Financial Management

Solvency and Financial Condition Report – 2023

ÍNDICE

DOCUMENT MONITORING

Version history

Version no.	Date	Change Requester	Description of change

EXECUTIVE SUMMARY

With reference to the solvency II information requirements provided for in Articles 51 to 56 of Directive 2009/138/EC of the European Parliament and of the Council, in Article 83 of the Legal Framework for Insurance and Reinsurance Activity Access and in Articles 290 to 303 of Commission Delegated Regulation (EU) 2015/35, Caravela – Companhia de Seguros, S.A. (hereinafter referred to as Caravela or Company) hereby presents its **Solvency and Financial Condition Report** for the year 2023.

All amounts in this report are presented in euros, unless stated otherwise.

Activity and performance

Caravela operates exclusively in national territory, in the Non-Life line of business, with greater emphasis on the segments of Motor, Fire and Other Damage and Workers Compensation. The Company's portfolio also covers the marketing of products in other segments, namely Health, Personal Accidents, Third Party Liability, Assistance and Marine and Transported Goods, and, following the authorisation granted in October 2023 by the Board of Directors of the Insurance and Pension Funds Supervisory Authority (ASF), Surety Bonds.

In June 2021, Caravela initiated for the first time, from its head office in Portugal, its activity under the principle of freedom to provide services (FPS) for the first time in the territory of the French Republic. The nature of the risks or commitments that the Company proposes to cover or undertake under the FPS regime in the French Republic's territory are those covered by the lines of business or lines of business groups of Fire and Other Damage and Third Party Liability. Given its ambition to expand internationally during 2023, Caravela also started operating under an FPS regime in the Hellenic Republic (Greece) in February and received authorisation from the supervisory authority to start operating in the Netherlands in July, both through the Motor branch.

Regarding Workers Compensation and Personal Accidents lines of business, the Company operates, until June 2023, through a proportional treaty with a cession of 60% and in partnership with a group of international reinsurers, products related to the professional practice of sports. For this group of products, for the remainder of 2023, the Workers Compensation line of business became the subject of a non-proportional Excess of Loss treaty and for the Personal Accidents line of business the proportional treaty was maintained, changing the cession rate to 80%. In the case of Health products, it is worth highlighting the existence of a protocol signed with Médis, which allows the commercialisation of products in this segment, without, however, it being necessary to assume risks in this area since they are covered by a coinsurance contract covered by a reinsurance treaty with 100% cession.

Caravela closed the 2023 financial year with a GWP total of 160.255 thousand euros, which accounts for an increase of 29.440 thousand euros in production, and a growth rate of +22,5%, compared to the figure for 2022.

Also contributing to the growth of the portfolio, particularly in the Fire and Other Damages and Motor lines of business, was the development of Caravela's commercial activity abroad, namely in France and Greece, respectively, representing 5.9% of the total volume of gross written premiums (GWP) issued by the Company.

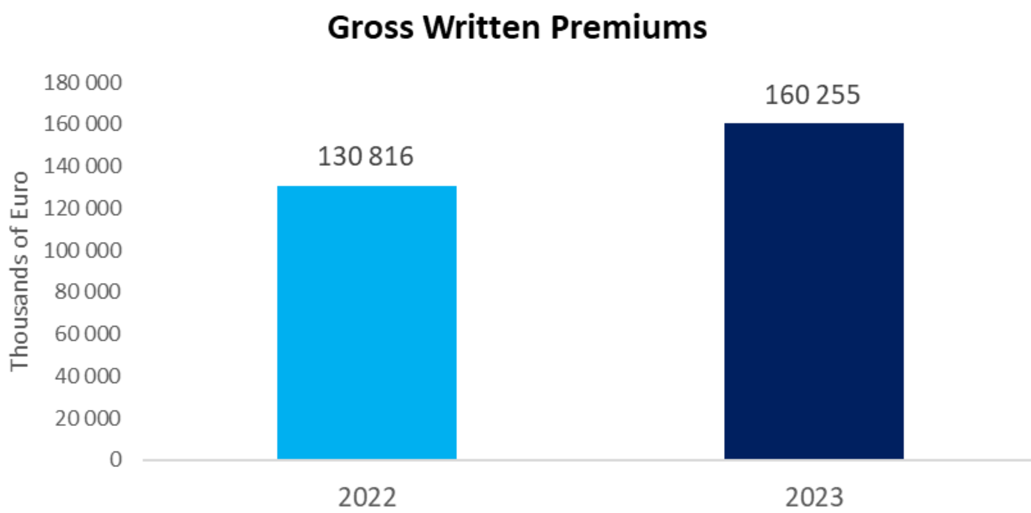


Figure 1: Evolution of Gross Written Premiums (2022-2023)

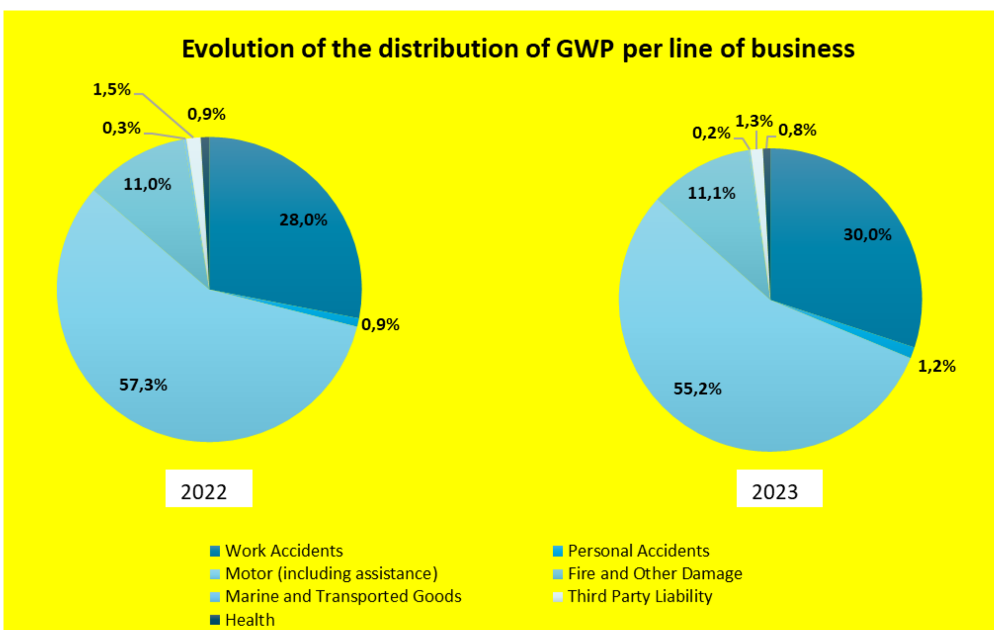


Figure 2: Evolution of the GWP distribution per line of business (2022-2023)

In 2023, Caravela's claim ratio, calculated on earned premiums, stood at 72.8%, corresponding to a decrease of 5.3 p.p., compared to the previous financial year when it had reached 78.1%.

Claims costs were up 12.9% (+13.052 thousand euros) compared to the 2022, totalling 114.554 thousand euros, before allocation of other costs.

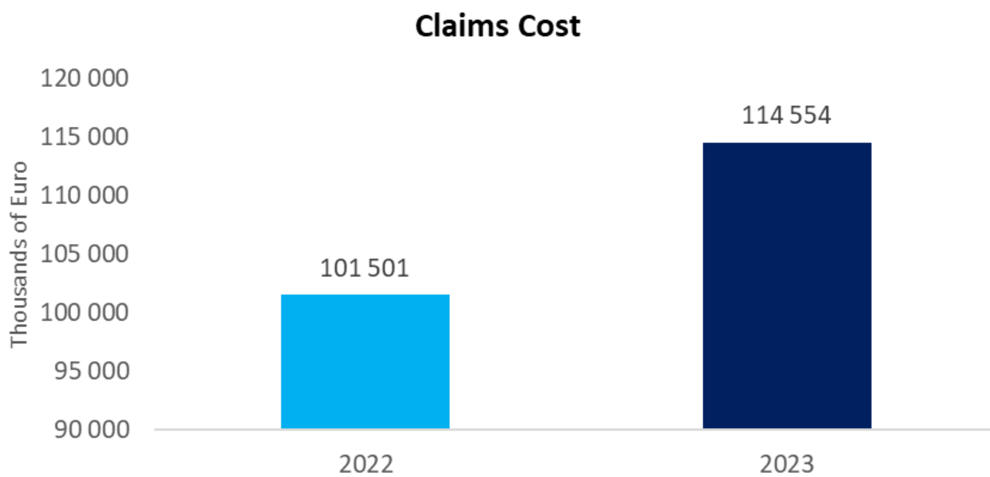


Figure 3: Evolution of Claims Cost (2022-2023)

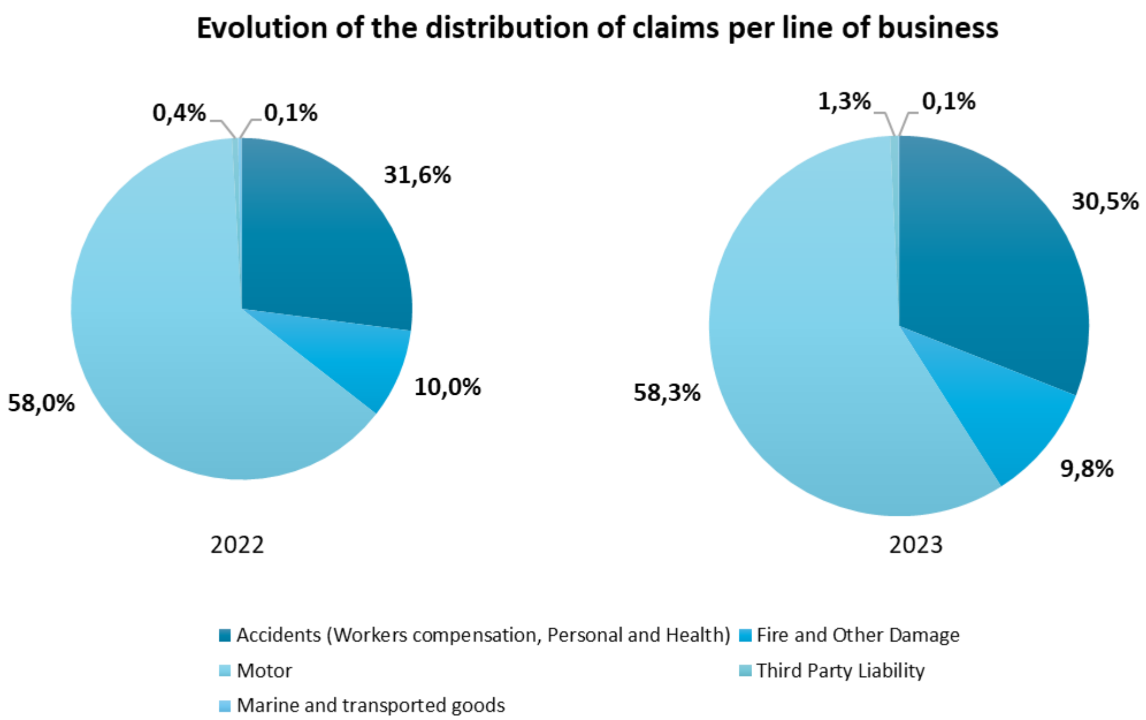


Figure 4: Evolution of the distribution of claims per line of business (2022-2023)

These values led to a general claim's ratio of 72.8%, above what was registered in 2022, which stood at 78.1%. This ratio, net of reinsurance, stood at 68.7%, having been of 68.6% in 2022.

The reinsurance programme, approved by Caravela for 2023, underwent a minor change in its structure when compared to the previous year, regarding the 2022 Reinsurers engaged in its treaties, with the removal of one Reinsurer and the addition of a new Reinsurer, only in the Motor and Third Party Liability lines of business.

As to proportional treaties, including Fire and Other Damage, Marine, Cargo and Engineering lines of business, the share withholding and the surplus limit agreed in 2022 have been maintained.

With regard to the Excess of Loss treaties, which cover the Motor, Personal Accidents, Workers Compensation and Third Party Liability lines of business, these remained unchanged – both in terms of priority and capacity –, maintaining the aggregate annual limit in the Motor Treaty – Personal Injury.

The technical margin, net of reinsurance, was 9.830 thousand euros, representing an increase of 35.7% (+2.584 thousand euros).

The combined ratio recorded a slight increase, reaching 92.5%, with a decrease of 0.7 p.p. compared to 2022. It should be noted that this variation is essentially due to the 0.8 p.p. decrease in the operating ratio.

The net result was 4.049 thousand euros, accounting for 4.4% of gross written premiums, thus continuing Caravela's positive results.

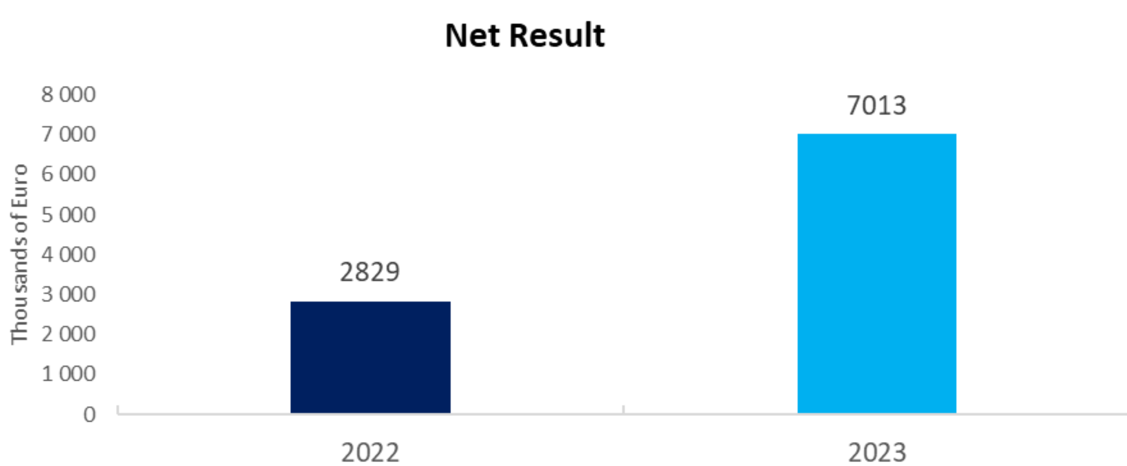


Figure 5: Evolution of the Net Result (2022-2023)

Financial investments, Financial Assets in particular, grew 22.121 thousand euros in 2023, which corresponds to an increase of 20% compared to 2022.

The management of financial assets – in partnership with OFI Asset Management – has been carried out in accordance with the investment policy of the Company, being guided, as in previous years, by caution, safety and liquidity criteria and in compliance with the recommendations from EIOPA and the National Supervisory Authority.

As to the rate of return, the total portfolio of assets registered a positive average remuneration of 2.8%.

As of the date of this report Caravela has no investments in securitisations.

The total cost allocation by nature reached 38.728 thousand euros, representing an increase of 20,0% compared to 2022, due to a generalised increase in the item 'expenses'.

The number of staff increased from 140 to 149 permanent staff members (73 men and 76 women).

Governance system

As of December 31, 2022, Caravela's share capital, fully subscribed and partially paid up, amounted to 44,388,315.20 euros, and is represented by 79,056,677 shares with no nominal value, and is distributed among various shareholders, individuals and companies.

The current Board of Directors has a 2023-2026 term and is comprised of seven managers, one being the President, a Vice-President and five Members. There was no change in relation to the previous year.

The supervision of management acts is exercised by a Supervisory Board composed of three effective members, of whom at least one must have higher education qualifications adequate to the performance of his duties, and a substitute member, with mandates equal to those of the Board of Directors, and who may be re-elected.

As for the Statutory Auditor, it is currently PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., represented by Carlos Manuel Sim Sim Maia.

Risk Profile

In operational terms, Caravela has a top-down process for identifying and assessing the Company's main risks and a set of risk policies (some of which are still being developed and implemented) that seek to disseminate, through the Company's main processes and risks, principles, methodologies, reports and responsibilities related to risk management.

The risk assessment is based on the standard formula used in the Solvency Capital Requirement calculation. For other risks, not included in that formula, the Company performs stress tests or reverse stress tests to quantify their impact on its capital requirements.

Considering the risks undertaken and in order to allow an adequate protection for its policyholders, Caravela has outlined its capital target to a minimum threshold of 125% of the solvency capital requirement and the minimum acceptable capital to 110%.

The Solvency Capital Requirement (SCR) as of 31.12.2023 is structured as follows:

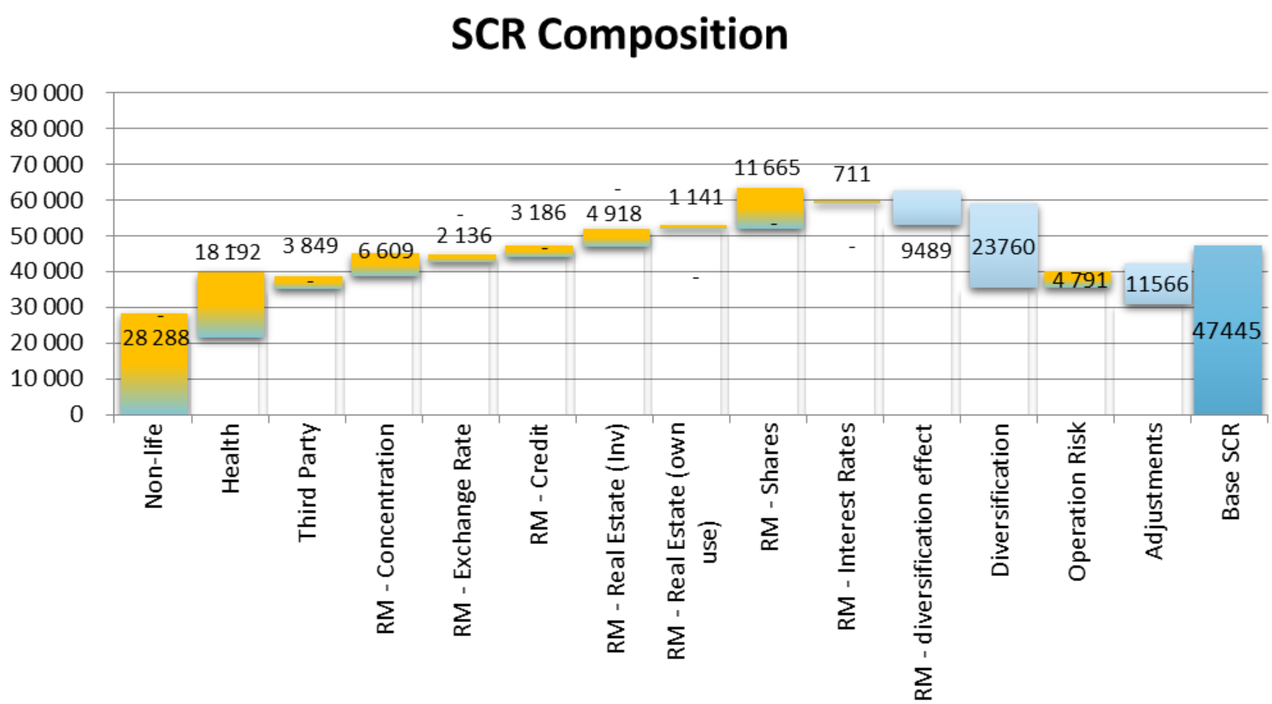


Figure 6: SCR Composition in 2023

Assessment for solvency purposes

In this report, Caravela details the amounts and processes for identifying and valuing assets and liabilities from a Solvency II Balance Sheet perspective, in comparison with the IFRS (Statutory) balance sheet, presenting its variations.

Revalued assets decrease by 1.748 thousand euros while liabilities decrease by 1.702 thousand euros generating a negative impact on its own funds, totalling a variation of 3.450 thousand euros in 2023.

The main adjustments to assets relate to the elimination of deferred acquisition costs, which are not recognised in solvency II, and the revaluation of intangible assets and reinsurance recoverables.

Regarding liabilities, the adjustment is essentially justified by the revaluation of technical reserves. The impact of these adjustments is further corrected by deferred taxes, at a rate of 21.35%, and is presented on a net basis as an increase in liabilities.

Capital management

This chapter presents the reconciliation of equity between IFRS own funds and those eligible under solvency II.

The structure, amount and quality of its own funds are also presented.

Own funds are essentially made up of tier 1 items.

The Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) are fully covered by unrestricted Tier 1 items, meeting the eligibility criterion, namely that the proportion of this item should be at least 50% of the SCR and 80% of the MCR.

On December 31, 2023, the SCR and MCR coverage ratios were 149.1% and 439.9%, respectively.

This chapter details the process for determining the amount of the adjustment to the loss-absorbing capacity for deferred taxes which, at December 31, 2023, amounts to 11.566 thousand euros, corresponding to a recovery of losses amounting to 40.513 thousand euros, i.e. 100% of the expected instantaneous loss.

Regarding the use of long-term and transitional measures, namely the volatility adjustment and the deduction of technical reserves, the impacts of their use were calculated by comparing the results obtained with those that would be obtained if the measures were not applied. The overall impact of all measures on technical provisions is 2.276 thousand euros.

Not applying the transitional measures for technical reserves and the long term volatility adjustment measure would lead to a reduction of the solvency capital requirement by 1.1% and 0.7%, respectively, totalling an impact of -1,8%. However, the solvency ratio II, without any measure, would maintain a comfortable level of 146.50%, corresponding to a surplus of 9.078 thousand euros.

A. ACTIVITY AND PERFORMANCE

A.1. ACTIVITY

Caravela - Companhia de Seguros, S.A. is a public limited company registered at the Commercial Registry Office of Lisbon under the single registration and taxpayer number 503 640 549.

Headquartered in Lisbon, at Avenida Casal Ribeiro, no. 14, since January 2015, Caravela has offices in Faro, Leiria, Lisbon and Porto.

The Company carries out Non-Life insurance and reinsurance business, under authorisation No. 1133 granted by the Insurance and Pension Funds Supervisory Authority, hereinafter referred to as ASF, and with the legal identification code (LEI): 635400TDFKL4ZSPVXC31 - Caravela – Companhia de Seguros, S.A..

The Company was established in 1996 under the corporate name Euresap – Euresa Portugal Companhia de Seguros, S.A., which was changed in 2001 to Companhia de Seguros Sagres, S.A., and in 2010 to Macif Portugal - Companhia de Seguros, S.A. It was fully acquired by AAA, SGPS, S.A. on November 12, 2014.

On June 26, 2017, 26.600.000 shares were transferred from the Shareholder AAA, SGPS, S.A. – representing 100% of the share capital – to several Shareholders; in addition, the capital was increased by 6,000,101.96€.

During 2019 a new IPO was carried out to a new shareholder, TPIF Douro Bidco, S.à r.l., a company that is part of the Private Equity Tosca Fund, an English Entity whose conglomerate has around 4 billion assets under management and which now holds a qualified stake of 48% of Caravela's share capital and voting rights. Following this increase, the Company's share capital stands at a total of 44,388,315.20€.

Caravela’s Supervisor is the Insurance and Pension Funds Supervisory Authority located in Lisbon, at Avenida da República, no. 76, with telephone number +351 21 790 31 00 and e-mail asf@asf.com.pt.

The external auditor responsible for certifying the quantitative and qualitative information within the scope of the annual solvency II report is PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. – Audit Firm no. 51, located at Palácio Sottomayor, Av. Fontes Pereira de Melo nº16, 1050-121 Lisbon, with telephone number +351 21 359 9000.

Caravela operates exclusively in the national territory, in the Non-Lifeline of business, with greater emphasis on the segments of Motor, Fire and Other Damage and Workers Compensation. The Company's portfolio also covers the marketing of products in other segments, namely Health, Personal Accidents, Third Party Liability, Assistance, Marine and Transports and, following the authorisation given in October 2023 by the Board of Directors of the Insurance and Pension Funds Supervisory Authority (ASF), Guarantee.

In June 2021, Caravela began operating under the principle of freedom to provide services ("FPS") for the first time in the territory of the French Republic from its head office in Portugal. The nature of the risks or commitments that the Company covers or assumes under FPS in the territory of the French Republic are those covered by the Fire and Other Damage and Third-Party Liability lines of business or lines of business groups.

Given its ambition to expand internationally during 2023, Caravela also started operating under an FPS regime in the Hellenic Republic (Greece) in February and received authorisation from the supervisory authority to start operating in the Netherlands in July, both through the Motor line of business.

Regarding Workers Compensation and Personal Accidents lines of business, the Company operates, until June 2023, through a proportional treaty with a cession of 60% and in partnership with a group of international reinsurers, products related to the professional practice of sports. For this group of products, for the remainder of 2023, the Workers Compensation line of business became the subject of a non-proportional Excess of Loss treaty and for the Personal Accidents line of business the proportional treaty was maintained, changing the cession rate to 80%. In the case of Health products, it is worth highlighting the existence of a protocol signed with Médis, which allows the commercialisation of products in this segment, without, however, it being necessary to assume risks in this area since they are covered by a coinsurance contract covered by a reinsurance treaty with 100% cession.

Until the 2018 financial year, the Company favoured risks from individuals or small companies over large risks, as well as risks that have a history of good results over risks from which no history can be obtained or whose experience proves a previous situation of poor results. Following the capital reinforcement, which occurred in 2019, Caravela began a new expansion cycle, strengthening the retail segment and starting up in the larger companies' segment.

A.2. UNDERWRITING PERFORMANCE

A.2.1. PRODUCTION

Caravela closed the 2023 financial year with a volume of gross written premiums (GWP) of 160,255 thousand euros, which corresponds to an increase in production of 29,440 thousand euros and a growth rate of +22,5%, compared to the value calculated in 2022.

It is worth noting that the market share, including the activity in Portugal and abroad, grew from 2.1% in 2022 to 2.4% in 2023.

The organic and consolidated growth, verified in recent years, remains sustained in the segments of private customers, small and medium-sized companies and based on a strict and careful underwriting of risks, aimed at the profitability of all lines of business.

The good performance, transversal to all lines of business considered strategic, was also maintained.

In line with the previous year's results, all segments continued to grow in 2023. The Accident and Health segment stands out with an overall growth of 31.3%, with particular contributions from the Personal Accident (+53.1%) and Workers Compensation (+31.1%) lines of business. Also noteworthy was the performance of Fire and Other Damage (+24.0%) and Motor (+18.0%), both of which outperformed the market (+10.5% and +8.4% respectively). The evolution of the latter two lines of business was supported by the FPS regime, which accounted for 26.2% of Fire and Other Damage and 5.4% of Motor, for a total of 5.9% of the company's volume of gross written premiums (GWP).

This growth is sustained by the continuity of the defined strategy, which is based on:

- Increasing the pace of new production;
- Extending the distribution network;
- The underwriting of individual and micro and small business clients;
- The consolidation of the underwriting and distribution models in the medium and small business segment, generating a strong capture of new business within this segment.

The charts below provide a very clear overview of the evolution and structure of Caravela's portfolio.

Regarding the structure of the premiums of the portfolio, Caravela shows the same trend of distribution seen in the previous year, maintaining the predominance of the Motor and Workers Compensation, respectively 55.2% and 30.0%, these two lines of business together accounting for 85.2% of the premiums in the portfolio.

An analysis of the number of policies in the portfolio in 2022 shows the continued predominance of the Motor, Fire and Other Damage lines of business, 82.3% and 10.9% respectively, these two lines of business accounting for 93.2% of the policies in Caravela's portfolio.

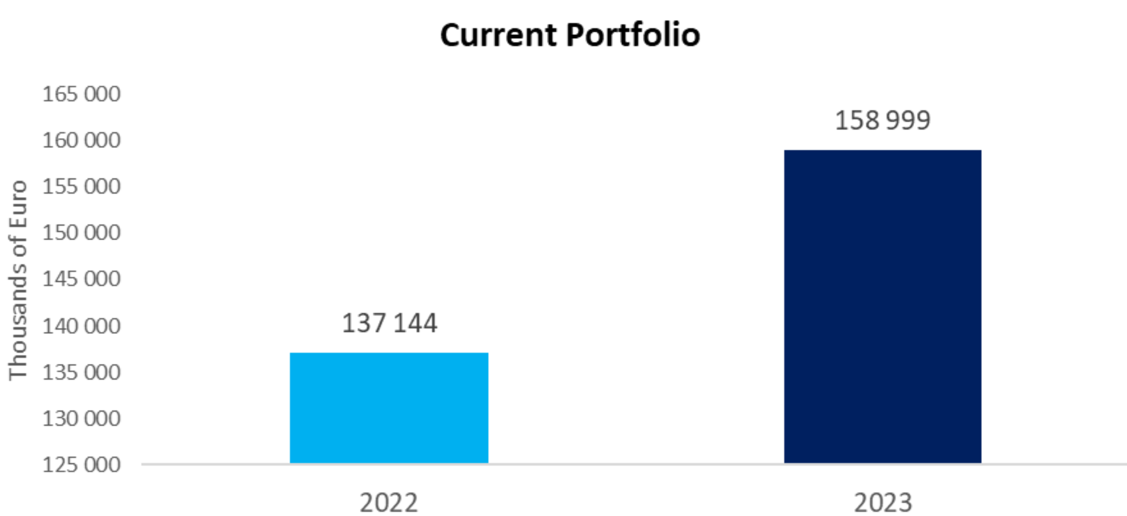


Figure 7: Evolution of the current portfolio (2022-2023)

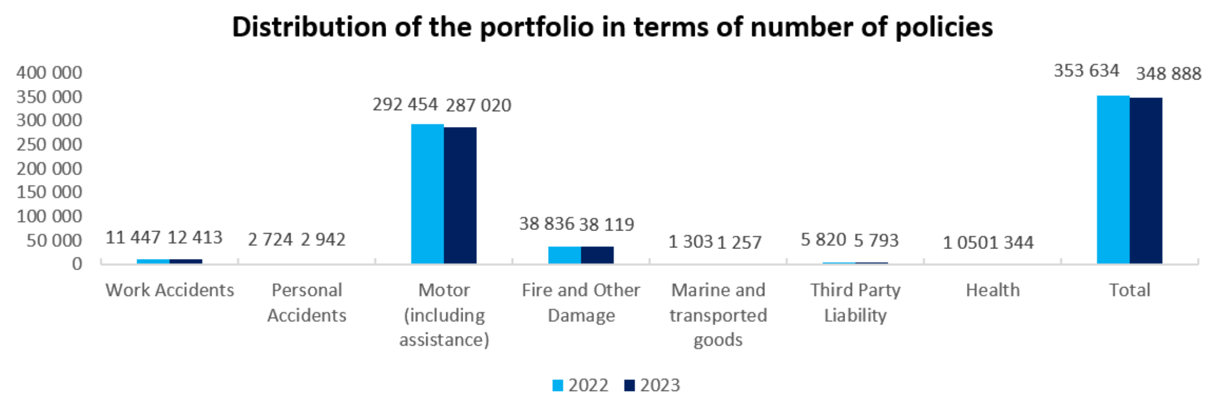


Figure 8: Evolution of the distribution of the portfolio in terms of number of policies (2022-2023)

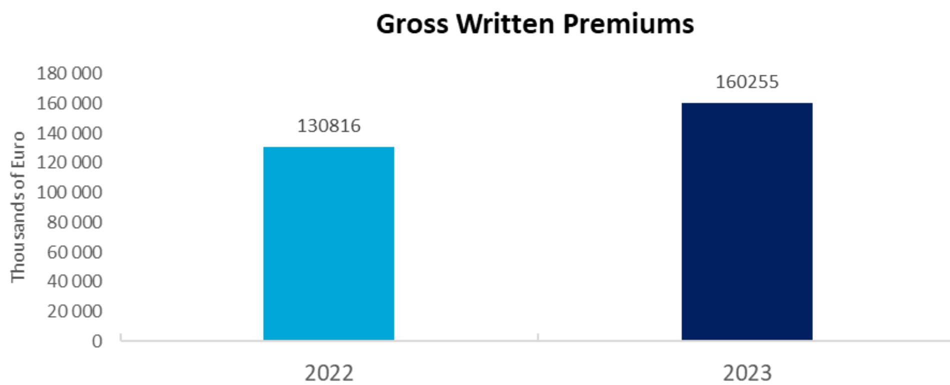


Figure 9: Evolution of gross written premiums (2022-2023)

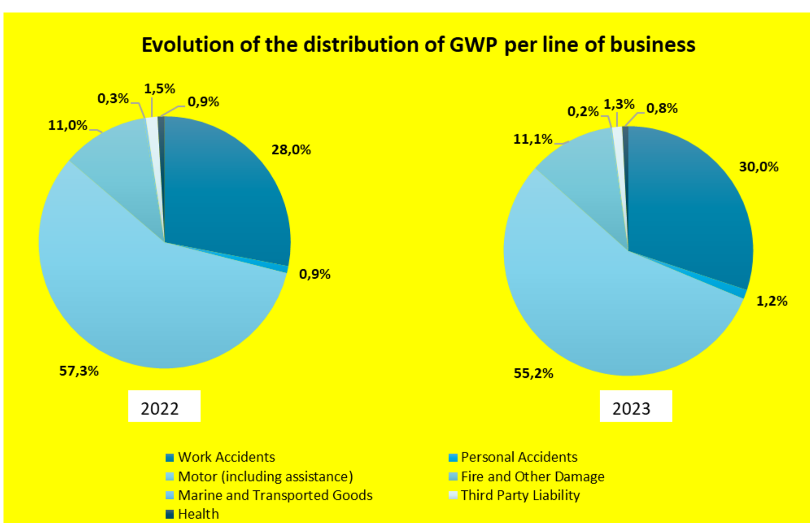


Figure 10: Evolution of the distribution of GWP per line of business (2022-2023)

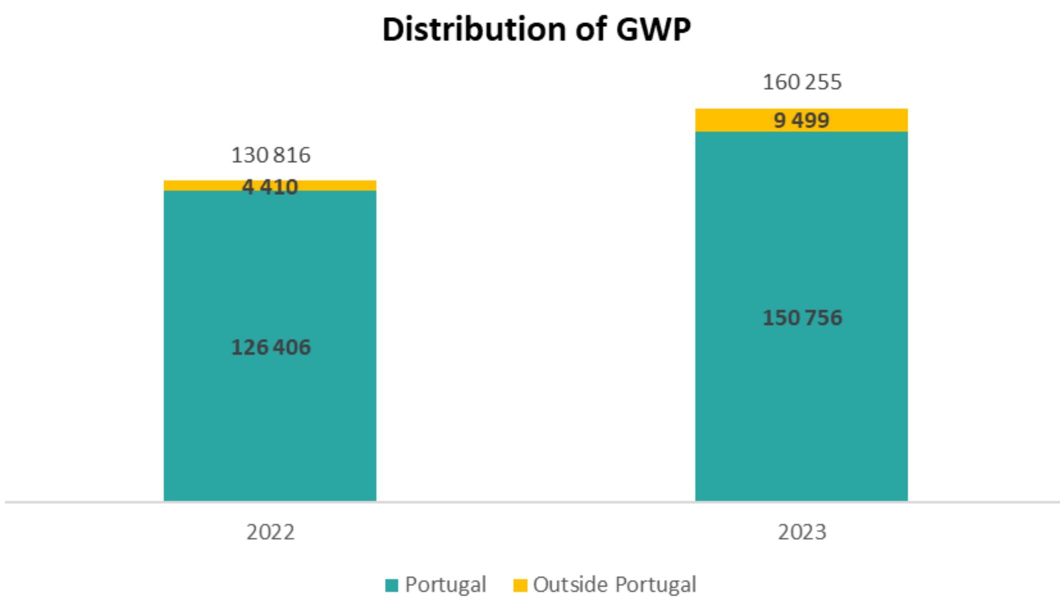


Figure 11: Distribution of GWP (2023)

A.2.2. CLAIMS

In 2023, Caravela's claim ratio, calculated on earned premiums, stood at 72.8%, corresponding to a decrease of 5.3 p.p., compared to the previous financial year when it had reached 78.1%.

Claims costs were up 12.9% (+13.052 thousand euros) compared to the 2022 financial year, totalling 114.554 thousand euros, before allocation of other costs.

In absolute terms, the largest contributors to the increase in claims costs were the Accident and Health lines of business, which increased 10.1% to 6,050 thousand euros.

In the Accidents and Health and Fire and Other Damage lines of business, the increases were of 4.895 (+16,0%) and 1.075 (+10,7%) thousand euros, respectively.

With less significance, the General Civil Liability and the Maritime and Transported Goods lines of business together increased by 1,032 thousand euros.

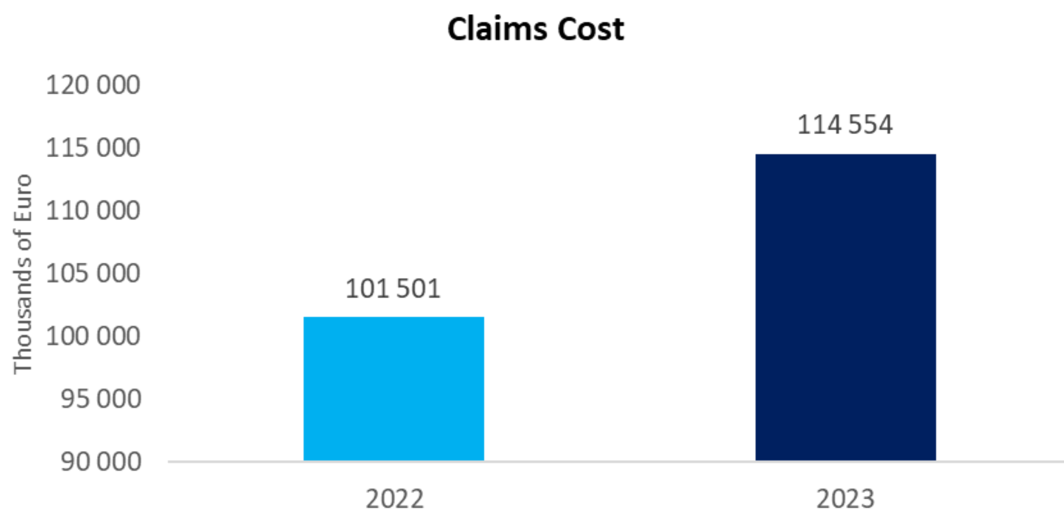


Figure 12: Evolution of claims costs (2022-2023)

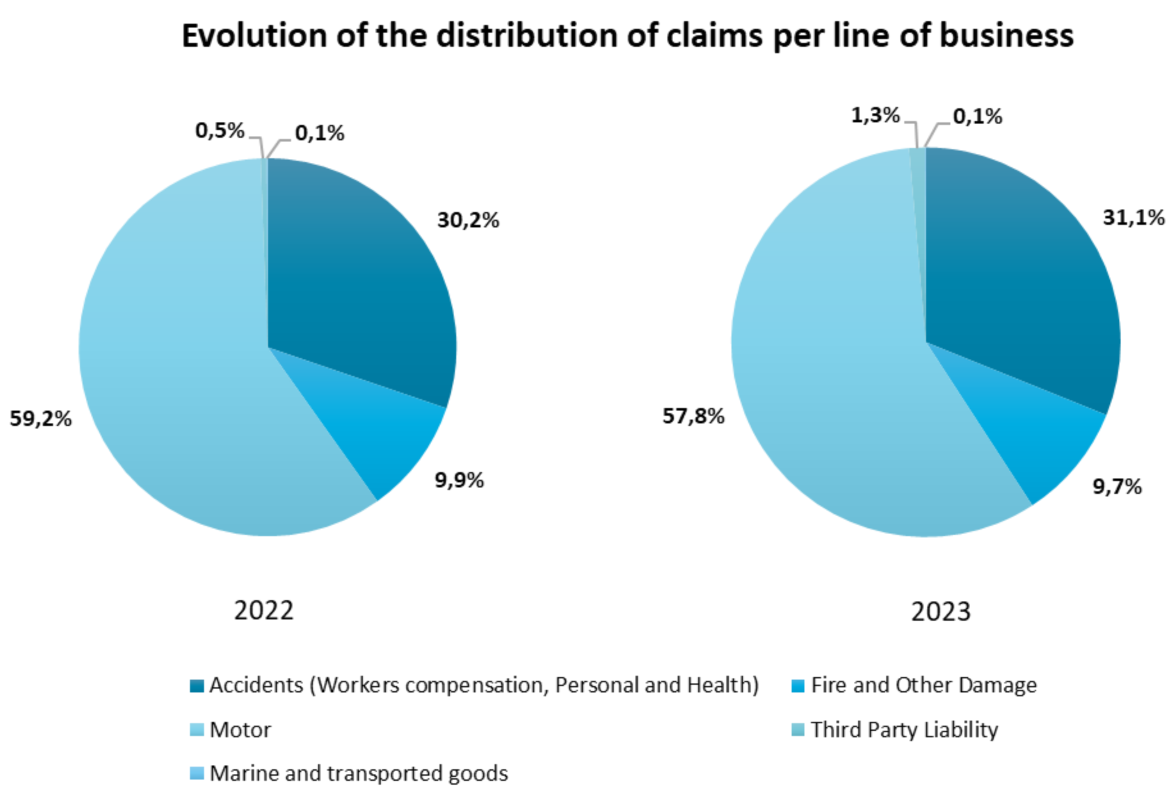


Figure 13: Evolution of the distribution of claims per line of business (2022-2023)

These figures resulted in an overall claims ratio of 72.8%, lower than in 2022, which had been set at 78.1%. This ratio, net of reinsurance, stood at 68.7%, having been of 68.6% in 2022.

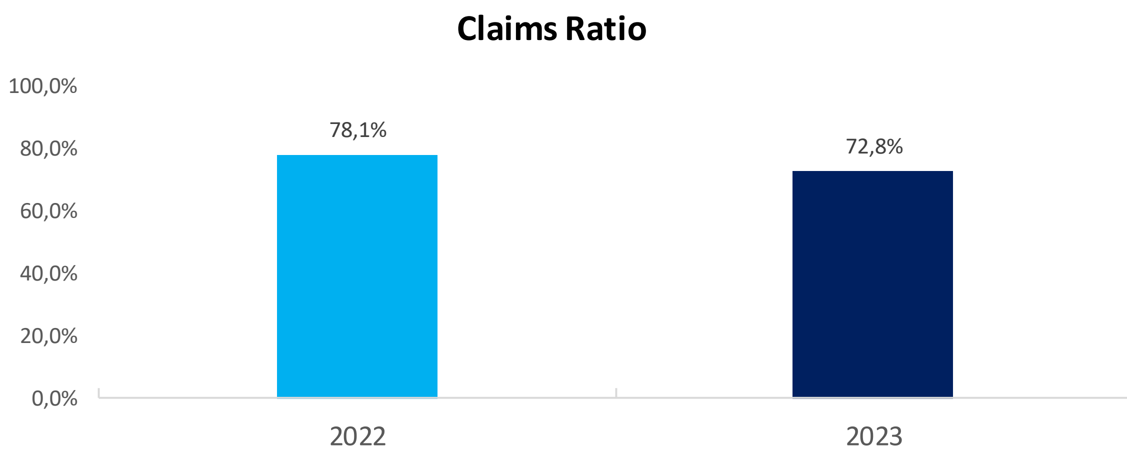


Figure 14: Evolution of the Claims Ratio (2022-2023)

The 2023 financial year saw an increase in the number of claims of 15.1% (+7,548 occurrences), with Motor being the line of business that presented the greatest absolute variation in absolute terms, with an increase of 3,892 cases (+10.1%), followed by Accident and Health, with 2,663 more cases (+37.1%).

In the Fire and Other Damage lines of business, there was an increase of 575 occurrences (+16.1%), compared to the previous financial year.

Having a smaller impact, since they are the less representative lines of business, in General Liability the number of claims increased by 66.7% % in relative terms, 434 occurrences in absolute terms, while in Marine and Transported Goods only 32 claims were recorded.

In 2023, there was a small decrease of 1.3%, compared to the previous financial year, while the oscillation of claims was 15.1%, corresponding to an increase of the frequency rate.

Thus, the 2023 financial year was closed with an overall claims frequency rate of 16.4%, slightly above that of the previous year when it stood at 14.3%, representing a variation of 2.1 pp. However, in Motor, the most representative of all lines of business, the increase of the frequency rate was 9.5%.

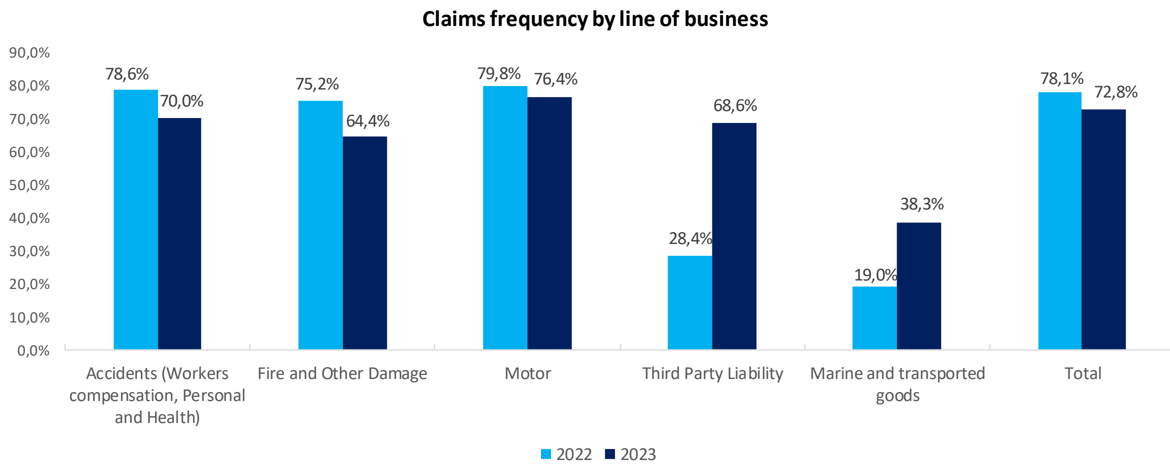


Figure 15: Evolution of Claims Frequency by line of business (2022-2023)

A.2.3. REINSURANCE

In Caravela's reinsurance policy there are Proportional and Non-Proportional Reinsurance Treaties, as well as Optional Reinsurance and other modalities of Reinsurance appropriate to the protection of accepted risks.

The reinsurance programme, approved by Caravela for the year 2023, has undergone a minor change in its structure when compared to the previous year, compared to the 2022 Reinsurers involved in its treaties, with the removal of one Reinsurer and the addition of a new Reinsurer, only in the Motor and Third Party Liability lines of business.

With regard to proportional treaties, which encompass the Fire and Other Damage, Marine, Transported Goods and Engineering lines of business, the retention in the share and the surplus limit negotiated in 2022 was maintained.

Regarding Surplus of Losses treaties, which cover Motor, Personal Accident, Occupational Accident and General Liability lines of business, no change was made to the level of priority, nor to the level of capacities, maintaining the aggregate annual limit in the Motor – Property Damage treaty.

The involved Reinsurers are selected taking into consideration their reliability and financial solvency, as well as their service provision, follow-up and presented availability. Thus, the Company decided to maintain Nacional Re as leader for almost all contracts, and for most of the reinsurance treaties it holds a 40% stake.

Thus, for treaty renewals, the minimum rating required of a reinsurer is "A-", according to rating agencies S&P and/or AM Best. The table below shows the range of the main reinsurers, as well as their rating as of 31/12/2023:

REINSURANCE 2023	
Reinsurer	Rating S&P
Nacional Re (Leader)	A
CCR Re	AA
Helvetia	A
Hannover Re	AA-
R+V	A+
DEVK	A+
Axis	A+
Odyssey	A-

Table 1: Main reinsurers 2023

A.2.4. TECHNICAL MARGIN

The IFRS17 accounting standard, effective from January 1, 2023, has introduced a new nomenclature, with the Technical Margin being renamed Income from Insurance Contracts. For the purposes of this document, we will maintain the previous nomenclature and retain the name Technical Margin.

The technical margin, net of reinsurance, was 9,830 thousand euros, representing an increase of 35.7% (+2,584 thousand euros).

This increase was mainly due to the favourable evolution of the Fire and Other Damage lines of business (9,293 thousand euros).

The performance of the Fire and Other Damage and Motor lines of business is noteworthy, with a decrease in the technical margin of -70.5% and -58.5% to -3,610 thousand euros and -2,185 thousand euros, respectively.

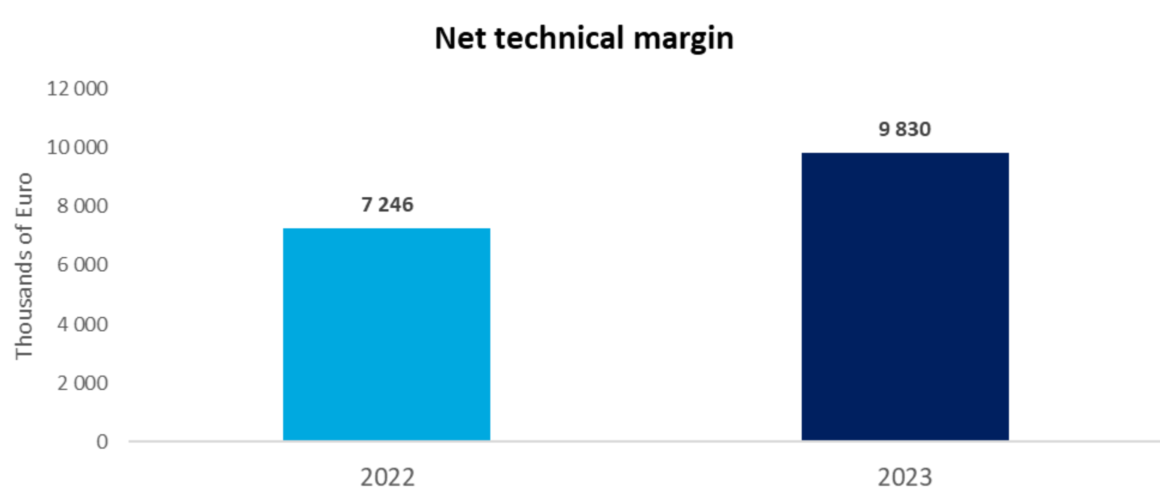


Figure 16: Net technical margin (2022-2023)

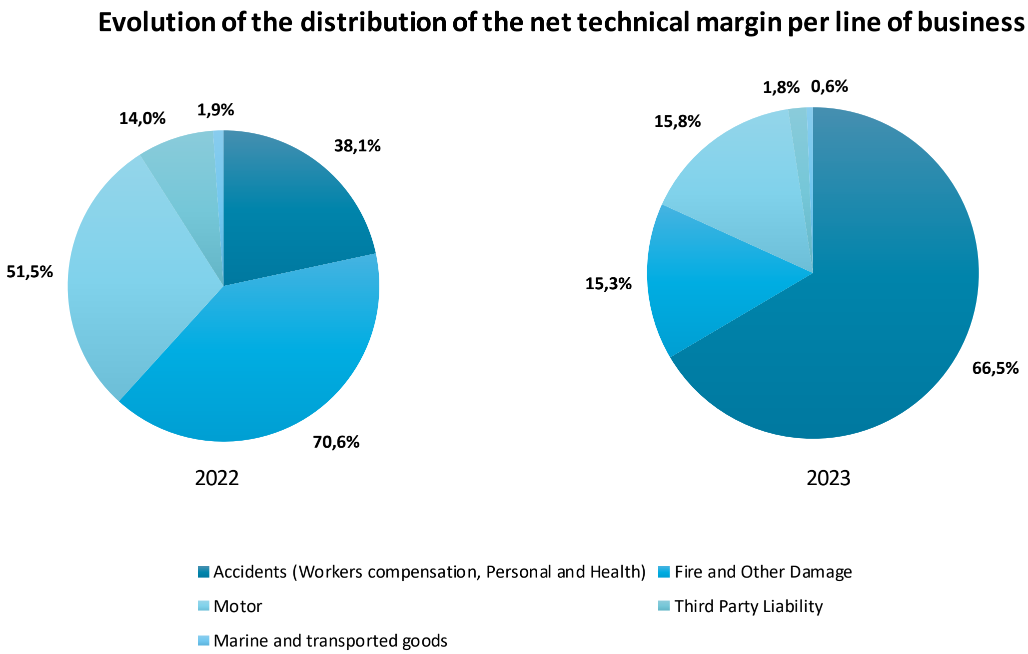


Figure 17: Evolution of the distribution of the net technical margin per line of business (2022-2023)

A.2.5. COMBINED RATIO

Regarding the combined ratio, there was a slight increase, reaching 92.5%, with a decrease of 0.7 p.p. compared to 2022. Notwithstanding this slight increase, there was a decrease of 0.8 p.p. in the operating ratio.

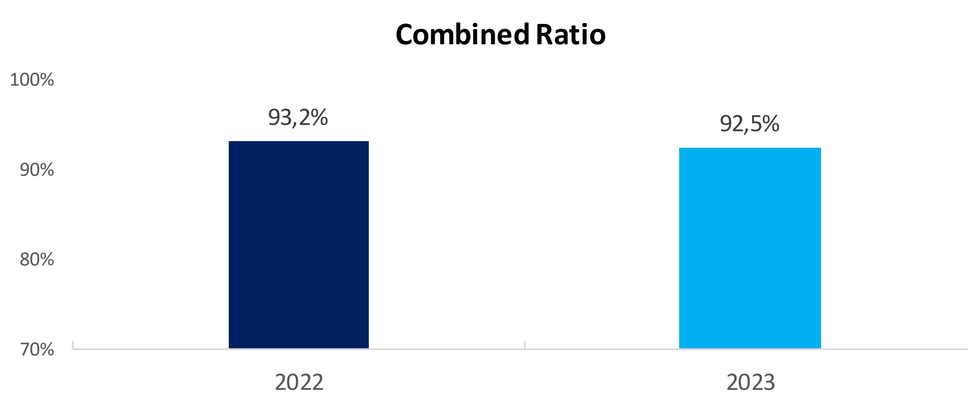


Figure 18: Combined Ratio (2022-2023)

A.3. INVESTMENT PERFORMANCE

Financial Investments, namely Real Estate Assets, grew by 22,121 thousand euros in 2023, representing a growth of 20.0% compared to 2022.

The management of financial assets – in partnership with OFI Asset Management – has been carried out in accordance with the investment policy of the Company, being guided, as in previous years, by caution, safety and liquidity criteria and in compliance with the recommendations from EIOPA and the National Supervisory Authority.

The following table summarizes the situation registered as of December 31:

Assets Portfolio (thousands of Euro)		2022			2023			VAR 23/22 %
		AMOUNT	%	%	VALOR	%	%	
1. REPRODUCTIVE INVESTMENT								
Transferable Assets								
Public Debt	(1)	7 281	6%	5%	15 380	11%	10%	111%
Miscellaneous Bonds	(1)	47 292	42%	35%	70 868	53%	44%	50%
Shares and Investment Funds		18 176	16%	13%	27 780	21%	17%	53%
Loans Granted		429	0%	0%	429	0%	0%	0%
Liquidity	(2)	39 636	35%	29%	20 478	15%	13%	-48%
Sub-total		112 814	100%	83%	134 935	100%	84%	20%
Other non-securities								
Real Estate		19 671		15%	24 234		15%	23%
Sub-total		19 671		15%	24 234		15%	23%
TOTAL (1)		**132 485**		**98%**	**159 169**		**99%**	**20%**
2. OPERATIONAL INVESTMENT								
Equipment, Furniture and Material		2 674		2%	1 758		1%	-34%
TOTAL (2)		**2 674**		**2%**	**1 758**		**1%**	**-34%**
TOTAL (1) + (2)		**135 159**		**100%**	**160 927**		**100%**	**19%**

Obsv:

(1) Valuation with accrued interest

(2) Term and demand deposits with accrued interest and Cash Funds

Tabel 2: Composition of the portfolio of assets (2022-2023)

Exposure to public debt securities decreased 111% compared to 2022, while exposure to shares and investment funds grew by 9,604 thousand euros. Also worthy of note was the investment in real estate, with a variation of 23% compared to 2022, due to purchase of the new Caravela office in Lisbon. This exposure is essentially due to compliance with the asset allocation strategy set out in the investment policy.

Liquidity, between Demand Deposits, Time Deposits and Cash Funds, registered a variation of -48% compared to 2022, due to the investment recorded in bonds, investment funds and the new office, being, however, aligned with the risk and capital management parameters.

The 2023 financial year is characterised by the requirement to account for Expected Credit Losses (ECL), i.e. the recognition of expected credit losses over the useful life of a financial instrument, which provides a more realistic view of the financial health of assets. In addition to the recognition of this impairment, provided for by IFRS 9 through ECL, it is worth noting that no impairment has been recorded over the last seven years on financial assets that do not pass the SPPI (Solely Payments of Principal and Interest) test, demonstrating the high level of prudence in the selection of investments that make up Caravela's investment portfolio.

In 2023, financial results showed a decrease of 2,706 thousand euros compared to the same period of the previous year, essentially due to a lower realisation of capital gains, though the increase in income generated of 100.6% was noteworthy.

Income, net of expenses (thousands of euros)	2022	2023	VAR 23/22 %
Government bonds	34	308	806,6%
Corporate bonds	371	1 152	210,7%
Shares and investment funds	70	98	41,4%
Deposits	1	74	10 973,9%
Real Estate	848	1 223	44,2%
Loans granted	100	0	-100,0%
TOTAL Income	**1 423**	**2 855**	**100,6%**

Table 3: Income, net of expenses (2022-2023)

Net realised gains on investments (thousands of euros)	2022	2023	VAR 23/22 %
Government bonds	-1	-1	-61,6%
Corporate bonds	6	-1	-123,2%
Shares and investment funds	-86	87	201,3%
Deposits	0	0	0,0%
Real Estate	0	0	0,0%
Granted loans	0	0	0,0%
TOTAL Net realised gains on investments	**-81**	**85**	**204,9%**

Table 4: Gains, net of investments (2022-2023)

In 2023, potential gains and losses on investments recognised directly in equity stood at 8,112 thousand euros.

Net gains unpaid in Equity (thousands of euros)	2022	2023	VAR 23/22 %
Government bonds	-1 685	904	153,7%
Corporate bonds	-5 183	2 200	142,5%
Shares and investment funds	58	5 008	8 486,5%
Deposits	0	0	0,0%
Real Estate	0	0	0,0%
Granted loans	0	0	0,0%
TOTAL Net gains unpaid in Equity	**-6 810**	**8 112**	**219,1%**

Table 5: Net gains unpaid in Equity (2022-2023)

Regarding the rate of return, the total portfolio of assets registered a positive average remuneration of 2.8%.

As of the date of this report, Caravela has no investments in securitisations.

A.4. PERFORMANCE OF OTHER ACTIVITIES

A.4.1. MANAGEMENT COSTS

The total cost allocation by nature reached 38,728 thousand euros, representing an increase of 20.0%, compared to 2022, and due to a general increase in the item ‘expenses’.

Management Costs (thousand euros)	2022	2023	VAR 23/22 %
Personnel Expenses	7 306	8 263	13,1%
External Services and Supplies	6 240	6 946	11,3%
Taxes and Fees	786	937	19,3%
Amortisation for the Financial Year	1 368	1 416	3,5%
Risks and Charges Reserves	0	0	-
Interest Incurred	21	269	1 199,5%
Commissions	275	339	23,3%
Total	**16 277**	**20 557**	**26,3%**

Table 6: Evolution of management costs

A.4.2. STAFF

The number of staff increased from 140 to 149 permanent staff members.

	2022	2023	VAR 23/22 %
Permanent staff at the beginning of the period	*133*	*140*	*5,3%*
Entries	*12*	*17*	*41,7%*
Exits	*5*	*8*	*60,0%*
Permanent staff at the end of the period	**140**	**149**	**6,4%**

U: thousands of euros

Gross written premiums / no. of employees	934	1 076	15,2%

Table 7: Evolution of staff

As has been the case in previous financial years, the 15.2% increase in the ratio of direct insurance premiums per permanent staff member was essentially due to the growth in production.

Of these 149 employees, 73 are male and 76 female:

Age group	Men	Women
Up to 30 years old	8	6
From 31 to 40 years old	15	18
From 41 to 50 years old	30	38
From 51 to 60 years old	15	13
Over 61 years old	5	1
Total	**73**	**76**

Table 8: Distribution of staff per age group

A.4.3. LEASES

Caravela holds operating and financial lease contracts regarding transportation equipment.

The detail as of December 31, 2023, by years of maturity of the financial and operating lease contracts, is shown in the tables below:

Contractual Term	No. of vehicles	Maximum payable amount
2024	9	33 404
2025	4	33 797
2026	7	111 463
2027	19	367 326
Total	**39**	**545 991**

Table 9: Operating Leases

Contractual Term	No. of vehicles	Payable Amount Interest	Payable Amount Capital
2024	1	949	16 771
2025	1	1 271	28 456
Total	**2**	**2 220**	**45 227**

Table 10: Financial Leases

A.5. ANY ADDITIONAL INFORMATION

Not applicable.

B. GOVERNANCE SYSTEM

B.1. GENERAL INFORMATION ON THE GOVERNANCE SYSTEM

Caravela's governance system, in accordance with article 65 of the RJASR, has as its fundamental objectives:

a) To permanently ensure the necessary operational bases for a sound, cautious and transparent management of the Insurer to safeguard the interests of all its stakeholders, naturally including all its employees;

b) To ensure the monitoring and maintenance of the company's internal control systems under the terms established by the ASF rules;

c) To ensure and promote, within the scope of its attributions, a fluid, available and collaborative relationship with the ASF and other supervisory entities that may request information pertaining to the Insurer;

d) To control the monitoring of the company's risk activities regarding their operation and their reporting to the supervisory authority;

e) To monitor the systematic application of the determinants of the code of conduct of Caravela's employees.

B.1.1. GOVERNING BODIES

Caravela's governance follows the Latin model in accordance with article 278 of the Commercial Companies Code, and the Management and Supervision of the Company are carried out respectively by a Board of Directors and a Supervisory Board.

The supervision of the Company also includes a Statutory Auditor, who is not a member of the Supervisory Board.

Under the terms of the Company's Articles of Association, the following aspects concerning its Governance System should be highlighted:

a) The Shareholders' General Meeting is responsible for electing the members of the Board of Directors, as well as its President and Vice-President, for four-year periods, which may be re-elected more than once;

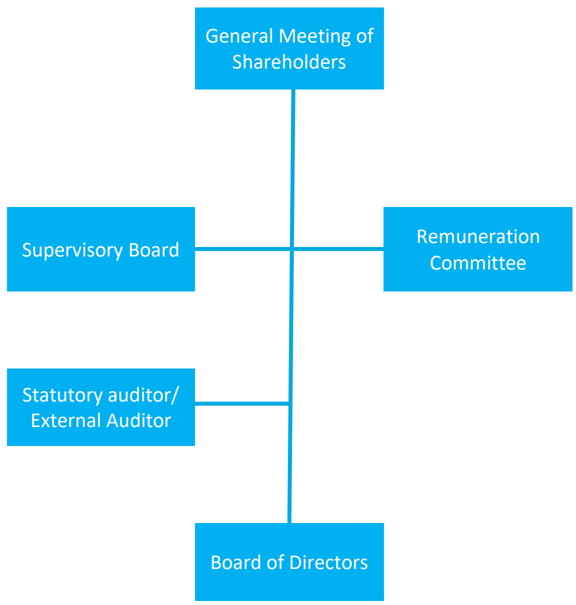
b) The Supervisory Board is also elected at a Shareholders' General Meeting, for four-year periods, with the possibility of re-election, in accordance with the independence rules set out in article 414 of the Commercial Companies Code regarding the qualitative composition of the Supervisory Body;

c) The Statutory Auditor is elected by General Meeting of Shareholders, with the respective mandate having the same duration as that of the other corporate bodies and in accordance with the rules established in article 414 of the Commercial Companies Code;

d) The Board of the General Meeting consists of a President and a Secretary, elected by the General Meeting of Shareholders for renewable periods of four years;

e) The General Meeting of Shareholders also elects the Remuneration Committee, for four-year periods, which may be re-elected more than once.

Such organisational structure is shown in the following chart:



According to the provisions of the Company's Articles of Association, the Board of Directors is responsible for fully representing the Company and has the broadest management powers and competencies established by law and in the Articles of Association and may create, at its initiative and decision, councils of a consultative nature.

The Board of Directors deliberates on its organisation and functioning in accordance with article 407 of the Commercial Companies Code.

Based on good management practices and in compliance with the legally imposed regulations, Caravela has, within its operational structures, its own internal audit and control apparatus covering the various operational areas.

According to the Company's Articles of Association, the day-to-day management falls on a Board of Directors composed of three to nine members elected for four-year terms, which can be re-elected.

The current Board of Directors has a 2023-2026 term and is comprised of seven managers, one being the President, a Vice-President and five Members.

The governing bodies, identified below, are composed of:

General Meeting	
Nuno Miguel Marques dos Santos Horta	President
Nuno Miguel Novais Grangeon Cárcomo Lobo	Secretary

Board of Directors	
Luís Filipe Sampaio Cervantes	President
David Angulo Rubio	Vice-President
Fabrizio Cesario	Member
Félix Serrano Sanchez Carrillejo	Member
George Koulouris	Member
Gonçalo Lopes da Costa de Ramos e Costa	Member
José Paulo de Castro Trigo	Member

Supervisory Board	
Manuel Augusto Lopes de Lemos	President
José Elísio Lopes da Silva Quintas	Member
José António Truta Pinto Rabaça	Substitute Member

Statutory Auditors	
PRICEWATERHOUSECOOPERS & ASSOCIADOS – SOCIEDADE DE REVISORES OFICIAIS DE CONTAS LDA – SROC nº183, represented by Carlos Manuel Sim Sim Maia, ROC nº 1138	Permanent
Carlos José Figueiredo Rodrigues, ROC nº1737	Substitute

The Remuneration Committee is composed of three members:

Remuneration Committee	
Fabrizio Cesario	President
George Koulouris	Member
António Manuel Nestor Ribeiro	Member

The members of the Remuneration Committee are not remunerated and have no family ties amongst them.

B.1.2. ORGANISATIONAL STRUCTURE

Management body

Caravela's management body is by excellence the Board of Directors, which is responsible for implementing and maintaining an appropriate and effective internal control system, defining the principles and objectives assigned to it, as well as ensuring compliance by all employees linked to the Company.

The Board of Directors is also responsible for establishing and maintaining a clear and cautious risk management system which, together with an efficient information and communication system, is the basis for the adequacy and effectiveness of Caravela's internal control system.

This way, the Board of Directors relies on five specialised committees responsible for assisting and advising it before decisions are taken in relevant areas which fall exclusively within the competence of the Board.

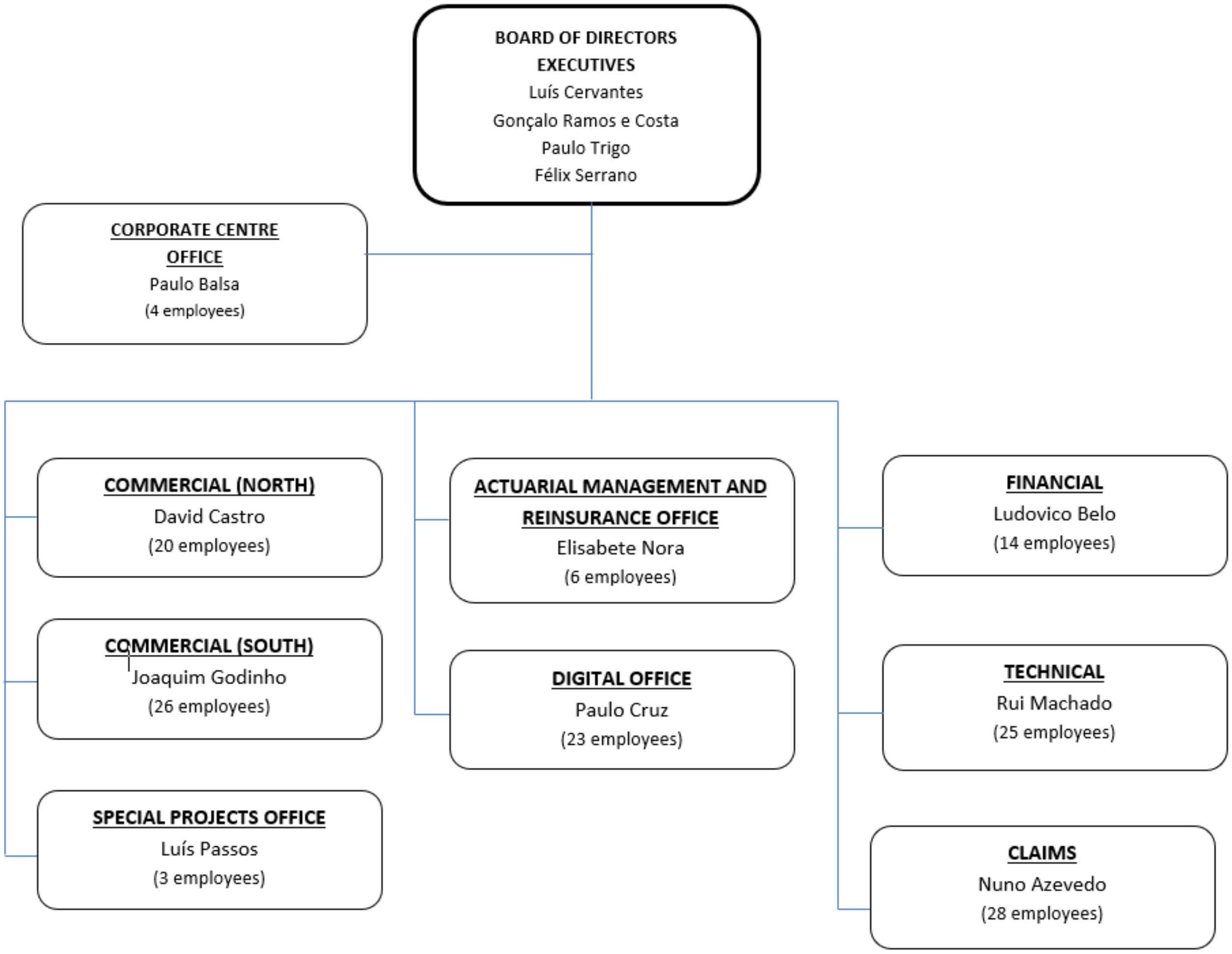
Bodies and members holding key functions

For the purposes of this governance system, the following are considered to be key function holders in accordance with Article 5(1) of the RJASR:

a) Members of the management body;
b) Those responsible for the functions of Risk Management and Internal Control, Compliance Verification, Internal Audit and Actuarial;
c) Other employees in key functions who show significant influence over the management of the company.

Internal Organisation

GENERAL ORGANISATION CHART OF CARAVELA-COMPANHIA DE SEGUROS, S.A.



Top management:

The fundamental autonomous areas of Caravela, represented in the organisation chart above, are directed by top-level managers identified therein, who report directly to the Management Body.

The above-mentioned managers include the Caravela key function holders who also meet the Qualification and Suitability requirements demanded for the exercise of the function, namely, the suitability, experience and professional qualifications, as set forth in article 65 of the RJASR.

The following senior directors are key function holders:

- Elisabete Nora – Actuarial Function;
- Ludovico Belo – Risk Management and Compliance Verification Function;
- Paulo Balsa – Internal Audit Function.

The operational proximity between the Board of Directors and the different levels of the organisational structure of the Company constitutes one of the added values of the day-to-day management of the Company, without prejudice to the practiced philosophy of empowerment, according to the principle of subsidiarity with room for creative affirmation of all functional levels.

Specialised committees:

Complementing and standardising, through transparent and horizontal communication, the strategy defined by the Board of Directors, Caravela's organisational and functional structure also includes the five committees mentioned below:

- Executive Management Committee/Douro Project;
- Claims Committee;
- Risk Management Committee;
- Financial Committee; and
- Subscription Committee.

The Company's Board of Directors is represented on all these Committees, as well as the heads of the key areas and functions directly related to each of these Committees, and all the operational departments are represented in the Executive Management Committee.

As previously described, these Committees are an essential instrument of the internal reflection process leading to the preparation of decision-making, regarding risk identification and monitoring, from a horizontal perspective, allowing for the appropriate capture of contributions with different perspectives, enabling decisions to be taken with consideration, incidence and systemic effects.

In addition, for projects considered to be of a structural nature, specific working groups are formed to monitor them, in which members of the Board of Directors are present.

Control activities and segregation of functions

Notwithstanding its current dimension, Caravela already adopts the necessary measures for the identification and segregation of functions with incompatible overlapping or which require specific monitoring procedures, in order to mitigate the perverse effects of insufficient positioning and differentiated treatment.

B.1.3. REMUNETARION POLICY

The remuneration policy seeks to systematise in a clear and objective manner the fundamental aspects associated with the fixed and variable components of the remuneration of both the members of the governing bodies and the heads of key functions and other company functions.

The Company's remuneration policy complies with Regulatory Standard No. 5/2010-R of April 1 (Disclosure of information on the remuneration policy of insurance companies and pension fund management companies) and, of the same date, Circular No. 6/2010 (Remuneration policy of insurance or reinsurance companies and pension fund management companies).

Such remuneration policy is based on a cautious and appropriate monitoring in order to avoid any conflict of interests and observes the growth and profitability policy set out by the Company's shareholders.

1. Approval of the remuneration policy

The remuneration policy for Caravela's governing bodies is defined by the Remuneration Committee.

2. Disclosure

The remuneration policy is disclosed in the different areas as required by the law and rules in force.

3. Composition of the Remuneration Committee

The above-mentioned Committee is composed of 3 members elected by General Meeting:

- Fabrizio Cesario – President
- George Koulouris – Member
- António Manuel Nestor Ribeiro – Member

4. Remuneration Policy

Apart from the fixed remuneration, the members of the Board of Directors can have a variable remuneration which is granted according to the Company's net results.

5. External Consultants

In defining the remuneration policy of the members of Caravela's governing bodies, the services of External Consultants are not used.

6. Remuneration of the Statutory Auditor

The Statutory Auditor is remunerated in accordance with the conditions set out in articles 59 and 60 of the Executive-Law no. 487/99, of November 16, as amended by the Executive-Law no. 224/2008 of November 20. The fees are proposed by the Statutory Auditor and approved by the Board of Directors, with the Supervisory Board's opinion.

In 2023, the amounts paid, including VAT, were:

Fees Description	Amount
Solvency II Certification	**19 889**
Statutory Audit	**41 697**
Total	**61 586**

Table 11: Statutory Auditor Remuneration

7. Composition of Caravela's Governing Bodies and respective remunerations in 2023

	Remuneration		
	Fixed	Variable	Total
Board of Directors			
Luís Filipe Sampaio Cervantes	239 334,65	50 000,00	289 334,65
David Angulo Rubio	50 000,00	0,00	50 000,00
Gonçalo Lopes da Costa de Ramos e Costa	209 247,75	25 000,00	234 247,75
José Paulo de Castro Trigo	208 093,50	25 000,00	233 093,50
Félix Serrano Sanchez Carrillejo	160 688,20	25 000,00	185 688,20
Supervisory Board			
Manuel Augusto Lopes de Lemos	8 100,00	0,00	8 100,00
Humberto Manuel Martins Carneiro*	900,00	0,00	900,00
José Elísio Lopes da Silva Quintas	4 050,00	0,00	4 050,00

* Stepped down in March 2023

Table 12: Composition and Remuneration of the Governing Bodies

8. Employees Remuneration Policy

a) The remuneration policy for Caravela's Employees shall be proposed by the Human Resources Department for subsequent approval by the Board of Directors and assessed by the Company's control bodies;

b) The remuneration policy is disclosed in all its mandatory legal aspects;

c) Apart from fixed remuneration, Caravela's employees can have a variable remuneration, based on the following assumptions:

   i. The balance between both remunerations, in order to achieve easy and clear planning of the variable part;

ii. Variable remuneration should result from a system of objectives and performance that gives special focus to Caravela's objectives, which must be clear, precise, determinable and achievable.

9. Other employee benefits

Apart from the above-mentioned elements, Caravela's employees receive the following benefits:

a) Workers Compensation Insurance;

b) Personal Accidents Insurance;

c) Health Insurance;

d) Life Insurance;

e) On-call time premium, set out in the company agreement, signed and published in 2022;

f) Support defined for increased teleworking expenses.

B.1.4. ASSESSMENT OF THE GOVERNANCE SYSTEM SUITABILITY

Caravela, taking into account its current governance system, concludes that the model is suitable to the nature, size and complexity of the activity and risks to which the Company is exposed.

Caravela continuously monitors the suitability of its governance system, making any necessary changes as and when relevant and important.

B.2. QUALIFICATION AND SUITABILITY REQUIREMENTS

Caravela's policy for selecting and assessing the suitability of those responsible for key functions is intended to comply with the provisions of Articles 65 to 71 of the RJASR and to ensure that the company adopts the highest standards of governance required by law.

This policy is formulated in a specific document that is an integral part of Caravela's governance system in force and has the following structure:

1. Scope;

2. Risk Management Committee (RMC);

3. Policy for selecting and appointing members of the management and supervisory bodies;

4. Policy on selection and suitability of other members holding key functions;

5. Assessment of fitness and suitability;

6. Ongoing training plan for the members of the management and supervisory body and other members holding key functions;

7. Specific prevention of conflicts of interest;

8. Accumulation of positions;

9. Diversity policy;

10. Review of the selection and evaluation policy;

11. Attachments.

The selection and suitability of the members of the management and supervisory body shall describe, with reference to collective abilities, the technical competence, availability and diversity of the management and supervisory body and, with reference to individual abilities, the suitability, experience and professional qualifications, independence and availability.

In the selection and suitability of members holding key positions, the Board of Directors proactively develops the best efforts to identify possible candidates, as well as to prepare the respective succession process in a timely manner, being assisted in this process by the RMC, which will identify the people who, in its opinion, have the most suitable profile for the position.

In the evaluation and selection of candidates for key positions, it is verified that they meet the requirements of suitability, professional qualifications, independence and availability set out in Caravela's 'remuneration' policy, formulated in a specific document.

In addition to the requirements referred to in the previous number, it is particularly valued in the evaluation process: 1) the candidate's demonstration of high ethical principles, moral values and behaviour compatible with the standards required to Insurance Companies (namely diligence, neutrality, loyalty, discretion and conscientious respect for the interests entrusted to them), 2) their sensitivity to risk, as well as 3) their capacity to make considered and constructive critical judgements and not influenced by third parties in relation to the situations in question.

The Company provides, on a continuous training basis, reasonable and necessary resources and time to ensure the acquisition, maintenance and deepening of the knowledge and skills required for the proper performance of the functions attributed to the management and supervisory body and to the holders of key positions.

The members of the management and supervisory bodies, as well as those in key positions, shall avoid any situation liable to give rise to a conflict of interest. To this end, a conflict of interest exists whenever private or personal interests may influence, or appear to influence, the impartial and objective performance of the functions attributed. Private or personal interest means any potential advantage for oneself, one's family and relatives or one's circle of friends and acquaintances.

B.3. RISK MANAGEMENT SYSTEM

The risk management system, at the operational level, is centralised in the Prudential Management Office, hereinafter called Prudential Management, an independent body from the operational departments that integrate the business areas, consistently incorporating the concepts of systemic risk in the strategy and decisions of the company with effects on its results.

Risk Management is defined as an autonomous structure whose value judgements are based on best management practices, ensuring, with an independent status but in compliance with the guidelines of the management body, strict compliance with the rules established by the supervisory body in matters of risk management and implementation of the methodologies necessary for the judicious identification, measurement and mitigation of systemic or individually relevant risks, namely through:

a) Formalisation of the risk management operating model, ensuring its compliance with the regulatory requirements in the context of the RJASR;

b) Up-to-date maintenance of the conceptual models for management by risk class, ensuring the compliance of protective strategic guidelines approved by the Board of Directors;

c) Creation of risk control and mitigation programmes, guaranteeing that the materialisation of such cannot jeopardise the Company's financial stability and solvency;

d) Drawing up contingency plans for potential adverse scenarios so as to prevent relevant losses that jeopardise the Company's solidity;

e) Monitoring any needs to reinforce material solvency means and any unfavourable deviations in Caravela's risk profile, taking into account the levels and requirements defined under the RJASR;

f) Definition of the tolerance levels to be respected for each risk, with periodic review of such levels;

g) Creating and monitoring automatic alert indicators to enable the timely detection of any adverse risk deviations;

h) Development of methodologies and policies that ensure risk management and internal control, in accordance with the model in force, with a view to adapting them to the level of exposure and organisational structure that Caravela adopts at any given time;

i) Standardisation of procedures applicable to the entire Caravela structure, through the various committees created, liaising with the statutory auditor and external auditor on the certification of the internal control system;

j) Training of the risk managers appointed in the respective operational areas;

k) Support in the identification, management and control of new risks arising from the different activities of the company;

l) Periodic updating of the documentation on the internal control processes;

m) Study and implementation of measures that enable the safety of human and material capital that make up the Company's operational structure;

n) Supporting the development of continuous training and awareness programmes for employees, in accordance with their functions, concerning operating risks and best practices for their mitigation;

o) Definition of procedures and information necessary for Caravela to be prepared to respond to external sectorial or extra-sectorial – national or international – risk events;

p) Supporting the Board of Directors and the different directorates in the preparation of documents aimed at formalising the main risk management and internal control strategies and processes.

B.3.1. AUTOPROSPECTIVE RISK SELF-ASSESSMENT

The ORSA[1] (Prospective Risk Self-Assessment) Policy has as its main objectives:

i. To define the broad principles to be adopted in the prospective risk self-assessment exercise;
ii. To define an ORSA process that allows for the development and adoption of an adequate methodology;
iii. To define the structure of the ORSA report for internal use and for submission to the regulator;
iv. To establish the governance and reporting mechanisms associated with the ORSA exercise and policy.

To carry out the prospective risk and capital self-assessment, Caravela has defined an ORSA process, consisting of four distinct stages, which establishes the order in which the various activities should be carried out, ensuring that all the analyses required for the process are prepared and carried out.

[1] *ORSA – Own Risk and Solvency Assessment*

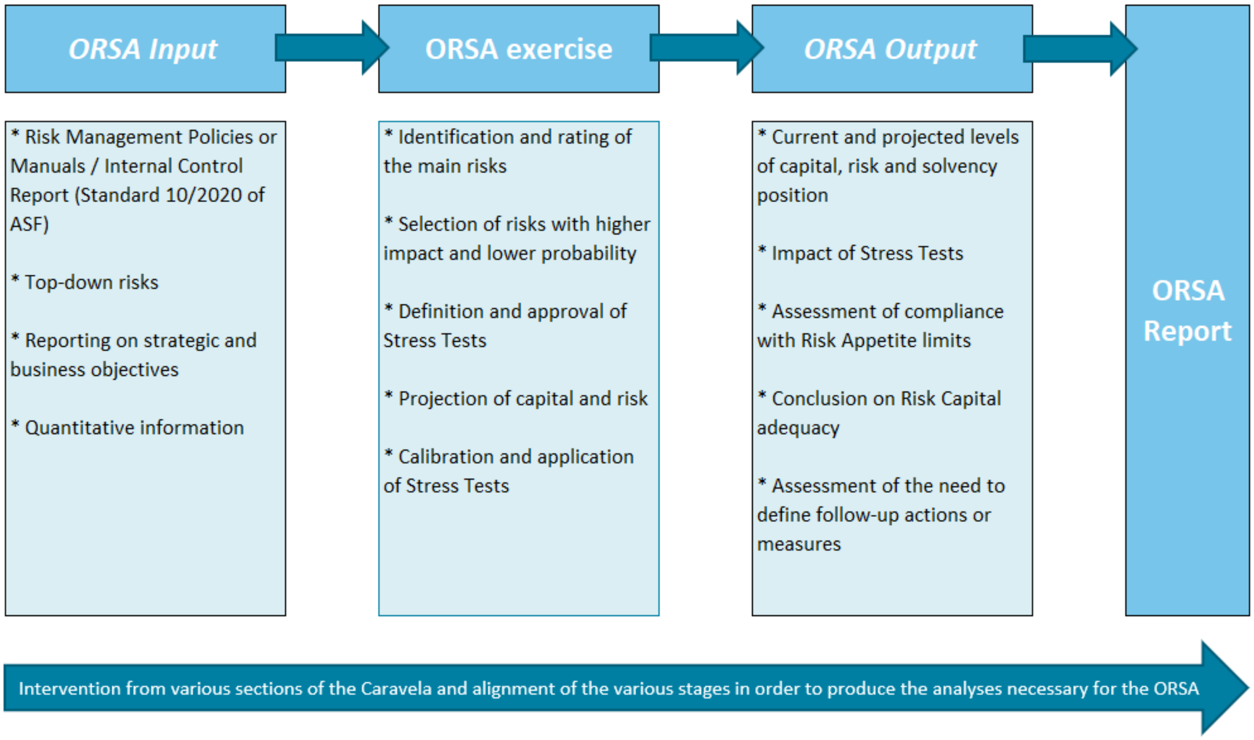


Figure 19: Stages of the ORSA Process

The ORSA report is submitted to the Supervisor at least annually, and within two weeks of the completion of the ORSA process with the approval of the Board. The report shall be composed of the processes, analysis and outcomes of the ORSA Process according to the following reporting flow:

i. Preparation of the Report by the Prudential Management Office, together with other Directorates whenever necessary;
ii. Preparation of the Management Declaration;
iii. Validation from the Risk Management Committee;
iv. Board approval;
v. Submission to the Supervisor and making available to internal and relevant Stakeholders.

In addition, the Board shall decide, in accordance with the parameters set out in the policy, on the need to conduct a Non-Regular ORSA. If this is done, and although it is a shorter exercise, it should also follow the defined reporting flow.

In the ORSA governance chapter, which looks at the functions associated with the ORSA process and report, we highlight the elements of Caravela responsible for the different stages.

1. Board of Directors

The Board has as its main responsibilities the approval of the ORSA Process and Report, and the submission of the latter to the Supervisor and internal Stakeholders. However, it is also responsible for:

i. Approving the assumptions, inputs and methodologies used for the multi-year projection of risks and capital under the ORSA;
ii. Approving the Stress Tests or sensitivity analyses performed;
iii. Analysing and validating the results of the projection of risks and capital and the application of Stress Tests or sensitivity analyses;
iv. Approving recovery and follow-up measures and actions, if proposed;
v. Ensuring linkage between ORSA results and the annual strategy and budget setting process;
vi. Deciding on the need for a Non-Regular ORSA;
vii. Approving the ORSA Process and ORSA Report.

2. Risk Management Committee

The main responsibility of this Committee is the validation of the ORSA Process and Report. It is also responsible for:

i. Approving the assumptions, inputs and methodologies used for the multi-year projection of risks and capital under the ORSA;
ii. Validating Stress Tests or sensitivity analyses to be applied;
iii. Analysing and validating the results of the projection of risks and capital and the application of *Stress Tests* or sensitivity analyses;
iv. Analysing and validating the proposed recovery and follow-up measures and actions;
v. Promoting alignment between ORSA outcomes, risk appetite and strategy and budget setting process;
vi. Giving its opinion on the need for a Non-Regular ORSA;
vii. Approving the ORSA Process and ORSA Report.

3. Financial Management

The Financial Management Office concentrates the operational responsibilities related to the ORSA Process as well as the preparation of the ORSA Report. In addition, it accumulates the following responsibilities:

i. To propose the assumptions and methodologies to be used in the multi-year projection of risk and capital and collect the different inputs;
ii. To propose the various Stress Tests or sensitivity analyses to be applied;
iii. To carry out ORSA calculations and analyse and prepare the results for discussion and validation;
iv. To propose follow-up and recovery actions and measures, when appropriate and necessary;
v. To analyse the triggers defined and proposing the implementation of a Non-Regular ORSA;
vi. To develop the ORSA report.

4. Other Organic Units

Whenever necessary, other Caravela Organic Units may be called to intervene in the ORSA Process. The main responsibilities are for collecting and preparing inputs, as well as providing them at the level of:

i. Information on the business and strategy;
ii. Identification and evaluation of the main risks to which Caravela is exposed;
iii. Multi-year budget, accounting information or investment details.

They should also prepare and make available any additional information that may be considered necessary.

B.4. INTERNAL CONTROL SYSTEM

Caravela's internal control system is part of the Risk Management of the Company, constituting an autonomous and dedicated structure, whose mission is to create procedures that ensure the reliability of the relevant information and the appropriate prevention and monitoring of risks, in addition to verifying compliance with the defined operating procedures.

In designing the internal control system, principles were adopted that are based on the following basic assumptions:

a) The control culture promoted internally by the organisation is a determining factor in the awareness and conduct of its employees;

b) All employees are responsible for the internal control;

c) Internal control is a dynamic process that should be integrated into the business processes and respective support;

d) The definition of policies and procedures contributes to ensure the achievement of objectives, reducing operating risks and waste of resources;

e) The internal control system must be supported by a permanent monitoring process.

Caravela's internal control policy has as its mission:

a) To create a formal environment of permanent surveillance of the existing internal controls in all physical locations where Caravela services exist;

b) To convey to employees a culture that makes them aware of the need for effective and efficient internal control mechanisms;

c) To provide the management and supervisory bodies with assurance of the integrity of internal controls.

Internal control is part of the corporate risk management and is a permanent process developed to ensure, without problematic deviations, that the company's objectives are achieved, along the following axes:

a) Strategic: refers to the highest level guidelines set by the Board of Directors in line with Caravela's mission;

b) Operational: efficient use of the available resources;

c) Communicational: concerns ensuring the reliability, clarity and trustworthiness of management reports and financial reports;

d) Conformity: compliance with the laws and regulations in force.

Regarding control and supervision culture, Caravela takes into consideration the following methodology:

The Board of Directors approves and periodically reviews the main business strategies and policies of the Insurer, based on the perception of the risks to be addressed; establishes the degree of acceptable risk exposure and ensures that the senior managers take the necessary measures to identify, measure and control these risks, constantly assessing the integrity of the existing controls.

Regarding risk identification and assessment:

Caravela follows a policy of cautious management for framing the various risks defined in legislation, which is subject to specific reports and periodic reviews.

Compliance unit

The autonomous compliance unit is part of the Financial Management Office and is responsible for:

a) Automating and keeping up to date the list of legal and regulatory obligations of each Directorate, as well as the guidelines related to Caravela's code of conduct;

b) Monitoring compliance with the internal rules and processes in place;

c) Assessing the risk of verification of compliance regarding the use of the personal databases held by Caravela, proposing the measures and actions it deems appropriate with a view to the judicious use of those elements;

d) Participating in projects involving the implementation of legal procedures or requirements, as well as those relating to the definition of governance principles, applicable to the activity carried out by the company;

Promoting the necessary controls to prevent money laundering and the financing of terrorism.

B.5. INTERNAL AUDIT FUNCTION

The Internal Audit Directorate functionally reports to the Board of Directors and its mission is to evaluate the results, effectiveness and suitability of the risk management, internal control and governance processes inherent to the company's activity, so that the interests of shareholders, policyholders, insured parties, beneficiaries, employees and other entities directly interested in the good performance and solvency of the Company are not jeopardised.

It is also responsible for providing quality services in the various areas of its intervention, according to criteria of productivity, promptness and efficiency, in accordance with the strategies, guidelines and policies issued by the Board of Directors.

According to the RJASR the internal audit directorate is a body independent from the operational functions that should mainly focus on specific insurance, credit, market, liquidity, operational, reputational and strategic risks.

Within the scope of its specific attributions, it is responsible in particular for:

a) Analysing the operational and business processes, assessing their compliance with the applicable internal and external regulatory texts;

b) Collaborating with all Caravela’s bodies to support the correct observance of the policies defined above;

c) Ensuring and promoting, within the scope of its duties, frank and fluid relations with supervisory bodies, as well as to respond to relevant requests from other public and private institutions;

d) Participating in the definition, disclosure and practice of normative texts, with a view to preventing incidents that may interrupt the normal continuity of the Company’s operations;

<u>Autonomy:</u>

a) The Internal Audit Directorate is granted autonomy and freedom to access documentary records, physical facilities and contact with Caravela’s employees relevant to the performance of its functions;

b) The employees of the Internal Audit Directorate respect the impact and ownership of the information they receive and do not disclose it without due authorization, except in cases of legal or professional obligation;

c) All the employees of the Internal Audit Directorate shall meet the fit & proper standards required in order to perform their functions.

<u>Independence</u>:

All internal auditing activities must remain free from interference from any element of the organisation, so that the independence and impartiality essential to the drawing of conclusions may be maintained.

Field of Action:

The Internal Audit Directorate's field of action covers the analysis and evaluation of the overall efficiency of governance, the individual or aggregate results of risk management, the internal control system and the quality of performance of the execution of functional responsibilities assigned individually in pursuit of the established objectives and targets.

B.6. ACTUARIAL FUNCTION

Actuarial management is responsible for the actuarial function and has as its core objectives:

a) To prepare technical and actuarial studies and analyses for the various business areas of the company, previously approved by the Board of Directors;

b) To study and implement new techniques and methodologies for the development of studies in its area of action;

c) To strive for consistency and reliability of the information collected for the preparation of the studies and analyses entrusted to it;

d) To ensure, at regular intervals, correct evaluation of the technical reserves, informing the Board of Directors of their suitability and sufficiency, foreseeing possible deviations and proposing measures to correct any dysfunctions upstream of the results observed, particularly with regard to subscription and/or reinsurance agreements;

e) To collaborate with the different areas involved in the preparation of timely responses to requests for information required by external entities;

f) To collaborate in the preparation and supply of statistics and maps for the ASF and the Portuguese Insurers' Association (APS), involving the technical skills of the actuarial;

g) To develop tariffs for new products, whenever requested to do so, using sensitivity analyses;

h) Within the scope of the RJASR, develop techniques that make it possible, among other things, to determine the best estimate and risk margin in the value of technical reserves, calculate future cash flows, economic capital, test Stress Test scenarios and assess the impact of reinsurance;

i) To ensure the preparation of studies and technical and actuarial analyses requested by the heads of technical areas and by the Board of Directors;

j) To ensure the sufficiency, quality and reliability of the data used in the calculation of technical reserves.

B.7. SUBCONTRACTING

The policy of subcontracting operational functions or activities considered relevant to Caravela, aims to provide the company with the best services and resources, necessary for the pursuit of the company's objectives, and whose providers meet the same requirements demanded of key function holders, under the terms of the RJASR.

This policy is formulated in a specific document that is part of Caravela's governance system.

The subcontracting of operational functions or activities to individual or collective entities shall be mandatorily supported by a written service provision contract under the legal provisions in force.

In the process of subcontracting functions or activities inherent to the company itself, Caravela takes responsibility for complying with the obligations arising from the RJASR.

Whenever there is the intention to outsource fundamental or important functions or activities, as well as any subsequent significant events that affect these functions or activities, Caravela will inform the ASF in advance, under the terms of paragraph 3 of article 78 of RJASR.

The procedures for selecting subcontracted entities – individual or collective – are the responsibility of the duly authorised top management, which may be assisted by areas related to it.

The entities to be subcontracted must meet the suitability requirements considered necessary for the performance of these functions or activities, especially with regard to suitability, professional qualification, independence, availability and capacity for good professional performance, taking into consideration the desired result.

Caravela's management body is always responsible for the final decision on subcontracting.

B.8. OTHER ADDITIONAL INFORMATION

B.8.1. CODE OF CONDUCT

Caravela has created its own Code of Conduct, disclosed on the company's website, which sets out the guidelines on individual behaviour and ethical principles in the professional field, which is part of the Caravela's Governance System.

B.8.2. STATUTORY AUDITOR

Under the terms of the law and the company's articles of association, the supervision of Caravela's business, records and results will also be exercised by a statutory auditor or firm of statutory auditors who is not a member of the Supervisory Board; this person is elected at the General Meeting and can be re-elected, in compliance with the rules established in the Commercial Companies Code.

The Statutory Auditor annually certifies the information to be provided and the elements of the report on the solvency and financial condition of the company and is obliged to immediately communicate to the ASF any fact or decision, which may constitute a violation of legal standards, affect the continuity of the business or lead to non-compliance with the solvency capital requirements.

B.8.3. RESPONSIBLE ACTUARY

Under the terms of the regulations in force, it is the responsibility of the responsible actuary to certify the quantitative information that entities must report to the ASF for supervisory purposes, with regard to the adequacy to the applicable legal, regulatory and technical reserves of the calculation of technical provisions, the amounts recoverable from reinsurance contracts and entities with the specific purpose of securitisation of insurance risks and the components of the Solvency Capital Requirement related to these items.

Due to incompatibility of the Actuarial and Responsible Actuary functions, Caravela opted to outsource the latter, being guaranteed by an actuary duly certified for the purpose by ASF.

B.8.4. REVISION OF THE GOVERNANCE SYSTEM

Under the provisions and scope of Article 41 of the Solvency II Directive, the governance system will be reviewed within the framework of the risk management functions, after being discussed and assessed by the risk management committee, on a triannual basis and submitted in a specific report to the management body with the recommendations deemed necessary and appropriate for its improvement.

After receiving the report on the governance system, the Board of Directors shall approve the recommendations presented or present grounds for its refusal, identifying alternative solutions, should any flaws or outdatedness be detected in some of the concepts that are a part thereof, regarding the applicable regulations.

C. RISK PROFILE

Taking risks is intrinsic to the activity of any insurer. Therefore, Caravela's Risk assessment assumes that it is aware of the characteristics of its risk profile, namely at the level of its material risks and the amount of risk it is willing to accept in order to achieve its strategic and business objectives. To this end, and in order to ensure a consistent approach to identifying, assessing and monitoring risks, Caravela presents its risk appetite objectives and thresholds, as well as the main risks to which it is exposed arising from the 2022 financial year.

Caravela understands the concept of Risk Appetite as being the level of unexpected losses that it is willing to accept in order to achieve its strategic objectives. As part of its Risk Appetite Methodology, and as referred to above, the Company has defined Risk Appetite objectives and thresholds that must be met in both base case and Stress Test scenarios.

Based on the defined risk strategy and objectives, Caravela has established two quantitative risk appetite metrics involving the Company's capital and profitability dimensions.

Capital Metrics (Solvency)

The Solvency metric aims to ensure that the Company has an adequate level of capital to meet current and emerging risks, thus allowing adequate protection for its policyholders. For this metric, made tangible through the Solvency Margin, Caravela has defined the following thresholds:

	Risk Appetite Dimension	Threshold	Threshold Type
Solvency	Capital target	125%	Rigid
	Minimum Acceptable Capital	110%	Rigid

Table 13: Risk Appetite Threshold - Solvency Metric

Results Metric (ROE)

The Profit & Loss metric aims to ensure that Caravela does not take risks that may significantly jeopardise the profitability of the business. For this metric, made tangible through Return on Equity[2] (ROE), Caravela has defined the following thresholds:

[2] Return on net assets (equity)

	Risk Appetite Dimension	Minimum Threshold	Threshold Type
Results	Current Profitability Target	10%	Flexible
	Minimum acceptable return	0%	Flexible

Table 14: Risk Appetite Thresholds - Results Metric

C.1. SPECIFIC INSURANCE RISK

The specific insurance risk corresponds to the risk inherent in the trading of insurance contracts, associated with product design and their pricing, to the underwriting process, liabilities provisioning and claims and reinsurance management.

In Non-Life insurance, the specific risk of insurance includes, among others, premiums, reserves and catastrophic risks.

The underwriting, provisioning and reinsurance processes are duly documented with respect to the main activities, risks and controls.

In summary, the most important control mechanisms are:

- Delegation of Competencies formally defined for different processes;
- Segregation of functions between the areas that carry out risk analysis, calculate tariffs, issue technical opinions and issue policies;
- Limited access to different applications according to their user profile;
- Documentation scanning in issuing processes and claims management;
- Procedures of case-by-case cross-checks.

The level of claims reserve is monitored monthly, with quarterly reviews to all claims processes, being implemented stochastic assessment models in order to compensate any insufficiency in reserves.

Caravela practices a ceded reinsurance policy based on proportional and non-proportional treaties. The reinsurance structure in 2022 consists of proportional treaties (Share and Surplus) and non-proportional treaties (Excess of Losses and Catastrophic Coverage), as shown in the following table:

Line of business	Reinsurance Type
Workers Compensation	Excess of loss (XL) and Proportional
Personal Accidents	Excess of loss (XL) and Proportional
Health	*Fronting*
Property	Quota-hare
Property (Natural Catastrophes)	Excess of loss (XL)
Engineering	Quota-Share
Harvests	Quota-Share
Motor	Excess of loss (XL) and Proportional
Marine and Transports	Quota-Share
Cargo	Quota-Share
Third Party Liability	Excess of loss (XL)

Table 15: Reinsurance structure

C.1.1. Underwriting Risk (Non-Life)

The exposure to Non-Life Underwriting Risk, compared to the previous year's reporting, shows an increase of 32.1%, reaching a value of 28,288 thousand euros in 2023.

In a more detailed analysis, it is possible to conclude that the sub-risk that contributes most to its increase is the Premium and Reserve risk, as this has a weight of approximately 99%. The increase in this risk accompanies the increase in the premiums volume measure (+29.3%), as well as the increase in the reserves volume measure (+38.8%).

The Lapse risk, although growing by 26.5%, is immaterial, corresponding to about 1%, and the Capital Requirement of the Catastrophic risk remains unchanged, as there were no changes in the existing reinsurance treaty nor in its limits.

The results obtained for each sub-risk that makes up the Underwriting Risk (Non-Life) can be seen in the following table:

SCR (thousands of Euros)	2022	2023
Non-life Underwriting Risk	**21 407**	**28 288**
Premium and Reserve Risk	21 181	28 065
Lapse Risk	247	312
Catastrophic Risk	837	837

Table 16: Non-Life Underwriting Risk SCR

C.1.2. Underwriting Risk (Health)

The exposure to Health Underwriting Risk shows a growth of 33.9% compared to 2022, reaching around 18,192 thousand euros in 2023.

Looking in more detail at the Health SCR, it can be concluded that the Health Non Similar to Life Techniques (NSLT) component, consisting of Premium and Reserve risk, has the highest weight and the largest increase. This increase is justified by both the growth in production of the Workers Compensation line of business and the growth in the provisioning verified in 2023.

The Health Similar to Life Techniques (SLT) risk is made up of the Longevity, Expense and Revision risks. All these risks are calculated by applying a shock to the Best Estimate of Health Similar to Life Techniques subject to each of the risks.

The results obtained by the Company for each sub-risk that makes up the Health Underwriting Risk can be seen in the following table:

SCR (thousands of Euros)	2022	2023
Health Underwriting Risk	**13 587**	**18 192**
NSLT Health Risk	**12 977**	**17 426**
Premium and Reserve Risk	12 977	17 426
SLT Health Risk	**1 148**	**1 277**
Longevity risk	478	544
Expense Risk	431	286
Revision Risk	621	841
CAT Health Risk	**1**	**351**

Table 17: Non-Life Underwriting Risk SCR

C.2. MARKET RISK

Market risk consists of risk of loss or adverse movements in the value of assets related to changes in the market prices of financial instruments.

This risk includes exchange rate, stock, real estate, interest rate, spread and concentration risks.

The Investment policy defines the guiding principles for prudent investment management as well as monitoring and reporting activities.

In order to assure a prudent and adequate risk management, portfolio exposure limits were set out based on 6 specific criteria:

- Asset class;
- Type of issuer (legal form);
- Rating level;
- Activity sector;
- Geographical area;
- Concentration per issuer.

The allocation of assets is characterised as conservative since debt securities must have a high credit quality, greater than BBB, at the date of acquisition. Rating downgrades are assessed on a case-by-case basis in a specific meeting, deciding whether to maintain or sell the asset.

Although not included in the investment policy, it should be noted that the majority of Caravela's investment portfolio is invested in Socially Responsible Investments – ISR[3], with a score of 3,01/5 as of December 31, 2023 (3,21/5 as of December 31, 2022).

Market risk is monitored monthly, within the scope of the Financial Committee, by assessing the KRI developed for this purpose, which are the responsibility of the Financial Management, and quarterly by assessing the reports prepared by the management entity.

The reports incorporate analyses of the asset structure – allocation strategy by asset type, issuer credit risk, diversification by issuer, geographic area and activity sector and are complemented by verifying the thresholds stipulated in the investment policy, by a sensitivity analysis of the bond and share portfolio.

Investment in derivatives and similar products, repo and securities lending transactions are only permitted with the express authorisation of the Board of Directors, and at the present time there is no investment in these products.

Market risk is assessed in Solvency II environment, in the quarterly calculation of the regulatory capital requirement.

Interest rate risk arises from changes in the temporal structure or the instability of interest rates. Assets (bonds and fixed-term deposits) and liability (technical reserves, especially the mathematical reserve of Workers Compensation) are exposed to interest rate risk. Exposure to interest rate risk is measured as the difference between assets and liabilities for each time period. In 2023, as in 2022, the interest rate risk stems from a climb rate scenario, as it is the most damaging compared to the same period last year.

The equity risk results from the volatility of the market prices of shares, being exposed to this risk the equity securities, namely, investment funds totally or partially composed by these securities. This risk increased

[3] Socially responsible investments (SRI), also referred to as ethical investments, differ from others as they include environmental, social and corporate governance variables in their investment options.

in 2023 due to the appreciation of shares in F2X Groupe Limited and the acquisition of three new investment funds that increased exposure to this risk.

The real estate risk is originated by the volatility of the real estate market prices. In 2023, this risk saw a significant change in the capital requirement following the purchase of the new Caravela office in Lisbon, resulting in a 23.2% increase and a capital requirement of 6,059 thousand euros.

Spread risk consists of the risk of unexpected losses caused by the depreciation of credit quality or default of a business partner, reflecting the volatility of credit spreads along the risk-free interest rate curve. Securities exposed to this risk are mainly corporate bonds and term deposits. The spread risk, on debt issuers and the banking entities where term deposits are placed, shows an increase of 8.9%, accounted for by the decrease in the bonds and other debt securities item. The assets in exposure had a variation of 40.7% and the average rating of the assets portfolio, compared to the previous year, remained at A.

Currency rate risk is caused by the volatility of exchange rates against the Euro. In 2022 there was an investment in shares in F2X Groupe Limited, in pounds (GBP), acquired in 2022, and its valuation resulted in an increase in the capital requirement of 70.0% to 2,136 thousand euros.

Concentration risk refers to the additional volatility existing in highly concentrated portfolios. Exposure to concentration risk, measured in terms of concentration in the portfolio of issuer groups, showed an increase of 60.6%, with a requirement of 6.609 thousand euros. This strong growth is essentially due to the two shareholdings (YOUR group and F2X Groupe Limited) held by Caravela.

The increase in exposure to Market Risk of 43.7%, is justified by the increase in the investment portfolio (+19%).

The results obtained by the Company for each sub-risk that makes up the Market Risk can be seen in the following table:

SCR (thousands of Euros)	2022	2023
Market Risk	**14 526**	**20 877**
Interest Rate Risk	146	711
Upward shock	*146*	*711*
Downward shock	*31*	*-495*
Equity Risk	7 171	11 665
Property Risk	4 918	6 059
Spread Risk	2 926	3 186
Currency Risk	1 256	2 136
Concentration Risk	4 116	6 609

Table 18: Market Risk SCR

C.3. CREDIT RISK[4]

The Company has control procedures to mitigate such risk regarding clients and agents, particularly the systematic monitoring of the amounts and seniority of receivable receipts. This procedure is guaranteed by the Financial Management and assessed by the Risk Management Committee.

As far as reinsurers are concerned, they are carefully selected not only according to their economic and financial strength, but also to their technical capacity. An analysis is performed periodically to the development of the reinsurer's ratings.

Exposure to Counterparty Default Risk slightly increased to 8.7% in 2023, due to the increase in counterparty default risk of type I.

The results obtained by the Company for each sub-risk that makes up the Counterparty Default Risk can be seen in the following table:

SCR (thousands of Euros)	2022	2023
Counterparty Default Risk	**3 539**	**3 849**
Counterparty Default Risk Type I	2 033	2 318
Counterparty Default Risk Type II	1 749	1 791

Table 19: Counterparty Default Risk SCR

C.4. LIQUIDITY RISK

Liquidity risk arises from the possibility of the Company not holding assets with enough liquidity to meet the obligations to policyholders and other creditors as they mature.

For risk mitigation purposes, it should be noted that the Company has a monthly liquidity plan which is reviewed weekly and analysed daily.

The liquidity plan also aims at the financial investment of surplus capital, particularly in short and medium-term deposits to the safeguard of advanced mobilisation.

[4] Type I - reinsurance and coinsurance contracts and demand deposits
Type II - amounts receivable from intermediaries, policyholders and third parties

Whenever there are strong outflows, the Financial Management together with Investment Management, foresees liquidity needs.

The investment portfolio held as at December 31, 2023, excluding real estate assets, when analysed in terms of its liquidity, shows 100% convertibility within a period of 2 to 7 days.

C.5. OPERATIONAL RISK

Operational risk is the risk of significant losses resulting from inadequacy or failures in processes, people or systems, or external events.

The following point, which refers to the internal control system, includes the operational risks with highest granularity.

The operational risk management aims to identify and know the risks that the Company face and to monitor them in accordance with the tolerances set.

The methodological approach used follows three stages:

1) Identification and classification of risks

The identification of the risks is carried out through interviews with the officials in charge for the Company's main areas.

In these interviews the main top-down risks of the area will be identified and categorised according to ASF guidelines.

In addition to the risk category and subcategory, the Company defines the risk, to which it is exposed, as well as the causes and consequences.

2) Control's assessment and its effectiveness

This assessment is very important for the correct identification of inherent and residual risks of each risk, being crucial to identify mitigation actions/additional controls to be carried out.

In order to calculate the impact and probability (inherent and residual), it is necessary to resort to a set of methods such as: data on internal losses; data on external losses; experience and intuition of risk owners.

3) KRI identification and action plans

KRI is related to a specific risk and is used as an alert for a possible change in probability and impact of a risk occurring.

After identifying and classifying the main top-down risks of the Company, the risks that will be subject to Stress Tests in the scope of the prospective self-assessment process are identified.

Such risks should reflect high impact and medium/low probability risks to ensure the use of budget variables to test their impact.

The quantification of the operating risk is obtained through two components, earned premiums and technical reserves, and may not exceed 30% of the Basic Solvency Capital Requirement.

Operating risk is obtained, as in the previous year, from the perspective of premiums, as can be seen in the following table:

SCR (thousands of Euros)	2022	2023
Operational Risk	**3 864**	**4 791**
Basic capital requirement	3 864	4 791
Based on earned premiums	3 864	4 791
Based on technical reserves	2 568	3 157

Table 20: Operational Risk SCR

C.6. OTHER MATERIAL RISKS

As already mentioned, and within the scope of the Company's risk management, Caravela has a top-down process for identifying and assessing the main risks to which it is exposed. From among these risks, identified by the different areas of the Company, those of low probability and high impact are selected, that is, risks that may jeopardise the achievement of its main objectives.

The risks selected and presented below represent the extreme but plausible risks that are not covered by Solvency II Pillar I risks, or that, despite being covered in this pillar, have an impact beyond that represented by the standard formula.

Risk	Description
Market Risk / Specific Insurance Risk	Increase in interest rates by 100 b.p.
Strategic Risk / Specific Insurance Risk	Degradation of the Technical Portfolio
Specific Insurance Risk	Increase of the claim's ratio, in Motor and Workers Compensation lines of business, to the level of minimum capital required
Sustainability Risk	Existence of an extreme weather event

Table 21: Caravela's main risks

To test the impact of these events the following Stress Tests and Reverse Stress Tests were carried out:

Stress Tests

- **Increase of interest rates**

The objective of this Stress Test is to quantify the impact of an increase in interest rates by 100 b.p. during 2023 and remaining at that level for the rest of the study period. The results obtained show a decrease in both Own Funds and Solvency Capital Requirements between 2023 and 2025. After the Stress Test it is possible to verify that the rise in interest rates currently represents an unfavourable scenario between 2023 and 2027 in the ORSA 2023 exercise. However, the limit set for the Capital Objective will not be breached in the period under analysis.

- **Degradation of the technical portfolio**

This stress scenario aims to assess the impact of the deterioration of the technical portfolio, caused by a subscription to new production in Portugal during 2023, on average 10% below the tariff currently in force in the Company for the various products. The results obtained lead to a drop in the Solvency Ratio in all the years of the Multiannual Budget period to between 156% and 216%. Even with this impact, the Solvency Ratio remains above the Capital Target.

Reverse Stress Tests

Reverse Stress Tests are particularly useful in assessing the level of resilience of the Company's balance sheet and solvency position. The evolution of the claims rate of the two main operating lines of business was identified as the main strategic risks, having simulated an evolution of this risk until it reaches the point of non-compliance with the minimum capital requirement (100%).

- **On Motor and Workers Compensation lines of business claims**

The results of this stress scenario indicate that, in 2023, each additional percentage point in the claims ratio corresponds to a decrease in the Solvency Ratio of 4.2 p.p. The recovery of this impact on the Solvency Ratio is significant, being 34.5 p.p. after one year, and 76.0 p.p. after three years, reaching a recovery of 102.0 p.p. in 2027. The economic recovery is enough to meet the Minimum Acceptable Capital established in the Risk Appetite policy in the very first year after the shock.

Sustainability risk

Following the regulatory requirement to integrate sustainability risks into the governance of insurance and reinsurance companies, a stress scenario was developed to measure the impact of an extreme weather event. To this end, an event was considered in the Lisbon area that would cause flooding, resulting in an increase in the Fire and Other Damage line of business of 21.3 p.p. by 2023. As a result, the Solvency Ratio will fall to between 1.5 p.p. and 8.2 p.p. in all years of the multi-annual budget period, with the largest impact in 2027. Even with this impact, the Solvency Ratio remains above the Capital Target.

C.7. OTHER ADDITIONAL INFORMATION

Not applicable.

D. ASSESSMENT FOR SOLVENCY PURPOSES

A Determining the available capital is fundamental for the determination of the Solvency ratio. When comparing the different Solvency regimes, an increase in the capital requirement may not necessarily be negative if there is a greater or equal increase in the capital available (e.g. by deducting from technical reserves).

The available capital is determined based on the economic balance sheet, i.e. a balance sheet with assets and liabilities at fair value.

The Solvency II Directive (2009/138/EC of the European Parliament and Council) established principles complemented by level 2 (Delegated Acts and Technical Specifications) and level 3 (Guidelines) measures.

Article 75 of the Solvency II Directive on Valuation of assets and liabilities states that:

1. *Unless otherwise stated, Member States shall ensure that the valuation of assets and liabilities by insurance and reinsurance undertakings is carried out as follows:*

    a) *Assets are valued at the amount for which they can be traded between informed parties acting freely in an arm's length transaction;*

    b) *Liabilities are valued at the amount for which they can be traded between informed parties acting freely in an arm's length transaction.*

    For the purpose of valuation of liabilities under point (b), no adjustments for the purpose of taking into account the credit standing of the insurance or reinsurance undertaking may be made.

2. *For the purpose of valuation of liabilities under point (b), no adjustments for the purpose of taking into account the credit standing of the insurance or reinsurance undertaking may be made.*

3. *Those measures, designed to amend non-essential elements of this Directive by supplementing it, shall be adopted in accordance with the regulatory procedure with scrutiny referred to in Article 301(3).*

The reconciliation between the IFRS balance sheet and the Solvency II balance sheet is detailed as follows:

	IFRS balance sheet	Adjustments	Solvency II Balance Sheet
Assets			
Goodwill	0	0	
Deferred acquisition costs	5 513 335	-5 513 335	
Intangible assets	3 167 462	-3 167 462	0
Deferred tax assets	1 102 550	2 044 230	3 146 780
Tangible fixed assets for own use	1 432 758	0	1 432 758

Investments (other than assets held under index-linked and unit-linked contracts)	149 303 399	0	149 303 399
Real Estate (other than for own use)	24 234 210	0	24 234 210
Interests in related companies, including participations	6 787 394	0	6 787 394
Shares and other equity securities	10 323 597	0	10 323 597
Bonds	86 247 669	0	86 247 669
Collective Investment Schemes	14 800 481	0	14 800 481
Derivatives	0	0	0
Deposits other than cash equivalents	6 910 048	0	6 910 048
Loans and mortgages	428 818	0	428 818
Amounts recoverable from reinsurance contracts	58 890 317	3 051 026	61 941 343
Deposits in ceding companies	0	0	0
Receivables	20 969 854	0	20 969 854
Cash and cash equivalents	7 832 483	0	7 832 483
Any other assets, not included elsewhere	1 210 267	-56 975	1 153 292
Total assets	**249 851 244**	**-3 642 515**	**246 208 729**
Liabilities			
Technical reserves – non-life	101 676 787	157 697	101 834 483
Technical reserves – life (excluding index-linked and unit-linked contracts)	55 314 682	3 388 251	58 702 932
Other technical provisions	0	0	
Pension benefit liabilities	252 047	0	252 047
Reinsurer's deposits	1 673 148	0	1 673 148
Deferred tax liabilities	653 364	0	653 364
Financial liabilities other than debts owed to credit institutions	786 118	0	786 118
Amounts payable	20 273 251	0	20 273 251
Subordinated liabilities	0	0	0
Any other liabilities, not included elsewhere	1 854 814	0	1 854 814
Total liabilities	**182 484 210**	**3 545 947**	**186 030 158**
Assets surplus over liabilities	**67 367 034**	**-7 188 462**	**60 178 572**

Table 22: Balance sheet adjustments

D.1. ASSETS

Caravela uses the IFRS accepted by the European Commission (EC), which are generally considered to be a good approximation of the concept of fair value. However, as the IFRS have different valuation methods, there are certain standards that do not reflect fair value, for which it will be necessary to make changes.

D.1.1. Hierarchy of Evaluation Principles

The Company uses the following hierarchy in asset valuation principles:

i. Market prices, quoted in active markets for the same or similar assets;

ii. Where this is not possible, market prices of similar assets with adjustment to reflect the differences;

iii. When there are no active market values, mark-to-model techniques are used;

iv. As an alternative to the previous three principles, the Company considers as much observable market information as possible and reduces as much as possible the Company-specific inputs to perform the valuation.

D.1.2. Valuation and adjustments by asset category

The valuation of the main balance sheet, IFRS and Solvency II items, and their adjustments on conversion, are presented in the following points.

Deferred acquisition costs

The value of deferred acquisition costs allows the acquisition costs of an insurance contract to be linearized over its term.

For solvency purposes, the value of deferred acquisition costs is not considered as an asset and is therefore written off from the balance sheet, generating an impact of -5.513 thousand euros.

Deferred tax assets

Deferred tax assets (IDA) correspond to the tax amounts recoverable in future periods relating to temporary differences at the balance sheet date and are valued, under IFRS, in accordance with IAS 12.

In Solvency II the same principle is used, the difference being justified by the deferred tax on the adjustments made when converting the IFRS balance sheet to the Solvency II balance sheet.

Goodwill and intangible assets

Under IFRS, Goodwill is valued in accordance with IFRS 3 and intangible assets in accordance with IAS 38.

In solvency II, Goodwill is not valued and intangible assets, provided that it is not demonstrated that they can be sold separately, and it is not demonstrated that there is a value for the same or a similar asset that was derived from market prices verified in an active market, as was the case in Caravela, are set at zero value, this adjustment being -3.167 thousand euros.

Tangible fixed assets for own use

Under IFRS, property and equipment are valued in accordance with IAS 16.

In solvency II, the tangible fixed assets recognised in the balance sheet are valued at the historic acquisition cost less the implicit wear and tear, but we consider, given the immateriality of the amount at hand, it is not justifiable to apply the revaluation model (Net value, of amortisations and liabilities, as of 31.12.2023 of 646 thousand euros).

Leases

The Company classifies lease agreements as finance leases or operating leases according to the underlying asset and the right of control over that asset.

Operations are classified as finance leases when the risks and rewards incidental to ownership of an asset have been transferred to the lessee, the financial charges being recognised in the income statement in the period to which they relate, and the amount of depreciation deducted from liabilities, all other lease transactions being considered as operating leases.

Payments made under these leasing contracts are recorded by the Company in third party accounts, the amounts relating to the reimbursement of capital, and in costs the interest for the period to which they relate.

The aforementioned assets shall be subject to depreciation and the depreciation policy used is consistent with other depreciable assets held by the Company. The recognised depreciation is calculated in accordance with IAS 16.

With the entry into force of IFRS 16-Locations on January 1, 2019, the Company has the right to use an underlying asset against a liability for future payments associated with the use of that asset.

In solvency II, the fair value model is considered adequate and so no adjustment is made to this asset.

Investments – Real Estate (other than for own use)

Under IFRS, investment property is valued in accordance with IAS 40.

In solvency II the fair value model is considered adequate, therefore no adjustment is made to this asset.

Investments – Bonds

The bonds in the portfolio are valued in accordance with IAS 39 and classified as Financial assets available for sale.

In solvency II, these assets are valued following criterion i. of the previous point, consistent with the IFRS rule, so no adjustment is recorded.

Investments - Collective investment undertakings

Investment funds held are valued in accordance with IAS 39 and classified as financial Assets available for sale.

In solvency II, these assets are valued following criterion iii. of the previous point, consistent with the IFRS rule, so no adjustment is recorded.

Investments - Deposits other than cash equivalents

Fixed-term deposits held are valued in accordance with IAS 39 and classified under Loans and receivables.

In solvency II, these assets are valued following criterion ii. of the previous point, based on the discounted cash flow method, consistent with the IFRS rule, so no adjustment is recorded.

Reinsurance recoverables

The valuation and adjustments of these assets are detailed in section D.2.5 of this report, under the Technical Reserves assessment.

Receivables

Receivables are valued following criterion ii. of the previous point, based on the discounted cash flow method, consistent with the IFRS rule, so no adjustment is recorded.

Cash and cash equivalents

The valuation of this asset is based on the level i. method of the previous point, consistent with the IFRS rule, so no adjustment is recorded.

Any other assets, not included in other elements

In this class of assets, we highlight the inventories which, under IFRS, are recorded at acquisition cost, being subsequently totally written off against costs, when used; while under Solvency II they are not valued, justifying the impact of -57 thousand euros.

D.2. TECHNICAL RESERVES

D.2.1. Principles and assumptions

The assumptions and methodologies for the calculation of economic-based technical reserves follow the stipulations of the Commission Delegated Regulation (EU) 2015/35 of October 10, 2014, corresponding to the sum between the best estimate and the risk margin.

Technical Reserves are determined separately, within the following trenched scopes:

- Claims Reserve;
- Premiums Reserve, assuming as future premiums:
  - Non-acquired premiums (PNA);
  - Premiums due but not yet processed, type I and II;
  - Future contract premiums that follow the rules established by the so-called contract boundary, which, in the particular case of Caravela, relate to multi-year contracts with public entities.
- Mathematical Reserves for Workers Compensation (AT) and Lifetime Assistance (AV).

The best estimate of the Claims and Premiums Reserve was calculated using the interest rate curve, provided by EIOPA, with Volatility Adjustment.

The values included in this valuation are gross of reinsurance, unless otherwise stated.

D.2.2. Procedures

D.2.2.1. Calculation of the best estimate for the claims reserve

It is understood that the best estimate of the claims provisions corresponds to the mathematical expectation of expected claims over time, as well as claims management, administrative and investment costs.

Calculation algorithms

In order to determine the cash flows of indemnities, other than TA pensions and VA indemnities, it was assumed that the best estimate corresponds to the discounted values of the amounts estimated through the stochastic methods, Thomas-Mack, Merz & Wüthrich and Bootstrap model, based on the Chain Ladder method, using the VaR methodology at 75%, for the Motor and IOD lines of business, where the values resulting from the model with the lowest standard deviation are considered as future cash flows, and management costs with claims by the Chain Ladder model, with average link ratios, on indemnities paid at current costs.

To ascertain the cash flows of expenses, indicated in Article 31 of the Commission Delegated Regulation (EU) 2015/35 of October 10, 2014, other than claims management expenses, the historical no. of outstanding claims per claim year was constructed and the no. of future outstanding claims was estimated. Assuming as valid the average cost of these expenses, per claim under management for the last two years, this value was applied to the estimated no. of pending claims, thus obtaining future cash flows.

To define the cash flow values inherent to Workers Compensation pensions and costs with Lifetime Assistance, the TV 88/90 mortality table was used.

D.2.2.2. Calculation of the best estimate for the premium reserve

In evaluating the premiums reserve the premiums considered were those related to Unearned Premiums (NAP), premiums due yet to be processed, of type I and II, the latter already net of Caravela cancellation rates, where the average cancellation rate of the last 3 years by business line was considered, and future premiums related to multi-year contracts which follow the rules established in the contract boundary (currently with no premiums to consider).

The costs with estimated claims result from the application of the average combined ratio of the last 2 years to future premiums, including investment costs. The way they are broken down, by year of payment, results from the application of the model used in the projection of claims.

In the particular case of TA, it is worth mentioning the difficulty found in an adequate assessment of cash flows, due to the impossibility of separating premiums from the coverage of pensions and VA from other expenses.

Thus, it was not possible to obtain a combined ratio inherent only to pensions and VA and another one to the remaining indemnities, so the expected values of payments were obtained based on the aggregate combined ratio and their projection was according to the percentages obtained from the considered model, based on the TA indemnities other than Pensions and VA.

D.2.2.3. Risk Margin

The risk margin is determined by applying the Cost of Capital method, with a rate of 6%. The simplification indicated in Article 58(a) of the Commission Delegated Regulation (EU) 2015/35 of October 10, 2014 has been used, which corresponds to approximating the SCR(t) for each future year using the proportionality principle, whereas the volatility adjustment and the transitional measures were not applied on technical reserves.

D.2.3. Comparison between IFRS technical reserves versus Solvency II

The following table provides a reconciliation between technical reserves calculated on the basis of IFRS 17 and Solvency II:

	IFRS 17	Adjustment	SII
Technical Reserves — Non-life	**142 881 088**	**18 494 986**	**161 376 074**
Technical Reserves - Non-Life (excluding Accidents and Medical Expenses)	**75 382 885**	**9 805 476**	**85 188 361**
Motor Civil Liability	41 831 515	8 238 989	**50 070 505**
Best Estimate			47 652 793
Risk Margin			2 417 712

(Continuation)			
Other insurances from Motor line of business	11 204 653	-818 148	**10 386 506**
Best Estimate			9 884 981
Risk Margin			501 524
Marine and Transported Goods	382 951	-58 195	**324 757**
Best Estimate			309 075
Risk Margin			15 681
Fire and Other Damage	15 571 582	2 748 451	**18 320 033**
Best Estimate			17 435 429
Risk Margin			884 604
Third Party Liability	1 952 429	-219 006	**1 733 423**
Best Estimate			1 649 723
Risk Margin			83 700
Assistance + Legal Protection	4 439 754	-86 616	**4 353 138**
Best Estimate			4 142 941
Risk Margin			210 196
Technical Reserves - Accidents and Medical Expenses (on similar technical basis of non-life line of business)	**13 284 013**	**3 450 350**	**16 734 363**
Medical expenses	40 006	33 592	**-73 599**
Best Estimate			72 412
Risk Margin			1 186
Income Protection	1 271 980	204 855	**1 476 835**
Best Estimate			1 405 524
Risk Margin			71 311
Workers Compensation	11 972 027	3 211 903	**15 183 930**
Best Estimate			14 450 756
Risk Margin			733 174
Technical Reserves - Accidents and Medical Expenses (on similar technical basis of life line of business)	**54 214 189**	**5 239 160**	**59 453 349**
Best Estimate			56 582 576
Risk Margin			2 870 774

Table 23: IFRS 17 Balance Sheet Reserves vs Solvency II Reserves

The adjustments result from the fact that Solvency II technical reserves are calculated using different methodologies when compared to IFRS. The differences are justified as follows:

- Use of a risk-free interest rate curve, with volatility adjustment, to discount the future cash flows;
- Acquisition, administrative and investment costs considered under Solvency II in accordance with Article 31 of the Commission Delegated Regulation (EU) 2015/35 of October 10, 2014;

- Different methods for determining the best estimate for the Motor and IOD lines of business reserves;
- Different methods for determining the best estimate for the premium reserve;
- Different methods for risk margin.

D.2.4. Uncertainty level

Technical reserves are calculated according to various deterministic and stochastic methodologies, allowing in the estimation process used to quantify the degree of uncertainty or variability of the estimates obtained, as well as to establish and quantify the level of prudence that one wishes to reflect in the reserving process.

The technical reserves are calculated using specific software, applying various stochastic actuarial models.

In the calculations performed on 31.12.2023 several stochastic methods were applied: Thomas Mack, Bootstrap and Merz & Wüthrich models, using as basis the method with the lowest standard deviation, assuming as cash-flows the values resulting from VaR at 75%, which is considered appropriate for the type of risk, in the calculation of cash-flows for the calculation of the best estimate of the claims reserve.

The goodness of the statistical models used can be confirmed by comparing, by line of business, the evolution of the best estimate of the existing claims reserve in 2022 versus 2023.

Line of business	Best Estimate - Claims Reserve 2022	Cash Flows 2023	Best Estimate - Claims Reserve 2023	Variation in Best Estimate - Claims Reserve
Workers Compensation	54 804 459	11 560 405	44 461 803	1 217 750
Pensions	43 583 832	5 156 825	41 750 703	3 323 696
Other Expenses	11 220 627	6 403 580	2 711 101	-2 105 947
Income Protection	669 452	526 455	130 072	-12 925
Motor Civil Liability	25 151 522	16 934 602	12 489 316	4 272 396
Motor – Other Coverages	5 890 558	6 128 930	779 922	1 018 294
Fire and Other Damage	9 282 356	3 404 059	7 702 355	1 824 059
Third Party Liability	1 224 490	943 342	601 573	320 425
Marine and Transported Goods	191 439	66 853	68 367	-56 219
Medical Expenses	0,00	3 103	0	3 103
Assistance + Legal Protection	1 651 169	1 542 946	116 976	8 753
	98 865 445	41 110 696	66 350 385	8 595 635

Table 24: Variation in Best Estimate

D.2.5. Recoverables Amounts from Reinsurance Agreements

In the valuation of the financial statements, for proportional reinsurance, claims reserves are estimated as a percentage of direct insurance reserves depending on the share, while in non-proportional reinsurance the claims reserves are estimated on a case-by-case basis and correspond to the amount in excess of the capital surplus.

In both cases, the IBNR is calculated according to the average percentage of direct insurance IBNR in recent years.

Reinsurance recoverables have been calculated taking into account the interest rate term structure, provided by EIOPA, with Volatility Adjustment, and are calculated separately between premium reserves and claims reserves.

The best estimate of receivables, both claims and premiums, has been adjusted taking into consideration the expected value of losses due to counterparty default. This counterparty default adjustment was determined using the calculation simplification indicated in Article 61 of Commission Delegated Regulation (EU) 2015/35 of October 10, 2014:

- It assesses counterparty risk based on a deterministic mean value of cash flows rather than a pure cash flow analysis;
- It allows counterparties to be grouped by rating type, and assesses group risk as opposed to individual assessment;
- Using a deterministic probability of default applied to the entire exposure as opposed to a rate that varies over time;
- It is based on a single, static estimate of the recovery rate in the event of default as opposed to a random variation.

D.2.5.1. Claims reserve of reinsurance recoverables

Cash flows relating to claims reserves include payments for compensation regarding claims considered in Caravela's gross claims reserves.

The best estimate corresponds to the discounted values of the amounts estimated using the stochastic model, in the calculation of the best estimate of the gross reinsurance reserve, thus presenting the same time structure between claims payments and recoverables:

Line of Business	Balance Sheet Reserve	Best Estimate – Claims Reserve
Workers Compensation	35 716 770	37 323 305
Pensions	31 330 809	32 977 025
Other Expenses	4 385 961	4 346 280
Income Protection	91 573	86 229
Motor Civil Liability	5 821 751	5 445 776
Motor – Other Coverages	383 726	337 607
Fire and Other Damage	12 131 943	11 888 755
Third Party Liability	124 964	117 807
Marine and Transported Goods	171 948	167 990
Medical Expenses	24 398	22 854
Assistance + Legal Protection	0	0
	54 467 073	55 390 322

Table 25: Best Estimate vs IFRS 17 Balance Sheet Reserves

D.2.5.2. Premium reserve of reinsurance recoverables

Cash flows relating to premium reserves include all payments included in the assessment of the gross reinsurance premium reserve.

For the calculation of future reinsurance premiums ceded, the ratio of reinsurance premiums ceded over premiums earned from direct insurance was determined, per line of business, according to the Company's history, and this ratio was applied to the future premiums used in the best estimate of the gross reinsurance premiums reserve.

Likewise, to obtain the costs of claims from reinsurance ceded, the ratio of costs of claims from reinsurance ceded over costs of claims from direct insurance was calculated, per line of business, in accordance with the Company's history, and this ratio was applied to the costs of claims used in the best estimate of the provision for gross reinsurance premiums.

After obtaining the future premiums as well as the ceded reinsurance claims costs, the calculation of the premium reserve follows the same philosophy as the calculation of this gross reinsurance reserve.

The reserve in the balance sheet corresponds to the value of the insurance contract assets as of December 31, 2023, measured using the future service premium allocation method, and the best estimate shows the following distribution per line of business:

Line of Business	Balance Sheet Reserve	Best Estimate – Premium Reserve
Workers Compensation	30 961	1 477 183
Income Protection	35 749	24 955
Motor Civil Liability	982 516	639 142
Motor – Other Coverages	114 207	492 203
Fire and Other Damage	3 145 430	3 673 652
Third Party Liability	1 477	174 177
Marine and Transported Goods	58 964	20 681
Medical Expenses	53 940	49 027
Assistance + Legal Protection	0	0
	4 423 244	6 551 021

Table 26: Best Estimate vs IFRS 17 Balance Sheet Reserves

D.2.6. Impact of excluding volatility adjustment and transitional measure on technical reserves

Caravela uses the volatility adjustment measure and the technical reserves transition measure, approved by the ASF on September 1, 2016. The following table illustrates the impact on technical reserves of not applying these measures:

	Amount with Long-Term Guarantees and Transitional Measures	Impact of Long-Term Guarantees (LTG) and transitional measures				
		No transitional measures on technical reserves	Impact of transitional measures on technical reserves	No volatility adjustment and no other transitional measures	Impact of setting volatility adjustment to zero	Impact of all GLP and transitional measures
Technical Reserves	160 537 413	161 376 071	838 658	162 568 801	1 192 730	2 031 388

Table 27: Impact of the different adjustments to technical reserves

Caravela does not use the transitional measure at the interest rate level or the long-term measure of matching adjustment.

D.3. OTHER LIABILITIES

The valuation of liabilities other than technical, accounting and Solvency II reserves and their conversion adjustments are detailed below according to category.

Pension benefit liabilities

Defined Benefit Pension Plan

Plan associated with the funding quota of responsibilities falling within the scope of the 2008 Collective Labour Contract, which is independent from the public Social Security system, covering employees from labour unions admitted in the activity until June 22, 1995, and that have not joined other proposed solutions.

Pensions to be granted are determined in accordance with the provisions of the 2008 Collective Labour Contract, wherefore this benefit is granted to employees who retire within the insurance activity.

This plan now only covers one participant in old age retirement, with the remaining three active employees who were part of this plan having been transferred to the Defined Benefit Pension Plan.

With the transition of the active population from this Defined Benefit Plan to the Defined Contribution Plan, the Company's liabilities associated with this plan were terminated.

Defined Contribution Pension Plan

Plan associated with the funding quota of the Individual Retirement Plan (PIR) beginning on January 1, 2012.

The financing vehicle of this Plan is "Zurich Life Open Pension Plan for Companies" of Zurich Vida, S.A. (Fund No. 287), which covers all the Company's employees in a homogeneous manner.

The contributions to this plan are the percentages given in Annex V of the Company Agreement, applied on the basis of the annual base salary of the employee, and the contribution in the year was 97,738 euros.

Continuation Premium

According to clause 42 of ACT 2016, published in the Bulletin of Work and Employment no. 4, of January 29, whenever the employee completes one or more multiples of five years of service in the Company, is entitled to receive a single premium corresponding to 50% of his monthly salary, in monetary expression, or in kind (granting of days of leave with pay).

Reinsurers deposits

The valuation of these liabilities follows the hierarchy described in section D.1.1 and is subject to the same valuation as the asset's category cash and cash equivalents.

Deferred tax liabilities

Deferred tax liabilities (IDP) correspond to the tax amounts recoverable in future periods relating to temporary differences at the balance sheet date and are valued, under IFRS, in accordance with IAS 12.

As in IDA, In Solvency II the same principle is used, the difference being justified by the deferred tax on the adjustments made when converting the IFRS balance sheet to the Solvency II balance sheet.

Thus, the position of IDA/IDP in the Solvency II balance sheet is adjusted mainly by:

- IDA – write-off of deferred acquisition costs and intangible assets, corrected for a higher revaluation of reinsurance recoverables;
- IDP – lower revaluation of technical reserves.

According to the delegated regulation the position of deferred tax assets and liabilities should be presented on a net basis in the balance sheet. As there is no adjustment of deferred tax liabilities, the IDA result includes the net adjustment of assets and liabilities totalling 2,044 thousand euros.

Payable amounts

The valuation of these liabilities follows the hierarchy described in section D.1.1 and is subject to the same valuation as the asset's category receivable amounts.

The remaining liabilities headings are valued using similar principles and there are no adjustments between the statutory financial position and the Solvency II balance sheet.

Any other liabilities, not included elsewhere

These liabilities are made up of accrued expenses and are valued according to the hierarchy described in paragraph D.1.1.

D.4. ALTERNATIVE METHODS OF VALUATION

Caravela does not use alternative methods of valuation.

D.5. OTHER ADDITIONAL INFORMATION

Not applicable.

E. CAPITAL MANAGEMENT

E.1. OWN FUNDS

In accordance with Solvency II regulatory requirements, Own Funds are classified into different levels taking into account principles such as Permanent Availability and Subordination and are subject to eligibility conditions.

Reconciliation between IFRS own funds and those eligible under Solvency II is presented in the following table:

Own Funds	IFRS Balance Sheet	Adjustments Gross of taxes	Adjustments Net of taxes	Solvency II Balance Sheet
Ordinary share capital	44 388 315	0		44 388 315
Share premium account related to ordinary share capital	0	0		0
Equity	0	0		0
Other equity instruments	0	0		0
Reserves	22 978 718	0		22 978 718
Other reconciliation reserve elements	0	-9 232 693	-6 878 356	-6 878 356
Asset adjustments	0	-5 686 745	-4 236 625	-4 236 625
Liability adjustments	0	3 545 947	2 641 731	2 641 731
Total basic own funds after deductions	**67 367 034**	**-9 232 693**	**-6 878 356**	**60 488 678**

Table 28: Reconciliation of own funds

The analysis carried out on the Company's own funds provides the following breakdown by Capital levels:

Available Capital (thousands of Euros)	2022	2023
Own Funds	**56 042**	**60 179**
Level 1 unrestricted	54 163	57 685
Level 1 restricted	0	0
Level 2	0	0
Level 3	1 879	2 493

Table 29: Composition of available capital

Caravela's Own Funds are essentially made up of Level 1 items, these being represented in full by unrestricted items and consisting of 44,388 thousand euros of Share Capital and 13,297 thousand euros of reconciliation reserve.

The essential elements of the reconciliation reserve follow the following structure:

Reconciliation Reserve (thousands of Euros)	2022	2023
Surplus of assets over liabilities	56 042	60 179
Own shares (directly and indirectly held)	0	0
Foreseeable dividends, distributions and charges	0	0
Other basic own funds items	46 268	46 882
Adjustments for own funds items with restrictions in respect of matching adjustment portfolios and ring-fenced funds	0	0
Reconciliation Reserve	**9 775**	**13 297**

Table 30: Reconciliation reserve

The Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) are fully covered by unrestricted Level 1 items, meeting the eligibility criterion, namely that the proportion of this item should be at least 50% of the SCR and 80% of the MCR. The threshold for Level 1 restricted items of 20% regarding the total Level 1 does not apply as there is no equity with this classification. The Company also complies with the threshold for Level 3 elements, which should not exceed 15% of the SCR.

The Capital eligible to cover the Solvency Capital Requirement and the Minimum Capital Requirement is summarised in the following table:

Eligible Capital (Thousands of Euros)	2022	2023
Of solvency	56 042	60 179
Minimum	54 163	57 685

Table 31: Eligible capital

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. CAPITAL REQUIREMENTS

Caravela's Solvency Capital Requirement and Minimum Capital Requirement are as follows, indicating, for information purposes, the requirements as at January 1, 2024 as they include a further amortisation of the transitional measure relating to technical reserves:

Solvency Capital (Thousands of Euros)	2022	2023	2024 (January 1)
Solvency Capital Ratio	**181,9%**	**148,0%**	**147,8%**
Own Funds	56 042	60 179	60 106
Solvency Capital Requirement	**30 803**	**40 670**	**40 670**
Adjustment	-8 362	-11 566	-11 566
Operational Risk	3 864	4 791	4 791
Basic Solvency Capital Requirement	**35 300**	**47 445**	**47 445**
Diversification effect	-17 760	-23 760	-23 760
Sum of risk components	53 060	71 206	71 206
Market risk	14 526	20 877	20 877
Counterparty risk	3 539	3 849	3 849
Health risk	13 587	18 192	18 192
Non-Life risk	21 407	28 288	28 288

Table 32: Solvency capital

Minimum Capital (Thousands of Euros)	2022	2023	2024 (January 1)
Minimum Capital Ratio	**391,7%**	**328,2%**	**327,7%**
Own Funds	54 163	57 685	57 592
Minimum Capital Requirement	13 828	17 576	17 576

Table 33: Minimum Capital

In order to obtain the capital requirement, it should be noted that Caravela does not use simplified calculations or use Company-specific parameters, applying instead the standard formula both for obtaining the Solvency Capital Requirement and the Minimum Capital Requirement.

The prospective assessment of risk and capital is one of the main components of the ORSA, allowing conclusions to be drawn about the future solvency of the Company in relation to the strategy defined and reflected in the multi-annual budget. For Caravela, it is the main element of capital management, as it allows testing the resilience of the Company to adverse scenarios, over a 5-year period, through stress tests and sensitivity analyses.

E.2.2. ADJUSTMENTS

With the primary objective of identifying the variation caused in the item 'deferred tax assets and liabilities', the Company carried out an analysis of the impact of a possible loss corresponding to the Basic Solvency Capital Requirement plus the capital requirement for operational risk, allocating the instantaneous loss to its origins and constructing the economic balance sheet after shock, as provided for in guideline 7 of document EIOPA-BoS-14/177 on the loss-absorbing capacity of technical reserves and deferred taxes.

As mentioned, the adjustment for loss-absorbing capacity of deferred taxes should only recognise the estimated increase in deferred tax assets to the extent that the Company is able to support the amount calculated by an assessment showing that it is probable that future taxable profits will be available in sufficient amounts after suffering such an instantaneous loss.

To perform the recoverability test of deferred tax assets, Caravela considered the 2023-202376 business plan that supported the ORSA 2023 financial year approved by the Board of Directors on January 9, 2024.

In this financial year the projections of future results were substantiated, namely:

- The outlook for future production evolution;
- The main operating indicators that underpin the estimated profits;
- Any recapitalisation needs of the Company.

The post-shock business plan projection was prepared taking into consideration the following principles:

a) Shocks, risk events, are assumed to occur during the year following that in which the instantaneous loss is calculated, in this case in 2023; and

b) All losses related to the shocks were fully recognised in 2023, and no losses related to this event are expected in the following years;

c) The strategic repositioning of Caravela after the instant loss would be operated in the following years by implementing several specific actions:

   I. Revision of the investment policy;

   II. Reinforcement of the internal control measures; and

   III. Recovery of the Company's profitability.

d) It is considered that with these measures, given the Company's recent capacity to attract new business from the retail segment without harming the profitability of the portfolio, there would not be a setback in the organic growth plan in force, detailed in the 2023-2027 business plan for this segment;

e) However, the corporate segment, given its recent activation, would be strongly affected, with a significant impact on growth;

f) After redefining the post-shock Profit and Loss Account, losses were allocated with the following distribution:

I. Item 'Direct insurance and reinsurance claims cost' – amount of Non-Life underwriting risk; amount of Health underwriting risk; and amount of interest rate risk (shock on liabilities);

II. Item 'Investment Gains and Losses' – amount of market risk, less the portion of interest rate risk on liabilities;

III. Item 'Other Costs' – amount for counterparty risk; and amount for operational risk.

Based on this new business plan, the tax result was projected assuming the following assumptions:

a) There are no significant differences in the criteria for depreciation or revaluation of assets, and therefore the tax result arising from these adjustments is similar to the accounting result;

b) Benefit expenses and benefit payments do not differ significantly and therefore the tax result of these adjustments is similar to the accounting result;

c) The tax benefits arising from patronage expenses, APS and Green Card Office subscriptions evolve in the same proportion as the Gross Written Premiums;

d) Based on the history, the remaining possible tax corrections to be added or deducted are considered immaterial;

e) Temporary differences arising from different accounting criteria between IFRS accounts and Tax accounts are not deducted during the recovery test period as they have no recovery period (example: impairments);

f) Temporary loss, corresponding to the amount of the Market risk, except for the concentration risk, will be deducted in the four years following the shock if it has an impact on the Profit Before Taxes; if this loss is recognised in Capital, as it happened in this year, no adjustment will be made to the taxable result;

g) Temporary differences resulting from the adjustments between the IFRS balance sheet and the Economic Balance Sheet (Solvency II balance sheet), are deducted in each year of Balance Sheet from the Pre-Tax Result.

After calculation of the taxable profit, the profit to be taxed was deducted using tax losses on FIFO[5] basis, either IFRS or Solvency II.

Taking into account the current tax rules, the maximum deduction corresponding to 70% of taxable income would amount to 40,513 thousand euros.

[5] FIFO – *First In First Out*, i.e. use in chronological order from oldest to most recent.

The sum of the instantaneous loss with IFRS tax losses, to be deducted from taxable income, amounts to 38,989 thousand euros.

Thus, the capacity to recover the assumed instantaneous loss would be 100.0%, that is, applying the average tax rate of solvency II, calculated for 2023, of 22.1%, we obtain an Adjustment for Deferred Taxes of 11,566 thousand euros.

Not using the adjustment of the loss-absorbing capacity of deferred taxes would set the solvency ratio at 115.8%, corresponding to an excess of 8,253 thousand euros.

E.2.3. IMPACT OF TRANSITIONAL AND LONG-TERM MEASURES

Caravela uses the volatility adjustment measure and the technical reserves transition measure, approved by the ASF on September 1, 2016. The following table illustrates the financial impact of not applying these measures:

	Amount with Long Term Guarantees and Transitional Measures	Impact of Long-Term Guarantees (LTG) and transitional measures				
		No transitional measures on technical reserves	Impact of transitional measures on technical reserves	No adjustment of volatility and no other transitional measures	Impact of setting volatility adjustment to zero	Impact of all LTG and transitional measures
Basic Own Funds	60 178 572	59 525 603	-652 969	59 113 584	-412 019	-1 064 987
Own funds eligible to meet the Solvency Capital Requirement	60 178 572	59 525 603	-652 969	59 113 584	-412 019	-1 064 987
Solvency Capital Requirement	40 670 296	40 670 296	0	40 672 912	2 616	2 616
Own funds eligible to meet the Minimum Capital Requirement	57 685 155	56 846 497	-838 658	56 317 310	-529 187	-1 367 845
Minimum Capital Requirement	17 575 556	17 575 556	0	17 596 179	20 623	20 623

Table 34: Financial impact of the different adjustments

Not applying the transitional measure on technical reserves and the long-term measure on volatility adjustment would lead to a reduction of the Solvency Capital Requirement by 1.1% e 0.7%, respectively, totalling an impact of -1.8%. However, the solvency ratio II, without any measure, would maintain a comfortable level of 145.3%, translating into an excess of 18,441 thousand euros.

E.3. USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE FOR THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

Caravela does not use the duration-based equity risk sub-module for the calculation of the Solvency Capital Requirement.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

Caravela uses the standard formula because it considers that it gives a consistent interpretation and sufficient transparency of the level of risk to which it is subject.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

As at December 31, 2023 Caravela maintains an adequate coverage of the solvency capital requirements and for this reason it is not necessary to consider the adoption of any type of corrective measures for this purpose.

In the coming years, the dividend distribution policy may be adjusted, if necessary, with the objective of maintaining the Solvency II ratio above the 125% threshold, as defined in the Risk Appetite Policy.

E.6. OTHER ADDITIONAL INFORMATION

There is no other additional information of relevance.

Lisboa, on the 22nd of April 2024

Financial Management

Ludovico Belo

Executive Members of the Board of Directors

Luís Cervantes

Paulo Trigo

Gonçalo Ramos e Costa

Félix Serrano

ANNEXES

1. QUANTITATIVE METHODS

S.02.01.02 – Balance Sheet

	Solvency II Amount
ASSETS	
Intangible assets	0,00
Deferred tax assets	3 146 780,96
Surplus pension benefits	0,00
Real estate, premises and equipment for own use	1 432 758,30
Investments (other than assets held under index-linked and unit-linked contracts)	149 303 399,15
Real estate (other than for own use)	24 234 209,73
Interests in related companies, including shareholdings	6 787 394,43
Equity securities	10 323 597,40
Shares - quoted on a stock exchange	0,00
Shares - not listed on the stock exchange	10 323 597,40
Bonds	86 247 669,25
Government bonds	21 549 395,35
Corporate bonds	64 698 273,87
Structured debt securities	0,00
Collateralised Debt Securities	0,00
Collective investment undertakings	14 800 480,83
Derivatives	0,00
Deposits other than cash equivalents	6 910 047,51
Other investments	0,00
Assets held under index-linked and unit-linked contracts	0,00
Loans and mortgages	428 818,00
Loans on insurance policies	0,00
Loans and mortgages to individuals	0,00
Other loans and mortgages	428 818,00
Amounts recoverable from reinsurance contracts of the lines of business:	61 941 342,92
Non-life and accident and health on a similar technical basis to non-life	28 964 318,10
Non-Life other than accident and health insurance	22 957 789,80
Accident and health on a similar technical basis to non-life	6 006 528,30
Life and accident and health on a similar technical basis to life insurance, excluding accident and health insurance and index-linked and unit-linked contracts	32 977 024,82
Accident and health on a similar technical basis to life line of business	32 977 024,82
Life other than accident and health insurance, as well as index-linked and unit-linked	0,00
Life, index-linked and unit-linked	0,00
Deposits in ceding entities	0,00
Amounts receivable from insurance operations and intermediaries	13 276 210,75
Receivables from reinsurance operations	3 225 282,00
Amounts receivable (from commercial operations, not insurance)	4 468 361,66
Own shares (held directly)	0,00
Amounts due relating to own fund items or initial funds called up but not yet paid in	0,00
Cash and cash equivalents	7 832 483,47
Any other assets, not included elsewhere in the balance sheet	1 153 292,22
TOTAL ASSETS	246 208 729,43

LIABILITIES	
Technical reserves - non-life	101 834 483,34
Technical reserves - non-life (excluding accidents and health)	85 163 024,90
PT calculated as a whole	0,00
Best Estimate	81 049 606,45
Risk margin	4 113 418,45
Technical reserves - accidents and health (on similar technical bases as non-life line of business)	16 671 458,44
PT calculated as a whole	0,00
Best Estimate	15 865 787,70
Risk margin	805 670,74
Technical reserves - life (excluding index-linked and unit-linked insurance)	58 702 932,25
Technical reserves - accidents and health (on a similar technical basis to life line of business)	58 702 932,25
PT calculated as a whole	0,00
Best Estimate	55 832 158,55
Risk margin	2 870 773,69
Technical reserves - life (excluding accidents and health insurance and index-linked and unit-linked contracts)	0,00
PT calculated as a whole	0,00
Best Estimate	0,00
Risk margin	0,00
Technical reserves - index-linked and unit-linked contracts	0,00
PT calculated as a whole	0,00
Best Estimate	0,00
Risk margin	0,00
Contingent liabilities	0,00
Reserves other than technical reserves	0,00
Pension benefit obligations	252 046,74
Reinsurers' deposits	1 673 147,88
Deferred tax liabilities	653 364,22
Derivatives	0,00
Amounts owed to credit institutions	0,00
Financial liabilities other than debts owed to credit institutions	786 118,47
Payables from insurance operations and intermediaries	10 610 278,75
Payables related to reinsurance operations	5 807 666,53
Payables (from commercial operations, not from insurance)	3 855 305,53
Subordinated liabilities	0,00
Subordinated liabilities not classified in Basic Own Funds (BOF)	0,00
Subordinated liabilities classified in Basic Own Funds (BOF)	0,00
Any other liabilities not included elsewhere in the balance sheet	1 854 813,98
TOTAL LIABILITIES	186 030 157,69
SURPLUS OF ASSETS OVER LIABILITIES	60 178 571,74

S.05.01.02 - Premiums, Claims and Expenses of Non-Life Line of Business

	Line of Business: **Non-life insurance and reinsurance liabilities** (direct insurance and accepted proportional reinsurance)												**Accepted non-proportional reinsurance**				TOTAL
	Medical Expenses Insurance	Income protection insurance	Workers' compensation insurance	Third party Liability Motor insurance	Other motor vehicle insurance	Marine, aviation and transport insurance	Fire and other damage insurance	General Third-Party Liability Insurance	Credit and suretyship insurance	Legal protection insurance	Assistance	Miscellaneous pecuniary losses	Accidents and Health	Accidents	Marine, aviation, transport	Real Estate	
Written premiums																	
Gross amount - Direct business	1 310 917,99	1 896 744,51	48 109 721,32	49 395 807,31	30 934 231,43	373 379,80	17 829 709,66	2 166 924,74	0,00	320 913,26	7 917 150,23	0,00	0,00	0,00	0,00	0,00	**160 255 499,98**
Gross amount - Accepted proportional reinsurance																	
Gross amount - Accepted non-proportional reinsurance																	
Reinsurers share	1 275 861,34	21 619,16	2 786 722,88	6 214 276,41	3 807 625,88	246 917,26	14 674 000,51	31 395,28	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**29 058 418,72**
Net	35 056,65	1 875 125,35	45 322 998,44	43 181 530,90	27 126 605,55	126 462,54	3 155 709,15	2 135 529,19	0,00	320 913,26	7 917 150,23	0,00	0,00	0,00	0,00	0,00	**131 197 081,26**
Acquired premiums																	
Gross amount - Direct business	1 345 898,46	1 621 620,57	47 928 612,23	47 392 212,63	30 902 727,44	358 753,62	17 318 694,70	2 179 668,82	0,00	314 523,28	7 771 745,65	0,00	0,00	0,00	0,00	0,00	**157 134 457,40**
Gross amount - Accepted proportional reinsurance																	
Gross amount - Accepted non-proportional reinsurance																	
Reinsurers share	1 310 917,99	50 843,37	7 216 568,28	5 010 958,13	3 719 682,84	246 595,92	14 528 768,71	35 509,59	0,00	0,00	49,61	0,00	0,00	0,00	0,00	0,00	**32 119 844,83**
Net	34 980,47	1 570 777,20	40 712 043,95	42 381 254,50	27 183 044,60	112 157,70	2 789 925,99	2 144 159,23	0,00	314 523,28	7 771 745,65	0,00	0,00	0,00	0,00	0,00	**125 014 612,57**
Claims incurred																	
Gross amount - Direct business	1 246 832,26	1 054 805,28	18 402 492,49	41 087 500,65	18 518 678,75	137 007,99	11 156 616,49	1 489 918,65	0,00	49 173,94	6 532 462,14	0,00	0,00	0,00	0,00	0,00	**99 675 488,64**
Gross amount - Accepted proportional reinsurance																	
Gross amount - Accepted non-proportional reinsurance																	
Reinsurers share	1 247 408,81	2 460,51	532 425,58	2 078 392,85	1 937 146,31	70 531,93	9 915 422,30	7 894,02	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**15 791 682,31**
Net	-576,55	1 052 344,77	17 870 066,91	39 009 107,80	16 581 532,44	66 476,06	1 241 194,19	1 482 024,63	0,00	49 173,94	6 532 462,14	0,00	0,00	0,00	0,00	0,00	**83 883 806,33**
Expenditure incurred	-97 744,60	515 514,55	12 083 955,46	11 344 926,39	6 352 878,52	-2 810,84	71 149,74	611 805,10	0,00	12 169,56	424 566,53	0,00	0,00	0,00	0,00	0,00	**31 316 437,40**
Other Expenditure	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Total Expenditure	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**31 316 437,40**

S.05.01.02 - Premiums, Claims and Expenses of Non-Life STL Line of Business

	Line of Business: **Life Insurance Liabilities**						**Life reinsurance liabilities**		TOTAL
	Accident and health insurance	Insurance with profit sharing	Index-linked and unit-linked insurance	Other life insurance	Annuities arising from insurance contracts of the non-life line of business and related to accident and health insurance liabilities	Annuities arising from insurance contracts of the non-life line of business and related to other insurance liabilities apart from accidents and health insurance	Accident and health reinsurance	Life line of business reinsurance	
Written premiums									
Gross amount					0,00				**0,00**
Reinsurers share					0,00				**0,00**
Net					0,00				**0,00**
Acquired premiums									
Gross amount					0,00				**0,00**
Reinsurers share					0,00				**0,00**
Net					**0,00**				**0,00**
Claims incurred									
Gross amount					14 878 161,34				**14 878 161,34**
Reinsurers share					8 548 816,23				**8 548 816,23**
Net					**6 329 345,11**				**6 329 345,11**
Expenditure incurred					0,00				**0,00**
Other Expenditure									**0,00**
Total Expenditure									**0,00**

S.12.01.02 - Technical Reserves of Non-Life SLT

	Insurance with profit sharing	Index-linked and unit-linked insurance			Other life insurance			Annuities arising from insurance contracts of the non-life line of business relating to other insurance	Accepted reinsurance	Total (Life except accident and health insurance, including unit-linked contracts)	Health insurance (direct insurance)			Annuities arising from insurance contracts of the non-life line of business relating to other insurance liabilities apart	Health insurance (accepted reinsurance)	TOTAL (Health insurance on a technical basis similar to life line of business
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
Technical reserves calculated as a whole																
Total Recoverables from reinsurance/SSPE contracts and Finite reinsurance after the adjustment for expected losses due to counterparty default associated to technical reserves calculated as a whole																
Technical reserves calculated as a sum of BE and RM																
Best Estimate																
Best Gross Estimate														56 582 757,74		**56 582 757,74**
Total Recoverables from reinsurance/SSPE contracts and Finite reinsurance after the adjustment for expected losses due to counterparty default														33 092 580,43		**33 092 580,43**
Best Estimate minus recoverable from reinsurance/SSPE contracts and finite reinsurance - total														**32 977 024,82**		**32 977 024,82**
Margem de Risco														2 870 773,69		**2 870 773,69**
Amount of the transitional measures on technical reserves (a)																
Technical reserves calculated as a whole																**0,00**
Best estimate														-750 417,19		**-750 417,19**
Risk margin																**0,00**
TECHNICAL RESERVES - TOTAL														**58 702 932,25**		**58 702 932,25**

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S.17.01.02 - Non-Life Technical Reserves

	Direct insurance and accepted proportional reinsurance												Accepted non-proportional reinsurance				
	Medical Expenses Insurance	Income protection insurance	Workers' compensation insurance	Third Party Liability Motor Insurance	Other motor vehicle insurance	Marine, aviation and transport insurance	Fire and other damage insurance	General Third-Party Liability Insurance	Credit and suretyship insurance	Legal protection insurance	Assistance	Miscellaneous pecuniary losses	Non-proportional accident and health reinsurance	Non-proportional accident reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property damage reinsurance	TOTAL NON-LIFE LIABILITIES
Technical reserves calculated as a whole																	
Total Recoverables from reinsurance/SSPE contracts and Finite reinsurance after the adjustment for expected losses due to counterparty default associated to technical reserves calculated as a whole																	
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Reserves for premiums																	
Gross amount	49 027,31	533 757,54	1 352 994,79	11 816 966,85	3 779 869,95	22 757,42	3 864 393,46	102 988,61	0,00	88 627,53	2 553 902,79	0,00	0,00	0,00	0,00	0,00	24 165 286,26
Total Recoverables from reinsurance/SSPE contracts and Finite reinsurance after the adjustment for expected losses due to counterparty default	49 027,31	24 955,09	1 477 182,91	639 142,17	492 203,43	20 680,86	3 673 652,47	174 176,79	0,00	0,00	-0,01	0,00	0,00	0,00	0,00	0,00	6 551 020,01
Net amount of the best estimate of reserves for premiums	0,00	508 802,45	-124 188,12	11 177 824,68	3 287 666,52	2 076,57	190 740,99	-71 188,19	0,00	88 627,53	2 553 902,81	0,00	0,00	0,00	0,00	0,00	17 614 265,25
Reserves for Claims																	
Gross amount	23 384,93	871 766,73	0,00	35 835 825,65	6 105 111,30	286 318,01	0,00	1 546 733,92	0,00	13 469,27	1 486 941,75	0,00	0,00	0,00	0,00	0,00	72 838 348,63
Total Recoverables from reinsurance/SSPE contracts and Finite reinsurance after the adjustment for expected losses due to counterparty default	22 854,10	86 228,72	4 346 280,17	5 445 776,02	337 606,59	167 989,57	0,00	117 807,14	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	22 413 297,09
Net amount of the best estimate of reserves for claims	530,84	785 538,01	8 751 481,16	30 390 049,63	5 767 504,71	118 328,44	1 682 280,95	1 428 926,78	0,00	13 469,27	1 486 941,75	0,00	0,00	0,00	0,00	0,00	50 425 051,54
Best total estimate - gross amount	72 412,24	1 405 524,27	0,00	47 652 792,51	9 884 981,25	309 075,43	0,00	1 649 722,53	0,00	102 096,80	4 040 844,54	0,00	0,00	0,00	0,00	0,00	97 003 634,89
Best total estimate - net amount	530,84	1 294 340,46	8 267 293,05	41 567 874,31	9 055 171,24	120 405,01	1 873 021,94	1 357 738,59	0,00	102 096,80	4 040 844,56	0,00	0,00	0,00	0,00	0,00	68 039 316,80
Risk Margin	1 186,46	71 310,68	733 173,60	2 417 712,19	501 524,43	15 681,25	884 603,97	83 700,33	0,00	5 310,86	204 885,42	0,00	0,00	0,00	0,00	0,00	4 919 089,19
Amount of the transitional measures on technical reserves																	
Technical reserves calculated as a whole																	
Best estimate	0,00	0,00	-62 904,94	0,00	0,00	-8 125,60	0,00	-17 210,21	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-88 240,74
Risk margin																	
TECHNICAL RESERVES - TOTAL																	
Technical reserves - Total	73 598,70	1 476 834,95	0,00	50 070 504,70	0,00	316 631,09	0,00	1 716 212,65	0,00	107 407,66	4 245 729,96	0,00	0,00	0,00	0,00	0,00	101 834 483,34
Total Recoverables from reinsurance/SSPE contracts and Finite reinsurance after the adjustment for expected losses due to counterparty default — total	71 881,40	111 183,81	5 823 463,08	6 084 918,19	829 810,02	188 670,43	0,00	2 941 983,93	0,00	0,00	-0,01	0,00	0,00	0,00	0,00	0,00	28 964 318,10
Technical reserves minus recoverables from reinsurance/SSPE contracts and Finite reinsurance - total	1 717,30	1 365 651,14	9 297 561,71	43 985 586,50	9 556 695,67	127 960,66	2 757 625,91	1 424 228,71	0,00	107 407,66	4 245 729,98	0,00	0,00	0,00	0,00	0,00	72 870 165,25

S.19.01.21 - Non-Life Triangles

Year of the accident/ Year of subscription	Year of accidents

Gross amount of paid claims (non-cumulative)
(absolute amount)

Year occurred \ Year of development	0	1	2	3	4	5	6	7	8	9	10&+	Current year	Sum of years (cumulative)
Previous											272 051,11	272 051,11	299 044 401,14
N-9	7 472 727,50	3 120 397,67	999 258,28	296 492,39	154 603,26	294 383,23	46 714,28	88 890,84	124 696,19	367 612,43		367 612,43	12 965 752,07
N-8	9 305 474,66	5 095 732,05	1 248 687,29	1 099 381,84	229 466,51	565 958,42	181 649,99	19 945,56	2 828,12			2 828,12	17 749 124,44
N-7	11 644 369,79	5 624 693,93	1 148 389,96	724 136,46	942 156,33	86 390,16	300 898,92	668 446,66				668 446,66	21 139 482,21
N-6	16 314 460,75	9 281 774,36	1 415 693,94	472 840,73	1 065 522,26	403 366,95	283 005,64					823 005,67	29 776 664,66
N-5	19 732 742,32	10 554 502,72	1 598 271,52	809 941,12	1 164 537,31	407 478,58						407 478,58	34 267 473,57
N-4	25 568 921,98	13 537 381,00	1 799 025,05	1 260 144,19	964 177,77							964 177,77	43 129 649,99
N-3	27 270 273,19	17 411 772,47	2 183 796,94	1 024 051,62								1 024 051,62	47 889 894,22
N-2	35 635 067,02	19 969 817,82	2 145 480,28									2 145 480,28	57 750 365,12
N-1	43 129 805,33	28 128 860,12										28 128 860,12	71 258 665,45
N	53 092 707,80											53 092 707,80	53 092 707,80
											TOTAL	87 896 700,16	688 064 180,67

Gross amount not discounted from the best estimate of reserves for claims
(absolute amount)

Year occurred \ Year of development	0	1	2	3	4	5	6	7	8	9	10&+	Year-end (discounted data)
Previous											232 010,93	232 010,93
N-9	0,00	0,00	2 250 155,69	1 343 193,09	1 071 586,64	139 073,65	546 719,42	358 164,07	458 617,08	-20 517,71		-20 517,71
N-8	0,00	2 660 867,07	1 896 058,00	819 752,89	344 048,98	540 508,99	776 366,73	353 180,30	82 094,73			82 094,73
N-7	10 746 890,38	3 554 671,82	1 958 360,15	1 195 853,18	662 512,33	703 501,01	430 276,34	113 659,94				113 659,94
N-6	12 866 053,59	3 569 338,68	1 941 984,98	1 008 439,64	1 216 244,17	715 038,62	612 403,30					612 403,30
N-5	11 693 538,26	2 710 391,74	1 908 766,47	1 993 244,55	2 686 615,43	1 234 789,65						1 234 789,65
N-4	12 926 055,53	4 323 537,16	3 387 351,90	2 758 413,65	2 920 718,09							2 920 718,09
N-3	17 364 699,30	5 305 756,83	3 501 922,29	4 065 903,19								4 065 903,19
N-2	28 312 881,77	7 424 825,63	7 940 405,55									7 940 408,55
N-1	38 833 115,72	13 581 630,00										13 581 630,00
N	44 304 005,50											44 304 005,50
											TOTAL	75 067 106,17

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S.22.01.21 - Impact of long-term guarantees and transitional measures

	Amount with long term guarantee and transitional measures	Impact of transitional on technical reserves	Impact of transitional measures on the interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
Technical reserves	160 537 415,59	838 657,93	0,00	1 438 092,87	0,00
Basic own funds	60 178 571,75	-652 968,84	0,00	-412 018,52	0,00
Eligible own funds to meet Solvency Capital Requirement	60 178 571,75	-652 968,84	0,00	-412 018,52	0,00
Solvency Capital Requirement	40 670 295,99	0,00	0,00	2 615,71	0,00
Eligible own funds to meet Minimum Capital Requirement	57 685 155,01	-838 657,93	0,00	-529 186,97	0,00
Minimum Capital Requirement	17 575 556,33	0,00	0,00	20 622,71	0,00

S.23.01.01.01 - Own Funds

	TOTAL	Level 1 - unrestricted	Level 1 - restricted	Level 2	Level 3
Basic own funds before deduction for participations in other financial sectors as provided for in Article 68 of Delegated Regulation 2015/35					
Ordinary share capital (without deduction of own shares)	44 388 315,20	44 388 315,20		0,00	
Issuance premium account related to ordinary share capital	0,00	0,00		0,00	
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type companies	0,00	0,00		0,00	
Subordinated mutual member accounts	0,00		0,00	0,00	0,00
Surplus funds	0,00	0,00			
Preference shares	0,00		0,00	0,00	0,00
Issuance premium account related to preference shares	0,00		0,00	0,00	0,00
Reconciliation reserve	13 926 839,80	13 296 839,80			
Subordinated liabilities	0,00		0,00	0,00	0,00
An amount equal to the net value of deferred tax assets	2 493 416,74				2 493 416,74
Other items of own funds approved by the supervisory authority as basic own funds, not specified above	0,00				0,00
Own funds from the financial statements that should not be considered under 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 considered under the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0,00				
Deductions					
Deductions for holdings in financial and credit institutions	0,00	0,00	0,00	0,00	0,00
TOTAL BASIC OWN FUNDS AFTER DEDUCTIONS	**60 178 571,74**	**57 685 155,00**	**0,00**	**0,00**	**2 493 416,74**
Complementary own funds					
Unpaid and uncalled ordinary share capital, callable on demand	0,00			0,00	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type companies, callable on demand	0,00			0,00	
Unpaid and uncalled preference shares, callable on demand	0,00			0,00	0,00
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0,00			0,00	0,00
Letters of credit and guarantees under Article 96(2) of Directive 2009/138/EC	0,00			0,00	
Letters of credit and guarantees other than those covered by Article 96(2) of Directive 2009/138/EC	0,00			0,00	0,00
Increases in membership fees in accordance with the first subparagraph of Article 96(3) of Directive 2009/138/EC	0,00			0,00	
Increases in membership contributions - not covered by the first subparagraph of Article 96(3) of Directive 2009/138/EC	0,00			0,00	0,00
Other complementary own funds	0,00			0,00	0,00
TOTAL OF COMPLEMENTARY OWN FUNDS	**0,00**			**0,00**	**0,00**
Available and eligible own funds					
Total available own funds to meet the SCR	60 178 571,74	57 685 155,00	0,00	0,00	2 493 416,74
Total available own funds to meet the MCR	57 685 155,00	57 685 155,00	0,00	0,00	0,00
Total eligible own funds to meet the SCR	60 178 571,74	57 685 155,00	0,00	0,00	2 493 416,74
Total eligible own funds to meet the MCR	57 685 155,00	57 685 155,00	0,00	0,00	0,00
SCR	**40 640 295,99**				
MCR	**17 575 556,33**				
Ratio of eligible own funds to SCR	**147,97%**				
Ratio of eligible own funds to MCR	**328,21%**				

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S.23.01.01.02 - Reconciliation reserve

	TOTAL
Reconciliation reserve	
Surplus of assets over liabilities	60 178 571,74
Own shares (directly and indirectly held)	0,00
Foreseeable dividends, distributions and charges	0,00
Other elements of basic own funds	46 881 731,94
Adjustments for restricted own fund items related to matching adjustment portfolios and ring-fenced funds for specific purposes	0,00
Reconciliation reserve	**13 296 839,80**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life line of business	0,00
Expected profits included in future premiums (EPIFP) - Non-Life line of business	0,00
Total Expected Profits included in future premiums (EPIFP)	**0,00**

S.25.01.21 - Solvency Capital Requirement

	Gross solvency capital requirement	Company Specific Parameter (CSP)	Simplifications
Market risk	20 876 877,95		0,00
Counterparty default risk	3 848 821,41		
Life insurance specific risk	0,00	0,00	0,00
Specific risk of accident and health insurance	18 192 327,86	0,00	0,00
Specific non-life insurance risk	28 287 517,95	0,00	0,00
Diversification	-23 760 442,57		
Intangible assets risk	0,00		
Basic Solvency Capital Requirement	**47 445 102,59**		

Calculation of the Solvency Capital Requirement

Operational risk	4 790 875,99
Loss-absorbing capacity of technical reserves	0,00
Loss-absorbing capacity of deferred taxes	-11 565 682,59
Capital requirement for activities pursued in accordance with Article 4 of Directive 2003/41/EC	0,00
Solvency Capital Requirement excluding capital add-ons	40 670 295,99
Capital increases already decided	0,00
SOLVENCY CAPITAL REQUIREMENT	**40 670 295,99**
Further information on the SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirement for the remaining part	
Total amount of Notional Solvency Capital Requirement for ring-fenced funds for specific purposes	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
Diversification effects due to the RCSI aggregation of FCFEs for purposes of Article 304	

S.28.01.01 - Minimum Capital Requirement — Only life and non-life insurance and reinsurance activities

Linear formula component for non-life insurance and reinsurance liabilities

S.28.01.01.01

Result of MCR_{NV}	17 079 839,76

S.28.01.01.02	Net amount (of reinsurance/SSPE contracts) of the best estimate and TP calculated as a whole	Net amount (of reinsurance contracts) of premiums written in the last 12 months
Medical expenses insurance and proportional reinsurance	530,84	0,00
Income protection insurance and proportional reinsurance	1 294 340,46	1 845 901,14
Workers' compensation insurance and proportional reinsurance	8 627 293,05	40 893 153,04
Motor insurance and proportional reinsurance - third party liability	41 567 874,31	44 384 849,18
Motor insurance and proportional reinsurance - other lines of business	9 055 171,25	27 214 548,59
Marine, aviation and transport insurance and proportional reinsurance	120 405,01	126 783,88
Fire and other damage to property insurance and proportional reinsurance	1 873 021,94	3 300 940,95
Third party liability insurance and proportional reinsurance	1 357 738,59	2 131 414,88
Credit and suretyship insurance and proportional reinsurance	0,00	0,00
Legal expenses insurance and proportional reinsurance	102 096,80	320 913,26
Assistance and proportional reinsurance	4 040 844,56	7 917 150,23
Miscellaneous financial loss insurance and proportional reinsurance	0,00	0,00
Non-proportional accident and health reinsurance	0,00	0,00
Non-proportional accident reinsurance	0,00	0,00
Non-proportional marine, aviation and transport reinsurance	0,00	0,00
Non-proportional property reinsurance	0,00	0,00

Linear formula component for life insurance and reinsurance obligations

S.28.01.01.03

Result of MCR_V	495 716,57

S.28.01.01.04	Net amount (of reinsurance/SSPE contracts) of the best estimate and TP calculated as a whole	Net amount (of reinsurance/SSPE contracts) of the capital under total risk
Profit-sharing obligations - guaranteed benefits	0,00	
Profit-sharing obligations - future discretionary benefits	0,00	
Index-linked and unit-linked insurance obligations	0,00	
Other obligations from life and accident and health (re)insurance lines of business	23 605 550,92	
Total capital at risk for all (re)insurance obligations of the life line of business		0,00

Overall MCR calculation

S.28.01.01.05

MCR linear	17 575 556,33
SCR	40 670 295,99
MCR upper limit	18 301 633,19
MCR lower limit	10 167 574,00
Combined MCR	17 575 556,33
Absolute lower MCR limit	4 000 000,00
MINIMUM CAPITAL REQUIREMENT (MCR)	**17 575 556,33**