Own-risk and Solvency Assessment or ORSA). Other than fulfilling a potential requirement of Solvency II, Hydra Insurance is also performing the ORSA exercise in order to comply with the requests of the Cyprus Insurance Services Control Department.

The strategies and practices shall be subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities of the Company.

3.4.1 Process

ORSA can be defined as the entirety of the processes and procedures employed by Hydra Insurance to identify, assess, monitor, manage, and report the short- and long-term risks which the Company faces or may face in the future, and to determine the own funds necessary to ensure that its overall solvency needs are met at all times.

This last ORSA of Hydra Insurance performed had reference date the 31st December 2024.

The ORSA process and report is clearly owned and approved by the Board of Directors of Hydra Insurance.

From the Company's perspective, the benefits from implementing ORSA are the following:

- Enhancing the BoD and Senior Management's ability to understand the risks faced and set the appetite.
- Analysing how its risk situation may change according to external factors or its own business plans in the longer term.
- Identifying the major issues affecting its overall solvency needs.
- Enabling the Company to understand impact on capital under different stress testing scenarios.
- Enhancing the linkage between strategy, risk and capital e.g. through capital planning and stress testing; and
- Strengthening the Company's ability to evaluate and document its risks and substantiate appropriate capital allocation.

3.5 Internal Control System

Internal Control is an important aspect of corporate governance which is run by the Risk and Compliance department and is fundamental to the safe and sound management of the Company. Notably, effective internal controls can:

- Protect and enhance the shareholders' value.
- Reduce the possibility of unexpected losses or damage to its reputation.
- Reduce the possibility of significant errors and irregularities and assist in their timely detection when they do occur.

The internal control system is people-dependent and for this reason every member of the Company has a significant role for its effective execution since its strength depends on people's attitude toward internal control and their attention to it. More specifically:

- The BoD is responsible for setting the strategy, tone, culture and values of the Company.
- Management, Risk and Compliance function and the Actuarial function design policies and procedures to ensure that an effective internal control system is established within the Company.
- The Internal Audit function monitors the effectiveness of the internal control system.

In accordance with the standardized framework for internal control used by COSO, there are five interrelated components of effective internal control, which are discussed in the following sections:

- Control Environment
- Risk Assessment
- Control Activities
- Reporting
- Monitoring

The Company has established three lines of defense model for assessing its internal control system as this is described in section 3.1.2.

3.6 Outsourcing Arrangements

The Company has a documented framework for the management and monitoring of outsourcing activities.

The main activities outsourced by the Company are the following:

- Actuarial Function.
- Internal Audit Function.
- Motor Assistance.
- IT services.
- Legal services.

In order to get the final approval of the outsourcing service, a detailed examination is performed to allow the Company to understand the main risks that might arise from the outsourcing and identify the most suitable strategies for the mitigation / management of these risks and ensure that the service provider has the ability, capacity and any authorization required by law to perform the outsourced activities reliably and professionally. For any critical or important functions or activities approval is required from the BoD.

4 Risk Profile

According to the Solvency directive, the Company is required to maintain enough capital in order to cover its Underwriting, Market, Credit and Operational risks. The Solvency Capital Requirement (SCR) is the amount of capital that the Company has to hold in order to be able to meet its obligations to both its policyholder and shareholders over the next year with a confidence level of 99,5%.

For the purposes of estimating risk exposure, the Pillar 1 methodology (Standard formula) under Solvency II Directive is used to quantify the key risks and assign capital. Based on the results of the Pillar 1 exercise as at 31st December 2025, the Company has allocated capital to various risks and has achieved a Solvency Coverage Ratio of 259,17% which is well above the Company's target.

The table below summarizes the capital requirement as at the valuation date: (same as table 3)

Type of Risk	31/12/2025
	€ 000's
<i>Interest rate</i>	733
<i>Equity risk</i>	706
<i>Property risk</i>	1.111
<i>Spread risk</i>	905
<i>Concentration risk</i>	0
<i>Currency risk</i>	0
<i>Counter - Cyclical Premium</i>	0
<i>Diversification Market Risk</i>	-959
Market Risk	2.495
Counterparty risk	1.144
Health Non-SLT Underwriting	138
Non-life Underwriting	4.460
Life Underwriting	0
<i>Diversification BSCR</i>	-1.929
BSCR	6.308
Operational Risk	609
Tax adjustment	-535
SCR Total	6.382
Available Capital	16.539
SCR (%)	259,17%

Table 18: Risk Type – Capital Requirement

4.1 Insurance (Underwriting) Risk

The Company is exposed to various insurance risks that arise from its underwritings activities. The main types of insurance risks that the Company is exposed to are non-life risk and health risk.

A standardised approach in line with the EIOPA specifications was used by the Company for calculating the Solvency Capital Requirement for non-life and health underwriting risks.

Based on the results of the Pillar 1 exercise for Year 2025, the total diversified Non-Life underwriting risk is €4,5m out of which €4,25m derives from Premium and Reserve Risk,

€0,37m derives from Lapse Risk and €0,61m derives from Catastrophic Risk (including the diversification effect), while the total diversified Health underwriting risk is €0,14m.

Underwriting Risk	Capital Requirement 31/12/2025
	€ 0
Health Risk	
Premium & Reserves Risk	138
Health Catastrophe	0
Diversification effect	0
Total Health Diversified	138
Non-Life Risk	
Premium & Reserves Risk	4.253
Lapse risk	373
Catastrophe Risk	608
Diversification effect	-774
Total Non-Life Risk Diversified	4.460

Table 19: Underwriting risk – Diversified Capital Requirement

Premium risk is the risk resulting from fluctuations in the timing, frequency and severity of insured events. It relates to policies to be written (including renewals) during the period, and to unexpired risk of existing contracts. Hydra’s exposure to premium risk mainly comes from its dependency on Motor and to a smaller extent to Fire insurance, which both contribute by around 90% to the Company’s premium income (as indicated in the figure below).

Gross Written Premiums

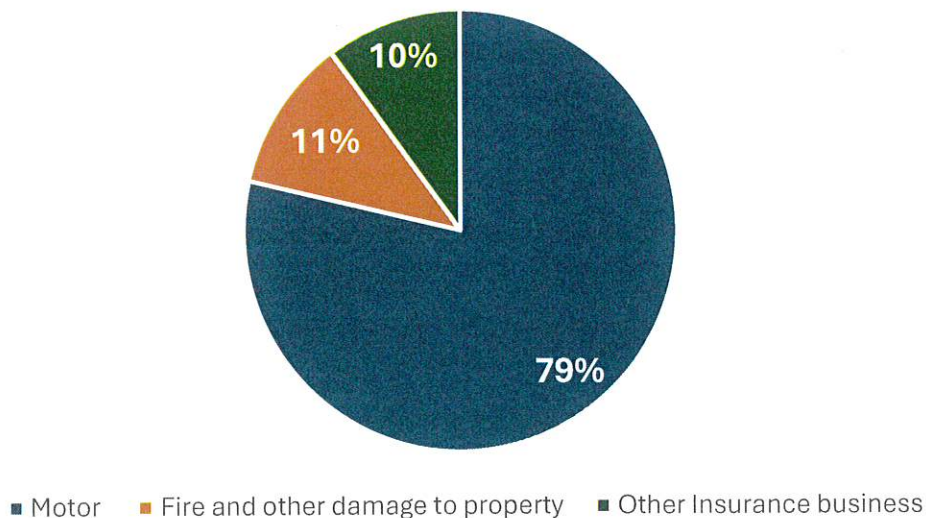


Figure 3: Total Gross Written Premiums

Dependency on motor insurance also increases the risk of low profitability due to the Claims Ratios observed with motor insurance.

Reserve risk is the risk that results in fluctuation in the timing and amount of claims settlements. Hydra Insurance, like all other insurance undertakings, is also exposed to Reserve risk mainly

due to the nature of the industry, which increases the risk for the correct quantification and development of claims.

The Company's exposure to Catastrophe Risk stems from extreme or irregular events that are not sufficiently captured by the capital requirements for premium and reserve risk. The total diversified gross catastrophe risk consists of Natural Catastrophes and Man-made Catastrophes. In Cyprus the only peril with regards to natural catastrophes is earthquake.

4.1.1 Insurance Risk Mitigation Techniques

To mitigate its exposure to Insurance risk to less material levels, Hydra Insurance performs the Claims management and Reserving tasks in cooperation with expert external professionals, who evaluate reserves and claims provisions, taking into consideration the Company's risk profile, policies and procedures.

In addition, the Company's management together with other staff with underwriting responsibilities, determine the Company's pricing policy, taking into consideration exposure to underwriting risk.

The Company transfers its exposure to catastrophic risk using reinsurance arrangements with reputable providers.

The company has employed an Internal legal Consultant who has helped to further improve the procedures and controls of the legal and claims departments.

4.2 Market Risk

Market Risk is the risk of loss or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the level and in the volatility of market prior of assets, liabilities and financial instruments.

With regards to Market Risk, the Company is mainly exposed to Concentration Risk, Equity, Property and Spread risk. The total diversified Market Risk Capital Requirement, as per the results of the Pillar 1 for Year 2025, is approximately €2,50m while the non-diversified Capital Requirement of the Market risk's components is detailed below:

Market Risk	Capital Requirement 31/12/2025
	€ 0
Interest rate risk	733
Equity risk	706
Property risk	1111
Spread risk	905
Currency risk	0
Concentration risk	0
Diversification effect	-959
Total Market Risk Diversified	2.495

Table 20: Market Risk – Diversified Capital Requirement

Concentration risk is defined as all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of insurance and reinsurance undertakings.

The total Concentration Risk Capital Requirement for Hydra Insurance as at 31st of December 2025, is approximately €0m.

Property risk is the sensitivity of the values of assets, liabilities and financial instruments to change in the level or in the volatility of market prices of real estate.

The total Property Risk Capital Requirement for Hydra Insurance as at 31st of December 2025, is approximately €1,11m.

4.2.1 Mitigation Techniques

Overall, the Company management has adopted the following policies and controls to mitigate its exposure to concentration risk.

To mitigate the risk of single counterparty default and reduce the impact high concentrations have on the Company's Solvency II capital requirements, the Executive Committee has set a limit to the maximum acceptable exposures, in line with the Company's investment policy. Part of the Company's risk appetite includes the following:

- Total deposits placed in approved banks should not exceed 60% of Company's Total Assets.
- The aggregate exposures to individual financial institutions should not exceed the predetermined Company's limits

Investments in financial assets and equities are monitored by the Investment Committee and approved by the BoD and are in line with the Company's Investment Policy. Equity participation is in line with pre-determined limits.

Investments in properties are also closely monitored by the Investment Committee and approved by the BoD and are in line with the Company's Investment Policy. The Company has no plans to increase its property assets and aims at maintaining a low level of property risk.

4.3 Credit Risk

Credit risk is the risk of loss, or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations.

Based on the risk assessment exercise, the Company has the following exposures with respect to credit risk:

- Exposure to counterparties including financial institutions, intermediaries and reinsurance providers.
- Concentration of financial assets to poorly rated or unrated financial institutions.

The counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit standing of the counterparties and debtors of the Company. Counterparty risk includes the exposures with the Company's:

- Intermediaries (agents and brokers)
- Reinsurance providers
- Other debtors (clients and other balances)

The Company's exposure to Counterparty Default Risk is mainly due to the high concentration of its assets to Cypriot Banks and due to the outstanding balances with its intermediaries.

The Company's exposure to credit risk with regards to counterparty default risk has also been quantified using the Pillar 1 methodology which is based on Delegated Regulation (EU) 2015/35 released on the 10th October 2014. For 2025, based on the results of the Pillar 1, the total diversified Counterparty Default risk under Solvency II is estimated to be €1,14m.

Counterparty Default Risk	Capital Requirement 31/12/2025
	€ 0
Counterparty default risk of type 1 exposures	775
Counterparty risk of type 2 exposures	441
Diversification effect	-72
Total Counterparty Default Risk	1.144

Table 21: Counterparty Default Risk – Capital Requirement

The class of type 1 exposures covers the exposures which are not diversifiable and where the counterparty is usually rated e.g. reinsurance arrangements, securitizations and derivatives, cash at bank etc.

The Company is exposed to Counterparty default type 1 exposures through its deposits in Banks and reinsurance arrangements.

The class of type 2 exposures covers the exposures which are usually diversified and where the counterparty is unrated e.g. receivables from intermediaries, policyholder debtors etc.

The Company is exposed to Counterparty default type 2 exposures through its receivables from policyholders and intermediaries.

4.3.1 Credit Risk Mitigation Techniques

In order to deal with the Company's exposure to Counterparty Risk, the management has adopted the following policies and controls set by the Company's management, and approved by the BoD, to mitigate its exposure to credit counterparty risk, and ensure compliance with the Company's risk appetite:

- Engagement exclusively with counterparties that have a long-term rating of at least CCC (or equivalent) in Cyprus and A- abroad with a recognized external credit rating agency. Also, exposures to single name financial institution should not exceed the predetermined large exposure limit
- Cover is placed through reputable, professional reinsurance providers with minimum long-term credit ratings of A-, Investment Grade Bonds BBB minimum and exposures to single name reinsurers should not exceed the predetermined large exposure limit
- Exposures to unrated counterparties should not exceed 15% of the Company's overall counterparty exposure and meet capital requirements
- With regards to its intermediaries, management has formed strict policies and procedures in order to reduce and monitor intermediaries' exposures in the future through monitoring receivables in accordance with the guidelines issued by the Company's Collection Department, Escalation procedures for BoD notification, etc.
- The Company's Risk and Compliance Function is closely monitoring customers and intermediaries with deteriorating financial standing.

4.4 Liquidity Risk

Liquidity Risk is the risk that the Company will be unable to realize investments and other assets in order to settle its financial obligations when they fall due.

Liquidity risk arises if there are circumstances where the Company has insufficient liquid or readily realizable assets to meet its commitments and is forced to rely on assets that cannot be

realized at short notice at a reasonable value. Liquidity risk arises from both the assets (source of liquidity) and the liabilities (use of liquidity) of the Company.

4.4.1 Liquidity Risk Mitigation Techniques

To control and maintain its exposure to Liquidity risk at its current low levels, the Company takes the following mitigating steps:

- It maintains a pool of liquid assets sufficient to meet short term liquidity demands of up to 3 months, as well as a buffer for unexpected cash demands.
- Its liquid assets consist primarily of high liquidity instruments in the form of Cash and Term deposits. The size and composition of the liquid asset portfolio is determined by the Company's management and is approved by the Company's Investment Committee in order to be in line with the Company's Investment Policy.
- Lastly its liquid assets are regularly reviewed, and it is ensured that the value of the liquid asset buffer is stable under normal and stressed market conditions.

4.5 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

As per Pillar 1 results for year 2025, Capital Requirements for Operational risk amounted to €0,61m.

The Board bears ultimate responsibility for setting the operational risk appetite and strategy and for the management of operational risk, while the overall oversight of the operational risk policy lies with the Company's Audit and Risk Reserving Committee. Maintenance of the operational risk policy and day-to-day monitoring of compliance with the limits determined within the Company's overall risk framework, lies with the Risk and Compliance Function.

Operational Risk management in Hydra is centered on a measurement and control system. The objective is to manage the operational risk that the Company is exposed to in order to ensure minimization of losses, through monitoring, early identification and assessment of exposure to operational risk.

4.5.1 Operational Risk Mitigation Techniques

To mitigate exposure to Operational Risk, the Company's management in cooperation with the Risk and Compliance Function have formed procedures to deal with such as adequately and effectively as possible.

The Company's Internal Audit function has assessed the effectiveness and suitability of the Company's processes and has made suggestions in the case where problematic areas and trigger events were increasing the Company's exposure to Operational Risk.

4.6 Other Material Risks

4.6.1 Regulatory Risk

Regulatory risk is the risk of adverse effects resulting from non-compliance with the statutory and other legislation and regulations in place.

Based on the risk assessment exercise, post-mitigation exposure to this risk is considered to be low. The Company always strives to comply with the authority's requirements and the regulator's guidelines. Where additional advice in relation to compliance with the laws and regulations, the Company is also acquiring professional advice from external consultants.

Compliance with the requirements of the regulatory authorities is ensured through regular meetings of the relevant members of the Executive Committee in cooperation with the Company's external consultants.

4.6.2 Political Risk

Political risk is the risk of unfavorable political conditions, new legislation / taxation, terrorism, or other political problems.

The Company's financial performance is indirectly linked to political conditions. For example, government decisions and legislation may have an impact on the potential for new business income for the Company.

Political instability is a factor which no one can influence in advance, and the Company cannot have any controls in place to protect itself from it. However, the political environment in Cyprus is more closely regulated by the European authorities and hopefully any risks of political instability will be reduced.

4.6.3 Business and Reputational Risk

The Company's exposure to Business Risk comes mainly from a capital perspective and relates to inability of the Company to raise capital when unexpectedly required, during microeconomic depression.

Exposure to Business Risk is considered significant also due to the Reputational Risk that is faced by all insurance and other undertakings in the financial services sector. Adverse events like dissatisfied customers or conduct of unauthorized activities could harm Hydra's perception as a reputable insurance provider.

The management is continuously monitoring the Company's solvency position and capital availability which is at the moment above the required level, and it is keeping capital buffers in case of any unexpected event.

To mitigate exposure to Reputational Risk, the Company's management has created and enforced strict codes of conduct and Company policies which are implemented throughout the organization.

In addition, the Company's management has set up a Customer Services department which operates in line with the Company policies and deals with any potential customer complaints in accordance with the Complaints handling manual.

4.7 Risk Sensitivities

Stress is an adverse development of an individual risk factor or event. It demonstrates its effect on corresponding key performance indicators and gives an insight of the company's exposure or vulnerabilities based on these exceptional adverse but possible developments.

In the insurance sector, stress testing is used to demonstrate the effect of such rare events on key financial performance indicators such as the solvency ratio, earnings, liquidity, etc.

4.7.1 Stress Tests and Sensitivities

The following stress scenarios were performed as part of the Company's 2024 Own Solvency Risk Assessment (ORSA):

Scenario 1 assumes an increase in the loss ratio of the motor business by 35% in 2025, 30% in 2026 and 20% in 2027, due to climate change and Inflation rises. As a result, there is a reduction in the Company's Available Capital accompanied by an increase in SCR in 2025 and 2026, with a slight decrease in 2027, from the increase of non-life underwriting risk arising from the increase in net outstanding claims.

Scenario 2 assumes that the Company will experience an increase of expenses for all lines of business by 30% in 2025, 25% in 2026 and 20% in 2027. As a result, there is a reduction in the Company's operating profits.

Scenario 3 assumes that the outstanding receivables from the Company's Debtors are to be non-recoverable and essentially written off by 80% in 2025, 2026 and 2027. As a result of this scenario, the Company's required solvency capital has decreased from 2025 to 2027.

Scenario 4 assumes the Eurobank Group will default in 2025 and Bank of Cyprus will downgrade by 1 credit quality step in 2025. As a result of this scenario, there is a reduction in the Company's Available Capital arising from the default of the Eurobank Group in 2025. SCR is also increased mainly due to the increase in Counterparty Risk as a result of downgrading Bank of Cyprus credit ratings by one credit quality step in 2025.

Scenario 5 assumes that the Company will experience a decrease in sales by 40% in 2025 and 40% decrease in the market values of properties in 2025 due to economic crisis. The Company's written premiums will decrease by 40% in 2025 and the market values of properties will decrease by 70% in 2025. As a result, the Company's Available Capital is reduced. The reduction is caused by the consequent reduction in the Company's Assets from the decrease in market values of properties and the decrease in sales from all lines of business. It is assumed that for all the forecast period the loss absorbing capacity of deferred tax (LACDT) will be zero. This is because in 2025 the Company under this scenario is projected to be making losses, as a result, the future profits of the company will not be enough the following five years to support a positive loss absorbing capacity of deferred taxes.

Scenario 6 assumes that the Company will experience a decrease in sales by 40% in 2025, 30% in 2026 and 20% in 2027 and 60% decrease in the market values of properties in 2025 due to economic crisis. The Company's written premiums will decrease by 40% in 2025, 30% in 2026 and 20% in 2027 and the market values of properties will decrease by 40% in 2025.

As a result, the Company's Available Capital is reduced. The reduction is caused by the consequent reduction in the Company's Assets from the decrease in market values of properties and the decrease in sales from all lines of business. It is assumed that for all the forecast period the loss absorbing capacity of deferred tax (LACDT) will be zero. This is because in 2025 the Company under this scenario is projected to be making losses, as a result, the future profits of the company will not be enough the following five years to support a positive loss absorbing capacity of deferred taxes.

Scenario 7 is a severe stress test since the previous stress tests do not have a material impact on Hydra as they do not affect its Solvency position dramatically.

Under this scenario, it was assumed that all of the following extreme scenarios happen at once:

- Default of all domestic banks in 2025 and therefore the Company must impair its bank deposits for these specific counterparties by 100%.
- Receivables will not be received and therefore are written off by 40% in 2025, 20% in 2026 and 10% in 2027.
- The Company will experience an increase in the loss ratio of the motor line of business by 45% in 2025.

It is assumed that for all the forecast period the loss absorbing capacity of deferred tax (LACDT) will be zero.

The table below indicates the impact on the Solvency Coverage Ratio and the Minimum Coverage Ratio of the above scenarios:

Solvency II Capital Coverage (%)						
	2025		2026		2027	
	SCR(%)	MCR(%)	SCR(%)	MCR(%)	SCR(%)	MCR(%)
Base Scenario	243,5%	418,2%	250,9%	454,2%	260,2%	496,4%
Scenario 1	202,7%	353,5%	183,2%	334,0%	178,3%	337,5%
Scenario 2	231,6%	395,6%	230,5%	413,3%	234,5%	441,6%
Scenario 3	231,4%	392,8%	225,8%	401,5%	223,0%	414,6%
Scenario 4	234,3%	405,9%	242,7%	441,9%	252,2%	484,1%
Scenario 5	226,8%	310,3%	215,5%	264,4%	177,8%	220,9%
Scenario 6	221,2%	297,0%	198,7%	213,5%	116,6%	103,4%
Scenario 7	165,4%	284,0%	177,4%	314,3%	189,5%	353,0%

Table 22: Stress scenarios as part of the 2025 ORSA

5 Regulatory Balance Sheet (Valuation for Solvency purposes)

5.1 Assets

As at 31 December 2025, the company held the following Assets:

Assets	Solvency II Value € 000's	Statutory Accounts Value € 000's
Other intangible assets	0	40
Property, plant & equipment held for own use	653	653
Investments (other than assets held for unit-linked funds)	24.464	24.464
Reinsurance recoverables	339	162
Intermediaries recoverables & Insurance recoverables (excluding Intermediaries)	0	0
Insurance recoverables (excluding Intermediaries)	3.367	3.367
Deferred acquisition costs	0	486
Receivables (trade, not insurance)	124	124
Cash and cash equivalents	2.489	2.489
Total Assets	31.436	31.785

Table 23: Assets

As the table above indicates, the goodwill, deferred acquisition costs, other intangible assets and intermediaries recoverable & insurance recoverable are not recognized as an asset in the Solvency II valuation rules.

5.2 Technical Provisions

5.2.1 Summary of Technical Provisions

The table below illustrates the premium and claim provision for the calculation of the Gross Best Estimate as well as the Risk margin for the calculation of the Gross technical provision:

Gross Technical Provisions €000's	Premiums provisions	Claims Provisions	Gross Best Estimate	Risk Margin	Gross Technical Provisions
Accident	106	54	160	5	165
Motor vehicle liability	3.259	2.923	6.182	248	6.430
Other motor	2.558	2.296	4.854	195	5.049
Marine, aviation and transport	5	0	5	0	5
Fire and other damage to property	513	159	671	13	685
General liability	206	236	441	20	461
Miscellaneous financial loss	0	0	0	0	0
Total	6.646	5.668	12.314	481	12.796

5.2.2 Valuation Basis, Methods and Main Assumptions

The Company is calculating the Technical Provisions using Actuarial techniques and full cash flow models as per Solvency II requirements. Specifically:

- Actuarial Chain Ladder methods have been incorporated in calculating the Incurred But Not Reported and Incurred But Not Enough Reported Claim amounts
- An Unallocated Loss Adjustment Expense calculation has been carried out in order to reserve for the expense that will be incurred until the outstanding and IBNR claims are paid out
- Premium Provisions have been calculated at a Policy-by-Policy level. For each policy the cash inflows and cash outflows have been calculated and then discounted using EIOPA provided risk-free rates

5.2.3 Comparison between Solvency II and the IFRS valuation

The difference between the IFRS and the Solvency II technical provisions is due to:

- Different bases
- Discounting of future cash flows

The table below summarizes the Technical Provisions under Solvency II and IFRS.

Gross Technical Provisions	Solvency II Value	Statutory Accounts Value
	€ 000's	€ 000's
Gross technical provisions – non-life (excluding health)	12.631	13.113
TP calculated as a whole (Best estimate + Risk margin)	0	0
Best Estimate	12.154	0
Risk margin	476	0
Gross technical provisions – health (similar to non-life)	165	320
TP calculated as a whole (Best estimate + Risk margin)	0	0
Best Estimate	160	0
Risk margin	5	0
Total Technical Provisions	12.796	13.433

5.2.4 Transitional measures: Matching Adjustment

Not applicable.

5.2.5 Transitional Measures: Volatility Adjustment

Not applicable.

5.2.6 Transitional measures: Risk Free Interest Rate

Not applicable.

5.2.7 Transitional measures: Impact

Not applicable.

5.2.8 Reinsurance Recoveries

The table below indicates the reinsurance recoverable by line of business. These represent the difference between the gross and net provisions.

Line of Business	Reinsurance Recoverables € 000's
Accident	8
Motor vehicle liability	0
Other motor	0
Marine, aviation and transport	1
Fire and other damage to property	219
General liability	110
Miscellaneous financial loss	0
Total	339

Table 24: Reinsurance Recoverables

5.2.9 Risk Margin

The risk margin (in accordance with the Solvency II framework) is designed to ensure that the value of technical provisions is equivalent to the amount that a third undertaking would be expected to require in order to take over and meet the Company's insurance obligations.

The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the Company's reinsurance obligations over their lifetime thereof. This rate, called the cost-of-capital, is prescribed at 6%.

The method used is method 3 as specified in Guideline 61 of the "EIOPA guidelines on the valuation of technical provisions". More specifically, for each future year we have used a proportional method (based on the development of the best estimate) to estimate the future SCRs.

The risk margin is allocated to the individual lines of business using the simplification outlined in Guideline 63 of the EIOPA guidelines on the valuation of technical provisions.

5.3 Other Liabilities

5.3.1 Summary of the valuation of Other Liabilities

As at 31 December 2025, the Company held the following liabilities:

Liabilities	Solvency II Value	Statutory Accounts Value
	€ 0	€ 0
Gross technical provisions – non-life (excluding health)	12.631	13.113
TP calculated as a whole (Best estimate + Risk margin)	0	0
Best Estimate	12.154	0
Risk margin	476	0
Gross technical provisions – health (similar to non-life)	165	320
TP calculated as a whole (Best estimate + Risk margin)	0	0
Best Estimate	160	0
Risk margin	5	0
(Re)insurance accounts payable	606	606
Insurance & Intermediaries Payables	163	163
Deferred tax liabilities	370	326
Amounts owed to credit institutions	0	0
Payables (trade, not insurance)	591	591
Any other liabilities (excluding subordinated liabilities), not elsewhere shown	371	371
Total Liabilities	14.896	15.490

Table 25: Liabilities

5.4 Alternative Valuation Method

The Company does not use any alternative methods for valuation.

5.5 Any other disclosures

None.

6 Capital Management – Annex – Quantitative Reporting Templates S (QRTs)

6.1 Own Funds

The objective of the Company is to always maintain sufficient own funds to cover the Minimum Capital Requirement and the Solvency Capital Requirement. As at 31/12/2025, the Company's own funds amounted to €16,54m and are mainly comprised of ordinary share capital and reserves. The total Own Funds represent 413,49% of the MCR and 259,17% of the SCR.

Basic Own Funds	Total € 000's	Tier 1 – unrestricted € 000's
Basic Own Funds		
Ordinary share capital (gross of own shares)	2.565	2.565
Surplus funds	0	0
Reconciliation reserve	13.974	13.974
Subordinated liabilities	0	
Total basic own funds after deductions	16.539	16.539
Ancillary own funds		
Available and eligible own funds		
Total available own funds to meet the SCR	16.539	16.539
Total available own funds to meet the MCR	16.539	16.539
Total eligible own funds to meet the SCR	16.539	16.539
Total eligible own funds to meet the MCR	16.539	16.539
SCR	6.382	
MCR	4.000	
Ratio of Eligible own funds to SCR	259,17%	
Ratio of Eligible own funds to MCR	413,49%	

Table 26: Own Funds

The Company's Own Funds are not subject to transitional arrangements and as the table above indicates, the Company has no ancillary Own Funds. Furthermore, no deductions are applied to the Own Funds, and no material restrictions affect their transferability and availability.

6.2 Solvency Capital Requirements and Minimum Capital Requirement

The Company's Solvency Capital Requirement is €6,38m and its Minimum Capital Requirement is €4m.

Key Risk	Risk Type	Solvency Capital Requirements €000
	Total Non - Life Underwriting Risk	4.460
Non - Life Underwriting Risk	Non - Life premium and reserve risk	4.253
	Non - Life Lapse Risk	373
	Non - Life CAT Risk	608
	Diversification effects	-774
	Total Market Risk	2.495
Market Risk	Interest rate risk	733
	Equity risk	706
	Property risk	1.111
	Spread risk	905
	Currency risk	0
	Concentration risk	0
	Illiquidity premium risk	0
	Diversification effects	-959
	Counterparty Default Risk	1.144
Counterparty Default Risk	Counterparty default risk of type 1 exposures	775
	Counterparty default risk of type 2 exposures	441
	Diversification effects	-72
	Health Underwriting Risk	138
Health Underwriting Risk	Non-SLT Health (similar to non-life technique)	138
	Health CAT	0
	Diversification effects	0
Basic Solvency Capital Requirement (BSCR) pre diversification		8.369
Diversification Effect		-1.978
Basic Solvency Capital Requirement (BSCR)		6.391
Operational Risk		609
Adjustment for Deferred taxes		-452
Capital at Risk	SCR	6.382
	MCR	6.382

Table 27: SCR and MCR

For the calculation of the SCR and the MCR the Company uses EIOPA's Solvency II Standard Formula.

6.3 Use of Duration-based Equity Risk Sub-Module in the Calculation of the SCR

The Company does not use the equity risk sub-module for the calculation of the SCR.

6.4 Differences between the Standard Formula and any Internal Model used

The Company does not use an internal model for the calculations of the SCR and its MCR.

6.5 Non-Compliance with the MCR and Non-Compliance with the SCR

The Company complies with both the SCR and the MCR.

6.6 Any other disclosures

None.

Appendix A – Balance Sheet (S.02.01.01)

	Solvency II value C0010
Assets	
Intangible assets	R0030 -
Deferred tax assets	R0040 -
Pension benefit surplus	R0050 -
Property, plant & equipment held for own use	R0060 652,781
Investments (other than assets held for index-linked and unit-linked contracts)	R0070 24,463,666
Property (other than for own use)	R0080 4,705,000
Holdings in related undertakings, including participations	R0090 -
Equities	R0100 564,203
Equities - listed	R0110 564,203
Equities - unlisted	R0120 -
Bonds	R0130 18,942,192
Government Bonds	R0140 5,888,529
Corporate Bonds	R0150 13,053,663
Structured notes	R0160 -
Collateralised securities	R0170 -
Collective Investments Undertakings	R0180 252,271
Derivatives	R0190 -
Deposits other than cash equivalents	R0200 -
Other investments	R0210 -
Assets held for index-linked and unit-linked contracts	R0220 -
Loans and mortgages	R0230 -
Loans on policies	R0240 -
Loans and mortgages to individuals	R0250 -
Other loans and mortgages	R0260 -
Reinsurance recoverables from:	R0270 338,903
Non-life and health similar to non-life	R0280 338,903
Non-life excluding health	R0290 330,834
Health similar to non-life	R0300 8,069
Life and health similar to life, excluding health and index-linked and unit-linked	R0310 -
Health similar to life	R0320 -
Life excluding health and index-linked and unit-linked	R0330 -
Life index-linked and unit-linked	R0340 -
Deposits to cedants	R0350 -
Insurance and intermediaries receivables	R0360 3,367,485
Reinsurance receivables	R0370 -
Receivables (trade, not insurance)	R0380 123,799
Own shares (held directly)	R0390 -
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400 -
Cash and cash equivalents	R0410 2,488,999
Any other assets, not elsewhere shown	R0420 -
Total assets	R0500 31,435,633

	Solvency II Value
Liabilities	
Technical provisions – non-life	R0510 12,795,582
Technical provisions – non-life (excluding health)	R0520 12,630,776
Technical provisions calculated as a whole	R0530 -
Best Estimate	R0540 12,154,302
Risk margin	R0550 476,474
Technical provisions - health (similar to non-life)	R0560 164,806
Technical provisions calculated as a whole	R0570 -
Best Estimate	R0580 160,181
Risk margin	R0590 4,625
Technical provisions - life (excluding index-linked and unit-linked)	R0600 -
Technical provisions - health (similar to life)	R0610 -
Technical provisions calculated as a whole	R0620 -
Best Estimate	R0630 -
Risk margin	R0640 -
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650 -
Technical provisions calculated as a whole	R0660 -
Best Estimate	R0670 -
Risk margin	R0680 -
Technical provisions – index-linked and unit-linked	R0690 -
Technical provisions calculated as a whole	R0700 -
Best Estimate	R0710 -
Risk margin	R0720 -
Contingent liabilities	R0740 -
Provisions other than technical provisions	R0750 -
Pension benefit obligations	R0760 -
Deposits from reinsurers	R0770 -
Deferred tax liabilities	R0780 369,607
Derivatives	R0790 -
Debts owed to credit institutions	R0800 -
Financial liabilities other than debts owed to credit institutions	R0810 -
Insurance & intermediaries payables	R0820 163,151
Reinsurance payables	R0830 605,822
Payables (trade, not insurance)	R0840 591,157
Subordinated liabilities	R0850 -
Subordinated liabilities not in Basic Own Funds	R0860 -
Subordinated liabilities in Basic Own Funds	R0870 -
Any other liabilities, not elsewhere shown	R0880 370,880
Total liabilities	R0900 14,896,199
Excess of assets over liabilities	R1000 16,539,434



Appendix B – Premiums, Claims and Expenses by Line of Business (S.05.01.01)

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)							Total
	Income protection insurance C0020	Motor vehicle liability insurance C0040	Other motor insurance C0050	Marine, aviation and transport insurance C0060	Fire and other damage to property insurance C0070	General liability insurance C0080	C0200	
Premiums written								
Gross - Direct Business	568,975	9,290,696	7,299,833	35,285	2,370,019	1,525,998	21,090,807	
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	
Gross - Non-proportional reinsurance accepted	8,654	566,905	445,425	19,119	1,772,126	427,939	3,240,167	
Reinsurers' share	560,321	8,723,792	6,854,408	16,166	597,894	1,098,060	17,850,640	
Net							0	
Premiums earned								
Gross - Direct Business	476,216	8,962,909	7,042,286	35,651	2,264,811	1,530,476	20,312,349	
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	
Gross - Non-proportional reinsurance accepted	10,663	566,905	445,425	22,150	1,748,101	345,863	3,139,107	
Reinsurers' share	465,553	8,396,005	6,596,861	13,501	516,710	1,184,613	17,173,242	
Net							0	
Claims incurred								
Gross - Direct Business	36,861	4,316,660	3,391,661	59	1,003,781	66,728	8,815,749	
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	
Gross - Non-proportional reinsurance accepted	5,446	637,809	501,136	9	148,314	9,859	1,302,573	
Reinsurers' share	31,414	3,678,851	2,890,526	50	855,467	56,868	7,513,176	
Net	184,126	3,866,616	3,268,210	138,094	1,150,779	598,405	9,206,229	
Expenses incurred								
Total expenses								

Appendix C – Non-Life Technical Provisions (S.17.01.01)

	Income protection insurance C0030	Motor vehicle liability insurance C0050	Other motor insurance C0060	Marine, aviation and transport insurance C0070	Fire and other damage to property insurance C0080	General liability insurance C0090	Total Non-Life obligation C0180
Best estimate							
Premium provisions							
Gross	105,693	3,258,956	2,557,887	5,300	512,916	205,663	6,646,416
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	8,069	0	0	1,488	127,198	38,949	175,704
Net Best Estimate of Premium Provisions	97,625	3,258,956	2,557,887	3,812	385,717	166,713	6,470,712
Claims provisions							
Gross	54,488	2,922,961	2,296,295	0	158,550	235,773	5,668,067
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	0	0	92,139	71,059	163,199
Net Best Estimate of Claims Provisions	54,488	2,922,961	2,296,295	0	66,410	164,714	5,504,869
Total Best estimate - gross	160,181	6,181,918	4,854,183	5,300	671,466	441,436	12,314,483
Total Best estimate - net	152,112	6,181,918	4,854,183	3,812	452,128	331,427	11,975,580
Risk margin	4,625	248,098	194,907	0	13,458	20,012	481,099
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole							
Best estimate							0
Risk margin							0
Technical provisions - total							0
Technical provisions - total	164,806	6,430,015	5,049,090	5,300	684,923	461,448	12,795,582
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	8,069	0	0	1,488	219,338	110,009	338,903
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	156,737	6,430,015	5,049,090	3,812	465,585	351,440	12,456,679

Appendix D – Non-life insurance claims (S.19.01.01)

Accident year / Underwriting year	Z0010	Accident year [AY]
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Gross Claims Paid (non-cumulative)
(absolute amount)

Year	Development year											Sum of years (cumulative)	
	0	1	2	3	4	5	6	7	8	9	10&+		
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior												R0100	
N-9	4,217,081	1,410,568	169,608	228,292	20,510	-	-	11,070	25,440			R0160	28,063,937
N-8	4,082,045	1,270,996	298,351	73,245	14,136	98,330	12,224	2,379	132,551			R0170	6,082,568
N-7	4,522,956	1,658,653	79,755	380,528	127,102	89,360	48,385	10,995				R0180	5,984,256
N-6	4,760,852	1,810,952	115,253	145,764	73,844	38,445	38,036					R0190	6,917,735
N-5	3,977,525	1,534,766	166,957	165,597	5,649	12,763						R0200	6,983,146
N-4	3,923,796	1,958,702	185,883	276,797	8,336							R0210	5,863,256
N-3	4,260,294	2,053,247	397,953	204,982								R0220	6,353,514
N-2	4,784,184	2,207,141	298,587									R0230	6,916,476
N-1	4,714,106	2,105,462										R0240	7,289,912
N	5,154,558											R0250	6,819,568
												Totaal	5,154,558
												R0260	92,428,927

Appendix F – Own Funds and Reconciliation Reserve (S.23.01.01)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
Ordinary share capital (gross of own shares)	R0010	2,565,000		-	
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		-	-	-
Surplus funds	R0070	-			
Preference shares	R0090		-	-	-
Share premium account related to preference shares	R0110		-	-	-
Reconciliation reserve	R0130	13,974,434			
Subordinated liabilities	R0140		-	-	-
An amount equal to the value of net deferred tax assets	R0160				-
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180		-	-	-
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 financial and credit institutions	R0230	-	-	-	
Total basic own funds after deductions	R0290	16,539,434		-	-
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

Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR

Total available own funds to meet the MCR

Total eligible own funds to meet the SCR

Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

R0360	-			-	
R0370	-			-	-
R0390	-			-	-
R0400	-			-	-
R0500	16,539,434	16,539,434	-	-	
R0510	16,539,434	16,539,434	-	-	
R0540	16,539,434	16,539,434	-	-	
R0550	16,539,434	16,539,434	-	-	
R0580	6,381,583				
R0600	4,000,000				
R0620	259.17%				
R0640	413.49%				

C0060

Reconciliation reserve

Excess of assets over liabilities

Own shares (held directly and indirectly)

Foreseeable dividends, distributions and charges

Other basic own fund items

Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

Expected profits included in future premiums (EPIFP) - Life business

Expected profits included in future premiums (EPIFP) - Non- life business

Total Expected profits included in future premiums (EPIFP)

R0700	16,539,434	
R0710	-	
R0720	-	
R0730	2,565,000	
R0740	-	
R0760	13,974,434	
R0770	-	
R0780	-	
R0790	-	

Appendix G – Solvency Capital Requirement - for undertakings on Standard Formula (S.25.01.01)

	Gross solvency capital requirement	USP	Simplifications
	C0040	C0090	C0120
Market risk	R0010 2,495,271		-
Counterparty default risk	R0020 1,144,079		
Life underwriting risk	R0030 -		-
Health underwriting risk	R0040 137,559		-
Non-life underwriting risk	R0050 4,459,523		-
Diversification	R0060 1,928,883		
Intangible asset risk	R0070 -		
Basic Solvency Capital Requirement	R0100 6,307,548		
Calculation of Solvency Capital Requirement			
Operational risk	R0130 609,370		
Loss-absorbing capacity of technical provisions	R0140 -		
Loss-absorbing capacity of deferred taxes	R0150 535,336		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160 -		
Solvency Capital Requirement excluding capital add-on	R0200 6,381,583		
Capital add-on already set	R0210 -		
Solvency capital requirement	R0220 6,381,583		
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 -		

Appendix H – Minimum Capital Requirements - Only life or only non-life insurance or reinsurance activity (S.28.01.01)

Linear formula component for non-life insurance and reinsurance obligations

MCR_{NL} Result

	C0010
R0010	2,559,178

Medical expense insurance and proportional reinsurance
 Income protection insurance and proportional reinsurance
 Workers' compensation insurance and proportional reinsurance
 Motor vehicle liability insurance and proportional reinsurance

 Other motor insurance and proportional reinsurance
 Marine, aviation and transport insurance and proportional reinsurance
 Fire and other damage to property insurance and proportional reinsurance
 General liability insurance and proportional reinsurance
 Credit and suretyship insurance and proportional reinsurance

	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
R0020	-	-
R0030	152,112	560,321
R0040	-	-
R0050	6,181,918	8,723,792
R0060	4,854,183	6,854,408
R0070	3,812	16,166
R0080	452,128	597,894
R0090	331,427	1,098,060
R0100	-	-

Overall MCR calculation

	C0070
Linear MCR	R0300 2,559,178
SCR	R0310 6,381,583
MCR cap	R0320 2,871,713
MCR floor	R0330 1,595,396
Combined MCR	R0340 2,559,178
Absolute floor of the MCR	R0350 4,000,000
	C0070
Minimum Capital Requirement	R0400 4.000.000



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Independent Auditor's Report

To the Board of Hydra Insurance Company Limited

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

We have audited the following Solvency II Quantitative Reporting Templates ("QRTs") contained in Annex I to Commission Implementing Regulation (EU) No 2023/895 of 4 April 2023, of Hydra Insurance Company Limited (the "Company"), prepared as at 31 December 2025:

- S.02.01.02 - Balance sheet
- S.17.01.02 - Non-Life Technical Provisions
- S.23.01.01 - Own funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

The above QRTs are collectively referred to for the remainder of this report as "the relevant QRTs of the Solvency and Financial Condition Report".

In our opinion, the information in the relevant QRTs of the Solvency and Financial Condition Report as at 31 December 2025 is prepared, in all material respects, in accordance with the Insurance and Reinsurance Services and other Related Issues Law of 2016 as amended, the Commission Delegated Regulation (EU) 2015/35 as amended, the relevant EU Commission's Implementing Regulations and the relevant Orders of the Superintendent of Insurance (collectively "the Framework").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the relevant QRTs of the Solvency and Financial Condition Report in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of preparation. The Solvency and Financial Condition Report is prepared in compliance with the Framework, and

therefore in accordance with a special purpose financial reporting framework. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The Board of Directors is responsible for the Other information. The Other information comprises certain narrative sections and certain QRTs of the Solvency and Financial Condition Report as listed below:

Narrative sections:

- Business and performance
- Valuation for solvency purposes
- Capital management

QRTs (contained in Annex I to Commission Implementing Regulation (EU) No 2023/895 of 4 April 2023):

- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.19.01.21 - Non-Life insurance claims

Our opinion on the relevant QRTs of the Solvency and Financial Condition Report does not cover the Other information listed above and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Solvency and Financial Condition Report

The Board of Directors is responsible for the preparation of the Solvency and Financial Condition Report in accordance with the Framework.

The Board of Directors is also responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

In preparing the Solvency and Financial Condition Report, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report

Our objectives are to obtain reasonable assurance about whether the relevant QRTs of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Solvency and Financial Condition Report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the relevant QRTs of the Solvency and Financial Condition Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of the basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Solvency and Financial Condition Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

Our report is intended solely for the Board of Directors of the Company and should not be used by any other parties. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Nicolas Pavlou
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
7 April 2026