



REPORT AND ACCOUNTS 2020



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MESSAGE FROM THE PRESIDENT OF THE BOARD OF DIRECTORS

2020 was indelibly marked by the COVID-19 Pandemic.

The adaptability and resilience shown by Caravela's ecosystem in the face of a set of adverse events, allowed not only the continuity of the activity, but essentially the permanent presence with our customers and partners with the service standards existing in pre-COVID-19.

The year 2020 began in a scenario of accelerating investment initiated in 2019 to meet the ambition of exceeding €200 million in turnover in the 2020-2024 period.

However, following the outbreak of the pandemic in Portugal and the establishment of the lockdown in March 2020 we were faced with a totally unknown context with no foreseeable end.

It was a moment in which all the features developed in the 2020 Digital Programme were tested:

- 96% of the employees were working from home during the lockdown, without any decrease in productivity and with full access to all IT tools and with new communication tools;
- "MyCaravela" allowed all customers to have access to day-to-day operations: purchasing insurance, reporting claims, requesting information or paying for their insurance;
- Partnerships that make up the claim's settlement ecosystem, ExisGroup, Trueclinic and Mobility 24, maintained high levels of quality in terms of expert examinations, verifications, clinical consultations, travel assistance and contact center;
- Our partners in intermediation, through "Caravelanet" and the new digital contact methodologies developed, were in permanent contact with Caravela customers and teams.

However, in April 2020 – due to the impact that the Pandemic was causing on the economic and social outlook – it was necessary to review the business plan initially established for 2020 in terms of turnover, investment volume and the costs initially planned. We reviewed a falling turnover by around 20%, from €120 million to €100 million, having reached a turnover of €100.7 million by the end of 2020, reaching 10th place in the Non-Life activity ranking, compared to 13th place in 2019.

In terms of profitability, it was also necessary to review the plan downwards. Despite all the consequences of moratoria for the payment of premiums, the negotiation of payment plans, the reversal of premiums, companies with partial or total interruption of activity and the policies to freeze increases and extend the commercial discount policy to cope with the Pandemic, it was possible to maintain a level of combined ratio similar to the one seen in 2019, presenting a ratio of 94.1% compared to 94.5% in 2019.

The Net Profit was €4.0 million, a decrease of 6.2% compared to €4.2 million in 2019.

The SCR and MCR ratios in Solvency II registered very positive levels of 261.1% and 469.0% respectively on December 31, 2020, reflecting a strong financial position to face the coming years.

We would like to thank all the stakeholders that make up our ecosystem.

These achievements have as main contributors Caravela's employees, who with their dedication and commitment have been able to solve all the problems and obstacles as they emerge.

A special word of appreciation to the insurance agents and brokers that have joined us on our journey, and that are more and more linked to the project.

Our thanks also go to service-provider partnerships for not only understanding Caravela's operating model, but also for contributing with innovation and quality to improve 'Customer Experience'.

We thank the Portuguese Insurance and Pension Funds Supervisory Authority (ASF) for the cooperation and suggestions made while monitoring Caravela's activity.

Lastly, a particular note of appreciation to the shareholders of Caravela - Companhia de Seguros, S.A. for the support they have given to the project, whose main goal is to provide customers with a new experience in insurance, characterised by innovation and to meet new challenges.

Despite the setbacks of 2020, the journey continues onwards to a new dimension!

Luis Cervantes

GOVERNING BODIES

As at December 31, 2020, the composition of the Governing Bodies of Caravela - Companhia de Seguros, S.A. is as follows:

General Meeting:

President - Nuno Miguel Marques dos Santos Horta

Secretary - Nuno Miguel Novais Grangeon Cárcamo Lobo

Board of Directors:

President - Luís Filipe Sampaio Cervantes

Vice-President – David Angulo Rubio

Member - António Manuel Nestor Ribeiro

Member - Fabrizio Cesario

Member - George Koulouris

Member - Gonçalo Lopes da Costa de Ramos e Costa

Member - José Paulo de Castro Trigo

Supervisory Board:

President - Manuel Augusto Lopes de Lemos

Member - Humberto Manuel Martins Carneiro

Member - José Elísio Lopes da Silva Quintas – Statutory Auditor no. 643

Alternate – José António Truta Pinto Rabaça

Certified Public Accountants

Effective - Mazars & Associados, Sociedade de Revisores Oficiais de Contas, S.A. - Audit Firm no. 51,
represented by Pedro Miguel Pires de Jesus – Statutory Auditor no. 1930

Alternate – Paulo Jorge Damião Pereira – Statutory Auditor no. 1219



REPORT AND ACCOUNTS 2020

REPORT OF THE
BOARD OF
DIRECTORS

1. Introduction

On March 12, 2020, the World Health Organization declared that the COVID-19 outbreak had reached the level of a pandemic.

The escalation of the pandemic throughout the year also caused a devastating impact on the economy, affecting every country in the world without exception, bringing new and unknown challenges to governments in the health, social and economic sectors.

This context of high uncertainty obviously had significant impacts on the insurance activity in Portugal. The volume of direct insurance production in Portugal was €9.7 billion, which represents a decrease of 18.8% compared to 2019.

As in the previous year, the Life insurance line of business registered a decrease of 34.8%, a situation resulting from the reduction in the production of financial life insurance. Following the trend of recent years, the Non-Life insurance line of business continued to grow, in this case by 3.0%.

In turn, Caravela maintained its organic and consistent growth, supported by innovative projects based on the digital economy. The growth in the production of direct insurance was 31.8% in relation to the previous year, with a final amount of 100.7 million euros in gross written premiums. It should also be noted that it entered into the group of the 10 biggest Non-Life insurers operating in Portugal.

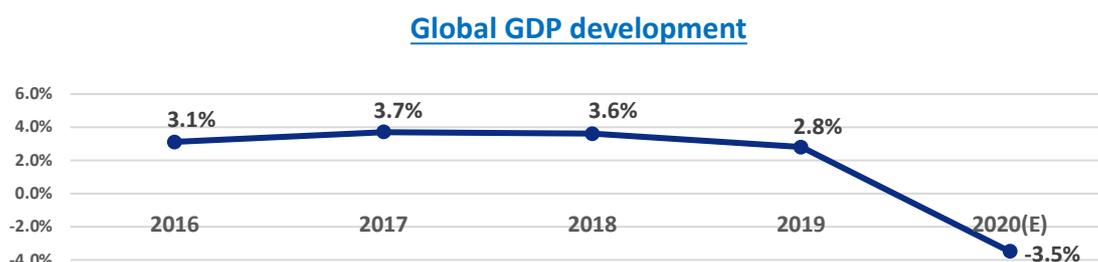
2. Mission

Besides supporting the development of a sustainable society, Caravela stands up for fundamental values, such as professionalism, integrity, quality, reliability, rigour and dedication, based on partnerships with quality mediation and with all its suppliers and employees based on a sense of belonging and sharing, to better serve society in the important area of risk-taking.

3. Macroeconomic Framework

3.1. International Environment¹

2020 was marked by the pandemic that had a strong impact on worldwide economic activity. According to the International Monetary Fund (IMF), the global economy is estimated to decline by about 3.5%, a sharp contrast to the pre-pandemic forecast of +3.3%, as well as compared to the figure recorded in 2019 of +2.8%:



¹Source: International Monetary Fund (January 2021) – 'World Economic Outlook Update, January 2021' Available at <https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update>
 European Central Bank (No. 8 January 2021) – 'Economic Bulletin'. Available at <https://www.ecb.europa.eu/pub/pdf/ecbu/eb202008.en.pdf>. Economic and monetary developments (pp.2)

Throughout 2020, the pandemic crisis posed serious risks to global public health and economies. Nevertheless, in the second half of the year, there was a slight recovery in economic activity and encouraging prospects emerged due to the approval of several vaccines from different laboratories. These prospects were reversed after the appearance of new variants of the COVID-19 virus and, consequently, new lockdown measures that again restricted economic activity towards the end of the year.

In general, advanced economies have been able to provide comprehensive financial support to households and companies. Central banks have also been able to strengthen this support. However, a downturn in the GDP growth in advanced economies is estimated at 4.9%.

The following economies stand out:

- The downturn in the USA economic growth is estimated at 3.4%, caused mainly by the high number of Covid-19 infections and hospitalisations. Additionally, the fiscal stimulus is waning, and energy prices are dropping;
- In Japan, GDP is estimated to have decreased by 5.1%, even though there has been significant government support for the recovery of the economy. In particular, there was an easing of the confinement measures, a strong policy response and a recovery in foreign demand, which supported private consumption and exports. However, investment-related activity remained subdued in a context of high uncertainty;
- Although a recovery in the UK economy was registered in the third quarter of 2020, due to a strong recovery in consumption, economic growth is estimated to decline by 10.0%. The negative impact of the activities of the retail, food, accommodation and leisure sectors, caused by the lockdown imposed by the government in November, stands out. As a consequence of the Brexit-related agreement, the outlook related to labour market, which limited consumption and uncertainty regarding trade relations, including services, which constrained private investment, stand out.

Among developing countries and emerging markets, China stands out on the positive side mainly due to effective pandemic containment measures, public investment and central bank liquidity support, facilitating the recovery of the economy, which shows an estimated growth of 2.3%, in contrast to most countries.

In the Euro Area, GDP is estimated to decline by 7.2%, a significant contrast when compared to the result registered in 2019 of 1.3%. The impact of the pandemic was the main reason for the downturn in the Euro Area economy. However, a strong recovery in economic activity was noted as restrictions to curb the worsening of the pandemic were lifted in May 2020.

The lifting of restrictions was reflected in positive contributions to GDP growth from private consumption, investment and trade.

However, the last quarter of 2020 registered a significant drop in activity again, due to the strong resurgence of the pandemic and, consequently, the need to reintroduce confinement measures.

The 2021 forecasts point to an acceleration of world economic activity, in which GDP is expected to grow by 5.5%, with the emerging economies at the forefront of this growth with 6.3%, while the advanced economies will have a moderate growth forecasted at 4.3%. The Euro Area economy is expected to grow by 4.2%, with Spain's growth forecasted at 5.9%, higher than Germany (3.5%) and France (5.5%).

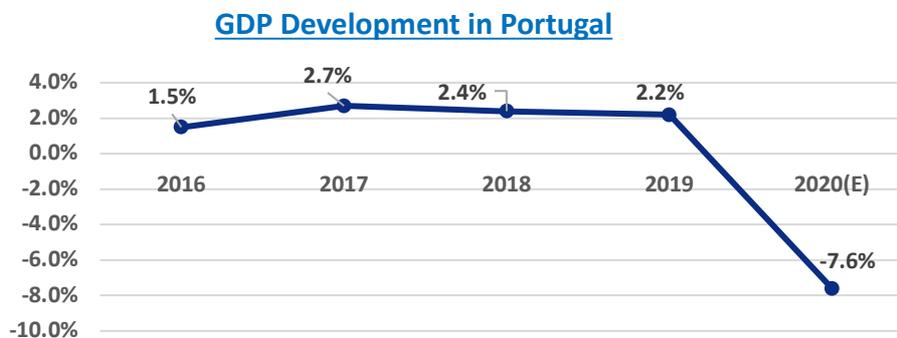
The announcement of several vaccines and the start of vaccination campaigns raise hope for an eventual end to the pandemic and are therefore the main driver of economic growth for the coming year.

3.2. Nacional Framework²

As expected, the Portuguese economy was strongly affected by the pandemic in 2020, as was the case worldwide. Due to the public health crisis caused by the pandemic, it was necessary to apply confinement measures that had a negative impact on economic activity, mainly on exports and imports of goods and services, especially those related with tourism.

In this regard, the Portuguese economy is estimated to fall by around 7.6%, which represents a sharp contrast to 2019, when growth was 2.2%, and below the estimated value for the Euro Area.

It should be noted that in 2020 Portuguese GDP registered the largest fall since the beginning of the 20th century:



Regarding public debt, the public debt-to-GDP ratio is expected to increase significantly in 2020, from 117.2% to 134.4%, as a result of the macroeconomic consequences of the health crisis.

The decrease in economic activity has negatively impacted the labour market. However, this effect was mitigated due to the various employment support measures adopted during the pandemic, safeguarding employees income and companies activity. Therefore, the unemployment rate in Portugal is estimated to increase in 2020 from 6.5% in 2019 to 6.8%:

² Source:

Banco de Portugal (December 2020) – ‘Economic Bulletin’.
 Ministry of Finance – ‘State Budget Report 2021’.

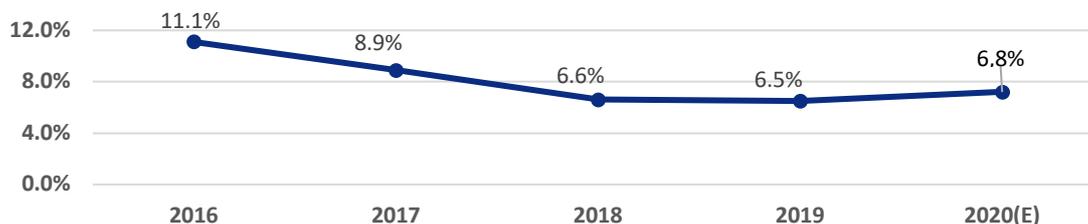
National Institute of Statistics (February 2021) – ‘Quarterly National Accounts - Quick Estimate’. Available at https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_destaquas&DESTAQUESdest_boui=415333651&DESTAQUESmodo=2
 Banco de Portugal (Dezembro 2019) – ‘Boletim Económico’.

Ministério das Finanças – ‘Relatório do Orçamento do Estado 2020’.

Instituto Nacional de Estatística (Fevereiro 2021) – ‘Contas Nacionais Trimestrais - Estimativa Rápida’. Disponível em https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_destaquas&DESTAQUESdest_boui=415333651&DESTAQUESmodo=2
 Banco de Portugal (dezembro 2019) – ‘Boletim Económico’.

Ministério das Finanças – ‘Relatório do Orçamento do Estado 2020’.

Development of the Unemployment rate in Portugal



3.3. Financial System³

In 2020, there was a clear continuation by the main central banks – USA and Euro Area – of expansionist monetary policies due mainly to the impact that the pandemic had on the world economy.

Since the beginning of the pandemic, short-term interest rates in the USA have shown a sharper downward trend – standing at minimums of between 0% and 0.25% –, while the European Central Bank (ECB), in the Euro Area, has reinforced and extended stimulus provided to the economy, in particular the debt purchase programme and zero or negative interest rates on bank financing. In the Euro area, financial conditions remain favourable, with liquidity support measures.

With regard to the foreign exchange market, the exercise assumptions incorporate an appreciation of the Euro against the Dollar of 1.8% in 2020.

3.4. Trends in the Insurance Sector and Development Prospects ⁴

In 2020, in the Portuguese insurance sector, the volume of direct insurance production was of 9.7 billion euros, with a negative variation of 18.8% compared to 2019:

Development of the direct insurance production, measured in billion euros



This negative development had a strong contribution from the Life insurance line of business, which indicated a variation of -34.8% compared to 2019, representing now 46% of the sector's total production. The Retirement Savings Plans type of business should be highlighted, since this is where the greatest variation was registered, which was -62.3%.

In the Non-Life sector, the volume of direct insurance production was of 5.2 billion euros, with a positive variation of 3.1% compared to 2019.

³ Source:
 Banco de Portugal (december 2020) – “Economic Bulletin”.
 Ministry of Finance – “Report on the State Budget for 2021”.

⁴ Source:
 APS – Database, from Segurdata, to 2020.12

The Non-Life claims ratio improved slightly in 2019, from 62.9% to 59.2%.

In the main lines of business of the Non-Life segment, the following developments were registered:

- The pandemic has led to a sharp drop in car sales in Portugal in 2020, being one of the most unfavourable years for the sector, with a negative variation of 33.9% compared to 2019. However, despite this negative situation, the insurance market ended the year with a slight positive oscillation of 2.5%, in the Motor business, also registering an improvement in the claims rate which dropped from 66.7% to 57.4%;
- In the Health line of business there was a growth of 8.3%, confirming the trend of recent years, with the claims rate reaching 66.8% compared to 72.0% in 2019;
- The Workers Compensation line of business maintained the growth trend registered in previous years, with a positive variation of 1.2%. There was also an improvement in the claims rate, standing at 74.6% compared to 82.8% in 2019. This line of business was one of those that grew the least in Non-Life line of business, with one of the main factors for this weak growth being the Covid-19 pandemic, with a strong impact on economic activity;
- Fire and Other Damage verified a growth of 4.4%, with emphasis on the upward trajectory of Multi-Risks Insurance, 5.0%. As to claims, this line of business reached a 50.6% ratio in 2020 – higher than in 2019 – which was of 40.9%.
- The Transport line of business decreased by 1.0%, with a favourable development regarding claims, at 21.1%, against 41.0% registered in the previous year;
- The Civil Liability line of business registered a growth of 2.6%, while its claims ratio stood at 43.2%, compared to 31.2% in 2019.

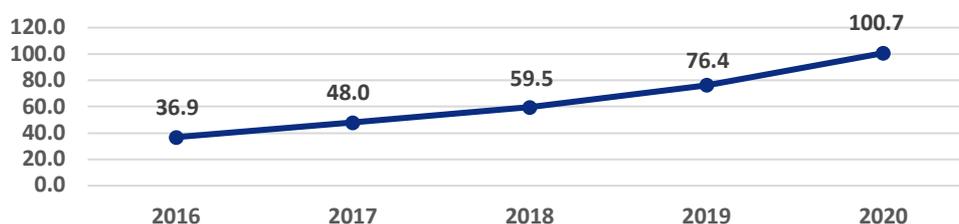
4. Caravela's Activity

4.1. Main Indicators

Since 2015 Caravela's activity has been guided by a constant increase in direct insurance production, a firm and sustained improvement in its management ratios and an important balance of results.

Direct insurance gross written premiums, net of reversals and cancellations have significantly grown in the profit and losses account by 31.8%, following the growth trend of recent years and ending 2020 with a total of 100.7 million euros:

Evolution of the direct insurance production, measured in million euros



It is important to highlight that the accentuated growth has been achieved without prejudice to maintaining the central criterion of technical balance.

The favourable variation in the claim's ratio – net of reinsurance –, which fell 0.7 pp compared with the previous year, was also noteworthy.

As for the components of the balance sheet, it should be noted that the weight of technical reserves, which now accounts for 80.6% of the direct insurance gross written premiums, remained in line with the previous year, with the strong growth of the Company contributing to this situation.

Furthermore, the improvement in Equity should be noted, with a variation of +45.4% compared to the same period last year due to the receipt, in December, of the second instalment of the capital increase subscribed in 1919 (10,000 million euros).

The net result was 3,960 thousand euros, accounting for 3.9% of gross written premiums, thus continuing Caravela's positive results since 2015.

The combined ratio improved to 94.1%, a decrease of 0.4 p.p. compared to 2019.

The following table displays the main indicators of the Company:

Synthetic Indicators

U: thousands of euros

	2020	2019	VAR 20/19%
Balance sheet			
Net assets	143 436	106 703	34.4%
Equity (1)	47 083	32 387	45.4%
Unearned premiums reserve	20 368	15 875	28.3%
Claims reserve	60 522	45 285	33.6%
Claims reserve, net of reinsurance	35 864	28 832	24.4%
Technical reserves	81 156	61 395	32.2%
Profit and Loss account			
Gross written premiums (direct)	100 719	76 437	31.8%
Earned premiums, net of reinsurance	71 621	56 211	27.4%
Direct insurance claims costs	62 557	46 235	35.3%
Claims costs, net of reinsurance	45 920	36 430	26.1%
Operating Costs	25 667	20 931	22.6%
Income	801	1 103	-27.3%
Net result	3 960	4 220	-6.2%
Indicators			
Gross written premiums / no. of employees	781	637	22.6%
Claims ratio (direct insurer)	65.2%	64.2%	1.7%
Claims ratio, net of reinsurance	64.1%	64.8%	-1.1%
Net result / gross written premiums	3.9%	5.5%	-28.8%
Claims reserves / gross written premiums	60.1%	59.2%	1.4%
Technical reserves / gross written premiums	80.6%	80.3%	0.3%
Net result / equity	8.4%	13.0%	-35.5%
Net result / share capital	11.5%	17.3%	-33.5%
Combined ratio	94.1%	94.5%	-0.4%

¹ Equity was increased by resolution of the General Shareholders' Meeting on July 9, 2019 and the consequent authorisation from ASF on December 17, to €44.388.315.20, with the second instalment of €10.000.000.00 made on December 27.

Thus, the situation as of December 31, 2020 was:

⇒ Subscribed equity: €44.388.315.20;

⇒ Paid-up equity: €34.388.315.20.

⇒ Equity to pay in 2021: €10.000.000,00.

4.2. Technical Management

4.2.1. Production and Policies

As aforementioned, Caravela closed the 2020 financial year with a total GWP of 100.7 million euros, representing an increase of 24.2 million euros in absolute value and a growth rate of 31.8% compared to 2019.

The strong organic and consolidated growth seen last years was sustained by the private customers and small businesses segments, and by a rigorous and judicious underwriting of the risks, oriented towards the profitability of all business lines.

The pandemic led to the implementation of a set of measures that have had an important impact on the insurance market, especially if we consider the lockdown imposed to contain the spread of the virus.

The decrease in economic activity, in some cases, and the limitation of circulation, in others, was the basis for adjustments in the conditions of insurance contracts as a result of the change in the risk profile of Caravela's portfolio.

The analysis of the impact of changing risk on contractual conditions, including those relating to the value of premiums, takes into consideration the analysis of possible changes in risk over a sufficiently long period in order to ensure that the various effects that may occur are considered and are not conditioned by possible difficulties of an operational nature that may generate delays in the identification of claims.

Therefore, some of the measures implemented by Caravela to mitigate the effects caused by the pandemic are as follows:

- Reduction in the premiums applicable in the Workers Compensation line of business and, in the variable premium modality, postponement of the adjustments in the premiums arising from the changes in personnel during 2020, as well as suspension of tariff adjustments in renewals.
- Reduction in the premiums applicable in the Motor line of business and suspension of tariff adjustments in renewals.
- Reduction of the premiums applicable in the remaining lines of businesses in the portfolio and suspension of tariff adjustments in renewals.

However, the good performance – transversal to all lines of business – was maintained, with the exception of the Marine line of business, where the impact of the pandemic was very significant, resulting in a decrease in production of 23.6% in the Marine and Transports line of business, a decrease that followed the market trend.

Following on from previous years, the Motor line of business contributed the most to boosting growth, with an increase of 43.8%. In general, and specifically in the Motor line of business, growth is sustained on the continuity of the strategy, based on the increase of new production, increase of the distribution base, underwriting private customers and small businesses and, particularly in 2020, with the widening of the target segment to medium and large businesses, resulting in the capture of additional portfolio framed within this segment.

The following table shows the structure and variations of the gross written premiums by lines of business, where it is confirmed that, with the exception of the Marine and Transports lines of business, all have positive evolutions:

Structure and variation of production

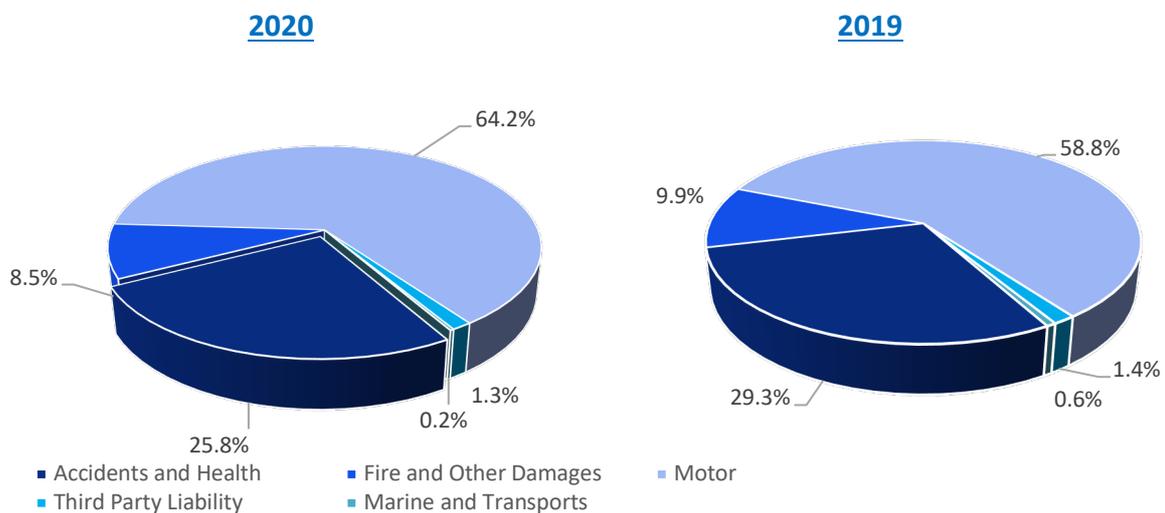
U: Euro

<u>LINES OF BUSINESS</u>	<u>GWP</u>			
	Δ	2020	Δ	2019
Accidents and Health	17.0%	26 095 184	21.6%	22 297 640
Fire and Other Damage	12.0%	8 703 919	11.6%	7 771 636
Motor	43.8%	64 145 114	37.0%	44 606 632
Third Party Liability	13.3%	1 318 675	7.0%	1 163 594
Marine and Transports	-23.6%	456 004	10.1%	597 160
TOTAL	31.8%	100 718 896	28,5%	76 436 663

Regarding the premium structure of the portfolio, Caravela shows the same trend as in the previous year, with an increase in the weight of the Motor line of business from 58.8% in 2019 to 64.2% in 2020, thus reinforcing the predominance of this line of business, based on partnerships concluded in the meantime.

The relative weight of the various line of business in the portfolio structure is shown below:

Portfolio structure in %



The following table shows the changes in the current portfolio by line of business at the end of the two financial years under review:

Variation of the current portfolio

U: Euro

LINES OF BUSINESS	GWP			
	Δ	2020	Δ	2019
Accidents and Health	17.0%	26 095 184	21.6%	22 297 640
Fire and Other Damage	12.0%	8 703 919	11.6%	7 771 636
Motor	43.8%	64 145 114	37.0%	44 606 632
Third Party Liability	13.3%	1 318 675	7.0%	1 163 594
Marine and Transports	-23.6%	456 004	10.1%	597 160
TOTAL	31.8%	100 718 896	28,5%	76 436 663

As mentioned above, the strong increase in the subscription rate for new production in the Motor line of business supported the segment of private customers and small businesses, which resulted in the reinforcement – also in terms of the number of policies in the portfolio – of this line of business, rising from 79.1% in 2019 to 82.1% in 2020.

Although it has decreased its weight in the number of policies in portfolio, as a result of the strong increase in the Motor line of business, the Fire and Other Damage line of business also stands out, with a weight of 12.0%, these two lines of business totalling 94.1% of policies in Caravela's portfolio.

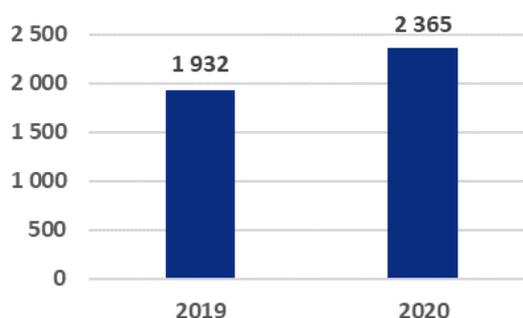
The following table shows the structure and number of policies in force at the end of the 2019 and 2020 financial years:

Portfolio distribution in terms of numbers of policies

	2020	Weight	2019	Weight
Accidents and Health	11 892	3.9%	10 417	4.5%
Fire and Other Damage	36 532	12.0%	32 766	14.1%
Motor	250 632	82.1%	183 328	79.1%
Third Party Liability	4 867	1.6%	4 381	1.9%
Marine and Transports	1 168	0.4%	967	0.4%
TOTAL	305 091	100.0%	231 859	100.0%

This development has also led to a significant improvement regarding the analysis in the policy per employee ratio:

Policies per employee



4.2.2. Claims

Caravela's overall claims rate in 2020 – calculated on the basis of the premiums earned – stood at 65.2%, slightly higher than the 64.2% of the previous financial year.

In 2020, claims costs amounted to 62,557 thousand euros, before the allocation of costs, accounting for an increase of 35.3% (+16,322 thousand euros in absolute value) compared to 2019.

All business segment contributed to this increase. However, the most significant growth in overall ratio was in the Motor line of business with +44.6%.

In the Accidents and Health line of business, the increase reached +15.5% (2,273 thousand euros in absolute value).

The claims rate in the Fire and Other Damage line of business also increased standing at +26.9%.

In the less representative lines of business – with little influence on the overall claims rate given the low number of claims registered – there was an increase of +151.2% in General Third-Party Liability and +198.5% in Marine and Transports:

Claims costs

U: Euro

<u>LINES OF BUSINESS</u>	<u>2020</u>	<u>2019</u>	<u>Δ</u>
Accidents and Health	16 959 347	14 686 253	15.5%
Fire and Other Damage	4 256 135	3 354 969	26.9%
Motor	40 021 912	27 680 928	44.6%
Third Party Liability	1 119 905	445 741	151.2%
Marine and Transports	200 046	67 014	198.5%
TOTAL	62 557 345	46 234 905	35.3%

The next table shows the claims rate per lines of business:

Claims rate

<u>LINES OF BUSINESS</u>	<u>2020</u>	<u>2019</u>	<u>Δ</u>
Accidents and Health	67.9%	67.1%	1.2%
Fire and Other Damage	50.9%	45.3%	12.3%
Motor	66.9%	67.9%	-1.6%
Third Party Liability	88.6%	39.5%	124.0%
Marine and Transports	44.1%	11.5%	282.8%
TOTAL	65.2%	64.2%	1.7%

The total number of opened claims should also be highlighted, which had an increase of 19.1% compared to 2019, resulting particularly from the development of the Motor line of business whose fluctuation represented a growth of 29.4%.

In the Accidents and Health line of business, there was a significant decrease of 18.2% compared to 2019, which is directly related to the reduction in economic and business activity arising from the lockdown decreed to mitigate the pandemic effects.

In terms of Fire and Other Damage line of business, the financial year closed with an increase of 9.7%, which is not very representative given the development of +11.5% in the number of policies in force.

In the other lines of business, there was a decrease of 9.0% in Third Party Liability, while in Marine and Transports there was an increase of 75.0%, in both cases, developments of little relevance, given the small number of claims registered:

Claims opened

<u>LINES OF BUSINESS</u>	<u>2020</u>	<u>2019</u>	<u>Δ</u>
Accidents and Health	3 979	4 865	-18.2%
Fire and Other Damage	3 319	3 026	9.7%
Motor	27 457	21 224	29.4%
Third Party Liability	335	368	-9.0%
Marine and Transports	77	44	75.0%
TOTAL	35 167	29 527	19.1%

While there was an increase of 31.6% in the policies in force compared to 2019, on the other hand the increase in the number of opened claims was less significant, settling at 19.1%.

Thus, Caravela registered an overall claims frequency of 13.1%, representing a reduction compared to 2019, with the decrease in almost all lines of business contributing to this.

In Motor line of business – the most representative segment – the financial year ended with a claims frequency of 12.7%.

Claims frequency

<u>LINES OF BUSINESS</u>	<u>2020</u>	<u>2019</u>	<u>Δ</u>
Accidents and Health	35.7%	48.8%	-27.0%
Fire and Other Damage	9.6%	9.8%	-2.6%
Motor	12.7%	13.1%	-3.7%
Third Party Liability	7.2%	8.8%	-17.3%
Marine and Transports	7.2%	4.7%	51.9%
TOTAL	13.1%	14.2%	-8.0%

It should also be noted that since claims processing is one of an insurance company's main sectors for evaluating customer, partner and claimant satisfaction – since it represents its ability to respond to occurring events –, Caravela is committed to improving its processes and procedures, which has led the Department of Complaints Management to register only 195 complaints regarding this sector during 2020.

4.2.3. Reinsurance

Caravela's reinsurance programme includes Proportional and Non-Proportional Reinsurance Treaties, as well as Facultative Reinsurance and other Reinsurance Schemes tailored to protect accepted risks.

The structure of the reinsurance programme – approved by Caravela for 2020 – has undergone minor changes when compared to the previous year, in relation to the 2019 Reinsurers involved in its treaties.

As to proportional treaties, including Fire and Other Damage, Marine and Transports and Engineering lines of business, the share withholding and the surplus limit have been maintained, with the exception of the Fire and Allied Perils Treaty, whose surplus limit increased to €15,000,000.

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 – with the CAT XL Treaty (Catastrophic Risks) has also increased to €10,000,000.

The Reinsurers involved are selected considering their reliability and financial solvency, as well as their service provision, follow-up and availability. Consequently, it was decided to maintain Nacional Re as the leader in all treaties, with a 40% shareholding.

Thus, upon renewal of the treaties, the minimum rating required of a Reinsurer is 'A-', in accordance with the rating agencies S&P and/or AM Best.

The following table shows the array of the main Reinsurers, as well as their 31/12/2020 rating:

REINSURANCE 2020	
Reinsurer	Rating S&P
Nacional Re	A
Covea	A+
CCR Re	AA
DEVK Re	A+
Hannover Re	AA-
Qbe	A+
R+V	AA-

4.3. Financial Management

4.3.1. Financial Investments

Financial investments, mainly Financial Assets in particular, grew by 20,952 thousand euros in 2020, which translates into a 29% increase compared to 2019.

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 on December 31, 2020:

Asset Portfolio

U: thousands of euros

ASSETS PORTFOLIO	2020			2019			Var 20/19 %	
	AMOUNT	%	%	AMOUNT	%	%		
1. REPRODUCTIVE INVESTMENT								
Financial Assets								
Government Bonds	-1	11 967	13%	12%	15 716	22%	20%	-24%
Corporate Bonds	-1	46 389	50%	47%	39 774	55%	52%	17%
Shares and Investment Funds		3 072	3%	3%	1 930	3%	3%	59%
Loans		252	0%	0%	447	1%	1%	-44%
Liquidity	-2	31 660	34%	32%	14 520	20%	19%	118%
Subtotal		93 340	100%	95%	72 387	100%	94%	29%
Other Property Assets								
Real Estate		1 232		1%	1 232		2%	0%
Subtotal		1 232		1%	1 232		2%	0%
TOTAL (1)		94 571		97%	73 619		96%	28%
2. OPERATING INVESTMENT								
Equipment, Furniture and Material		3 241		3%	3 250		4%	0%
TOTAL (2)		3 241		3%	3 250		4%	0%
TOTAL (1) + (2)		97 812		100%	76 869		100%	27%

Notes:

(1) Valuation with accrued interest

(2) Fixed-term and demand deposits with accrued interest and Treasury funds

Exposure to government bonds decreased by 24% compared to the previous year, while the exposure to Corporate debt increased by 17%. This exposure in Corporate applications is primarily due to the compliance with the asset allocation strategy defined in the investment policy.

Liquidity between Demand Deposits, Fixes-term Deposits and Treasury Funds increased significantly compared to 2019, justified by the second instalment of the capital increase made at the end of the year, but is in line with the risk and capital management parameters.

4.3.2. Financial Investments Result

As to the rate of return, the total asset portfolio registered a positive average remuneration of 0.6%.

As shown in the following table, the financial results in 2020 decreased by 302 thousand euros (-27.3%), essentially due to a lower realisation of capital gains, while the income generated registered an increase of 8.2%:

Financial results

U: Thousands of euros

	2020	2019	VAR 20/19%
Investment income	481	444	8.2%
Investment profit and loss	321	659	-51.3%
FINANCIAL MARGIN	801	1 103	-27.3%

Emphasis should be given to the fact that there was no impairment in financial assets during the last six years, demonstrating the large caution in choosing the assets that make up Caravela's investment portfolio.

4.4. Operating Costs

4.4.1. Cost allocation by nature

The total cost allocation by nature reached 13,362 thousand euros, representing a slight increase of 20.9% comparatively with 2019, due to generalised increase in expenditure items:

Costs by nature

U: Thousands of euros

Costs by nature	2020	2019	VAR 20/19%
Personnel Expenses	6 691	5 992	11.7%
External Services and Supplies	4 173	3 563	17.1%
Taxes and Fees	971	590	64.6%
Amortisation for the Financial Year	1 237	652	89.7%
Risks and Charges Reserves	0	0	-
Interest Incurred	29	29	0.4%
Commissions	260	224	15.9%
TOTAL	13 362	11 051	20.9%

4.4.2. Staff

The number of staff increased from 120 to 129 permanent staff members:

Development of staff

	2020	2019	VAR 20/19%
Permanent staff at the beginning of the period	120	112	7.1%
Entries	12	12	0.0%
Exits	3	4	-25.0%
Permanent staff at the end of the period	129	120	7.5%

Out of these 129, 69 are male and 60 are female:

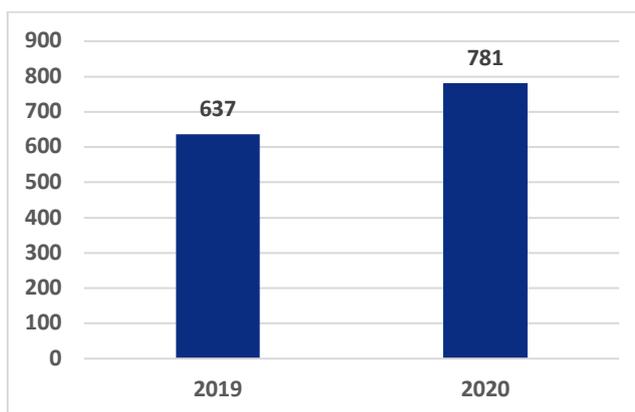
Age and gender distribution

Age structure	Men	Women
Up to 29 years old	12	3
From 30 to 39 years old	12	13
From 40 to 49 years old	26	37
From 50 to 59 years old	14	6
Over 60 years old	5	1
TOTAL	69	60
Average age	43 years old	

The positive variation of 22.6% in the direct insurance premiums ratio per permanent staff members from 637 thousand euros to 781 thousand euros, essentially due to the growth in production, should be highlighted:

GWP per employee

U: Thousands of euros



4.5. Governance

On January 2016, the Legal Regime for Access and Exercise of Insurance and Reinsurance Activities (RJASR) came into force, which adopted a new Solvency regime, this date being defined in Law no. 147/2015 of September 9, which transposed into the internal legal order the Directive 2009/138/EC, of the European Parliament and Council, of November 25, 2009.

However, the entry into force of Solvency II has significantly raised the compliance and disclosure requirements for Insurance Companies. In addition, the requirement to provide accounting, statistical and behavioural information, in accordance with the RJASR, shall remain in view of the Regulatory Standard No. 8/2016-R, of August 16, as amended by Regulatory Standard No. 10/2020-R, of November 3.

In terms of Solvency II – throughout 2020 – several actions have been undertaken, of which the following are highlighted:

- Participation in the Workgroup sessions of the ‘Risk Management and Actuarial Services’ of the Technical Committee ‘Economy and Finance’ of the Portuguese Association of Insurers (APS);
- Submission of the QRT – Quantitative Reporting Templates to the Portuguese Supervisory Authority for Insurance and Pension Funds (ASF), the former being defined by EIOPA and managed by the supervisory agencies, regarding the end of year position with the reference date December 31, 2019 and on a quarterly basis for the last quarter of 2019 and the first three quarters of 2020;
- Reporting of the 2019 Supervision Periodic Report to the ASF, which is provided for in article 35 of Directive 2009/138/EC of the European Parliament and of the Council, in article 21 of the RJASR and in articles 304 to 314 of the Delegated Regulation (EU) 2015/35 of the Commission, of October 10, 2014, whose structure and content is specified in such regulation;
- Public disclosure of the 2019 Solvency and Financial Condition Report provided for in articles 51 to 56 of Directive 2009/138/EC of the European Parliament and of the Council, Article 83 of the RJASR and articles 290 to 303 of the Delegated Regulation (EU) 2015/35 of the Commission;
- Reporting the ORSA 2020 Report regarding the sexennium 2020-2025 to the ASF.

4.6. Estimated Solvency Margin

Caravela has estimated the Solvency Ratios (SCR) and Minimum Capital Requirement (MCR) for December 31, 2020 and January 1, 2021 using the transitional and long-term measures authorised by the ASF.

The solvency capital ratio, verified in 2020, increased quite favourably compared to the same period in the previous year from 178% to 261%.

This ratio was positively influenced by the capital increase carried out in December 2020, despite the increased capital requirement originated by Caravela's organic growth.

With these numbers, Caravela comfortably exceeds the capital target and, consequently, the regulatory requirement.

The following table shows the Solvency II eligible own funds and capital requirements, in each of the previous date:

Solvency Capital Requirement

U: thousands of euros

	31.12.2019	31.12.2020	01.01.2021
Eligible Own Funds	30 225	54 820	54 726
Share Capital	24 388	34 388	34 388
Solvency Capital Requirement	16 927	20 999	120 999
Tax Adjustment	-4 537	-4 538	-4 538
Operating Risk	2 322	3 159	3 159
Base Capital Requirement	19 153	22 378	22 378
Diversification effect	-8 486	-10 616	-10 616
Risk components total	27 629	32 994	32 994
Market Risk	33 932	4 864	4 864
Counterparty default risk	1 652	2 955	2 955
Health underwriting risk	7 263	9 243	9 243
Non-life underwriting risk	14 782	15 931	15 931
Solvency Ratio	178.6%	261.1%	260.6%

The following table shows the eligible own funds and capital requirements to calculate the minimum solvency capital (MCR) on the same dates, there has been a significant improvement compared to December 31, 2019:

Minimum Capital Requirement

U: thousands of euros

	31.12.2019	31.12.2020	01.01.2021
Eligible Own Funds	28 911	44 320	44 227
Minimum Capital Requirement	7 617	9 450	9 450
Minimum Capital Ratio	379.5%	469.0%	468.0 %

4.7. Share Capital and Results

4.7.1. Share Capital Development

On December 31, 2020, Caravela's subscribed share capital amounted to €44,388,315.20, represented by 79,056,677 shares without nominal value.

At the date of closure of the accounts, an instalment of the capital increase subscribed on July 9, 2019, amounting to €10,000,000.00, is still outstanding and is due at the end of 2021.

4.7.2. Result for the 2020 Financial Year

At the end of 2020, the gross result determined was €4,128,388.23, which deducted from the estimated income taxes, led to a net result €3,959,651.29, representing a decrease of 6.2% compared to the previous financial year.

The Board of Directors decided to propose the following application of the determined amount:

- €395,965.13 (10 % of the Net Result) for the Legal Reserve account;
- €3,563,686.16, remaining amount, for the Free Reserves account.

With the approval of the previously proposed application of results, the Caravela's Equity will amount to €47,083,394.00 euros, and including the payment of subscribed capital increase instalments due in 2021 will amount €57,083,394.00.

5. COVID-19 Impact and Development to 2021

The effects of the COVID-19 pandemic that were felt in 2020 will continue in 2021 and will have a strong impact in the Post-Pandemic period.

The impact already felt in 2020 can be divided into 3 major areas:

- Decrease in turnover resulting from the reversal of insurance premiums in the activities that had partial or total interruption of activity, renegotiation and alteration of contracts in force, reaching about 81% of the contracts in force, and increase in the level of commercial discounts as a way of retaining customers in this adverse moment;
- Decrease in collection rates and increase in the respective periods of time as a direct consequence of the implementation of moratoria for payment of insurance premiums and negotiations of payment plans;
- Need to reinforce the levels of provisioning of claims for the Worker's Compensation and Motor lines of business, in order to deal with an inevitable increase in frequency in the post-Pandemic.

These impacts will continue throughout 2021, and it is expected that the recovery in the levels of activity in the insurance sector from the pre-pandemic will only occur in 2022.

The main priorities for 2021 are:

- To maintain a high level of quality in the satisfaction of our customer's needs;
- To develop solutions that can meet the new post-pandemic challenges;
- To maintain a policy of prudence in terms of Financial Investments;
- To develop a new commercial strategy in order to position Caravela to support customers and business partners in the post-pandemic paradigm;
- Finally, as social responsibility is an intrinsic objective of the insurance activity, it is Caravela's intention – at a socially difficult time such as the one we are living in – to maintain its commitment to implement guiding principles in the areas of social and environmental well-being, internally and extending this action to the community.

6. Final Remarks

The Board of Directors wishes to express its appreciation to all Customers, Agents and Reinsurers, as well as all Employees for actively and constructively participating in the life of the Company.

It also notes with appreciation the monitoring and advisory actions undertaken by the Supervisory Board throughout the financial year.

The Board of Directors is grateful to the Portuguese Insurance and Pension Funds Supervisory Authority for all its support, as well as to the Portuguese Association of Insurers for the work carried out in favour of the Portuguese insurance market.

Lastly, in concluding this report, the Board of Directors expresses its appreciation to the Shareholders for all the support and trust shown in the Company's management team during the financial year now ended.

Lisbon, on February 15, 2021

The Board of Directors,

Luis Cervantes
President

David Angulo
Vice-President

António Nestor Ribeiro
Member

Fabrizio Cesario
Member

George Koulouris
Member

Gonçalo Ramos e Costa
Member

Paulo Trigo
Member



REPORT AND ACCOUNTS 2020

CORPORATE
GOVERNANCE
REPORT

1. Introduction

Caravela - Companhia de Seguros, S.A. prepares the Corporate Governance Report in a clear and transparent manner in the light of the regulations in force and by following the best practices and recommendations applicable in the market.

2. Shareholding Structure

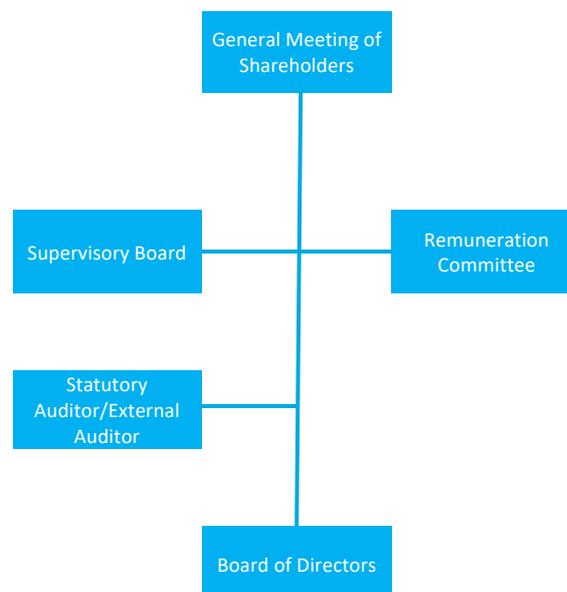
The Company's share capital, fully subscribed and partially paid up, is of 44,388,315.20 Euros, represented by 79,056,677 shares with no nominal value. At the date of closure of the accounts, an instalment of the capital increase subscribed on July 9, 2019, amounting to 10,000,000.00 Euros, is still outstanding and is due on December 2021.

3. Governing Structure

The company's governing model that ensures the effective segregation of managing and supervisory functions follows the traditional Latin model and is composed of the following governing bodies, in accordance with the Company's Articles of Association:

- General Meeting
- Board of Directors
- Supervisory Board
- Statutory Auditor / External Auditor

Such organisational structure is shown in the following chart:



Also, according to art. 11 of the Company's Articles of Association, the day-to-day management falls on a Board of Directors composed of seven members, appointed by the General Meeting for four-year terms, who are eligible for re-election.

The current Board of Directors has a 2019-2022 term and is comprised of seven Executive Board Members, one being the President, a Vice-President and five Members.

The Board of Directors, as the governing body of the Company, has the broadest powers given by law to manage and represent the Company.

Under the terms of art. 12 of Caravela's Articles of Association, the following is the responsibility of the Board:

- The management of the Company, practicing all acts that fall within its corporate purpose;
- The acquisition, encumbrance and disposal of all assets and rights of the Company;
- The execution of any financing contracts and the carrying out of other credit operations;
- The definition of the organisation and working methods of the Company;
- The approval of annual plans and their respective budgets;
- The delegation of its powers to one or more of its members and/or proxy holders;
- The creation of advisory councils;
- The implantation and compliance with legal provisions, as well as the resolutions of the General Meeting.

The supervision of management acts is exercised by a Supervisory Board composed by three effective members, at least one of whom must have a higher education appropriate to the performance of his duties and an alternate member, with terms of office equal to those of the Board of Directors and are also eligible for re-election.

The remuneration of the members of the corporate bodies is determined by the Remuneration Committee, composed of three members – one of them being the President – designated by the General Meeting and also for four-year periods, with the possibility of re-election.

4. Composition of the Governing Bodies

General Meeting:

President: Nuno Miguel Marques dos Santos Horta

Secretary: Nuno Miguel Novais Grangeon Cárcomo Lobo

Board of Directors:

President: Luís Filipe Sampaio Cervantes
Vice-President: David Angulo Rubio
Member: António Manuel Nestor Ribeiro
Member: Fabrizio Cesario
Member: George Koulouris
Member: Gonçalo Lopes da Costa de Ramos e Costa
Member: José Paulo de Castro Trigo

Supervisory Board:

President: Manuel Augusto Lopes de Lemos
Member: Humberto Manuel Martins Carneiro
Member: José Elísio Lopes da Silva Quintas – Statutory Auditor no. 643
Alternate – José António Truta Pinto Rabaça

Statutory Auditor:

Effective: Mazars & Associados, Sociedade de Revisores Oficiais de Contas, S.A., Audit Firm no. 51,
represented by Pedro Miguel Pires de Jesus – Statutory Auditor no. 1930
Alternate: Paulo Jorge Damião Pereira, Statutory Auditor no. 1219

5. Professional qualification of the Members of the Board of Directors and activity performed in recent years

Luís Cervantes – President

- Academic qualifications:
Holds an Undergraduate Degree in Economics
Post-Graduate Degree in Risk and Derived Products Management
- Activity in the past years:
BES Director (1993-2005)
Executive Board Member of Crediflash (2004-2006)
Advisor of the Board of Directors of the insurance company Tranquilidade (2005-2006)
Member of the Executive Board of the insurance company AXA Portugal (2006-2010)
Member of the Executive Board of the insurance company Seguro Direto Gere (2008)
Executive Board Member of Sabseg Seguros (2010-2017)
President of the Board of Directors of AAA-SGPS, S.A. (November 2016 – June 2017)
President of the Board of Directors of Caravela - Companhia de Seguros, S.A. (2019-)

David Angulo - Vice-President

- Academic qualifications:
Holds an Undergraduate Degree in Business Administration
Holds a master's degree in Business Administration

- Activity in the past years:

Financial Analyst at Gescapital, S.A. (1992-1993)
Division Director of Bankinter, S.A. (1993-1996)
Chief Financial Officer of Aegon Union Asseguradora (1997-2001)
Managing Director of Aegon Union Asseguradora (2001-2005)
General Insurance Manager of Santander UK Bank, plc (2005-2007)
Chairman of AVIVA plc, London and Madrid (2007-2014)
Executive Chairman of Dunas Capital España, S.S. (2014-)
Vice-President of the Board of Directors of Caravela - Companhia de Seguros, S.A. (2019-)

António Nestor Ribeiro - Member

- Academic qualifications:

Holds an Undergraduate Degree in Computer Systems Engineering
Holds a master's degree in Computer Science – Distributed Systems, Computer Architecture and Computer Communications
Holds a PhD in Computer Science – Fundamentals of Computing

- Activity in the past years:

Assistant Director of the Undergraduate Degree in Computer Engineering (2008-2010)
Member of the Course Committee of the Undergraduate Degree in Computer Science (2008-2010)
Member of the Pedagogical Council of the Engineering School (2010-2013)
Director of the Undergraduate Degree in Computer Engineering (2010-2013)
Assistant Director of the IT Department (2012-2016)
Member of the Directing Committee of the IT Department (2010-2016)
Assistant Professor of the University of Minho
Founding Manager of MobiComp (2008)
Co-founder of iMobileMagic (2011-2016)
Vice-President of the Board of Directors of Caravela - Companhia de Seguros, S.A. (2014-2019)
Member of the Board of Directors of Caravela - Companhia de Seguros, S.A. (2019-)

Fabrizio Cesario - Member

- Academic qualifications:

Holds an Undergraduate Degree in Economics
Holds a master's degree in Business Administration

- Activity in the past years:

Financial Analyst at Rothschild Italy (1992-1995)
Executive Director / General Manager / Vice-President of Lehman Brothers Europe (1995-2008)
General Manager of Lazard Capital International Limited (2009-2010)
Partner of Anacap Financial Partners LLP, London (2010-2017)
Partner of Toscafund Asset Management (2017-)

Executive Board Member of Caravela - Companhia de Seguros, S.A. (2019-)

George Koulouris - Member

- Academic qualifications:
Holds an Undergraduate Degree in Economics
Holds a master's degree in Business Administration
- Activity in the past years:
Analyst/Associate at UBS, AG London (1999-2002)
Associate at Credit Suisse, AG London (2003-2005)
Vice-President of the Financial Institutions of Deutsche Bank AG London (2006-2007)
Supervisor/Head of the M&A Division of Marfin Investment Group Holding, S.A. (2007-2013)
Partner of Anacap Financial Partners LLP, London (2013-2017)
Partner of Toscafund Asset Management (2017-)
Executive Board Member of Caravela - Companhia de Seguros, S.A. (2019-)

Gonçalo Ramos e Costa – Executive Member

- Academic qualifications:
Holds an Undergraduate Degree in Business Administration
- Activity in the past years:
Marketing Manager at Lusitania (1993-1998)
Marketing Director at Lusitania (1998-2001)
Chief Executive Officer of Moçambique-Companhia de Seguros S.A., with head office in Maputo (2001-2004)
Executive Board Member of Moçambique-Companhia de Seguros, S.A. (2004-2014)
Coordinating Director of the Financial, Administration and Property Management Division of Lusitania (2007-2014)
Director-General of AAA – SGPS (2014-2017)
Executive Board Member of Caravela - Companhia de Seguros, S.A. (2019-)

Paulo Trigo – Executive Member

- Academic qualifications:
Holds an Undergraduate Degree in Civil Engineering
Holds a Post-Graduate Degree in Industrial Safety and Engineering
Course in Risk Analysis, Safety and Prevention Technician and Fire Prevention Technician in industrial companies
- Activity in the past years:
Director of the Risk Analysis Office in Tranquilidade (1990-1998)
Coordinating Director of the North Regional Operating Directorate in Tranquilidade (1998-2005)
Coordinating Director of the Large Customers Directorate of Tranquilidade (2005-2014)
Chief Executive Officer of Caravela - Companhia de Seguros, S.A. (2014-2017)
Executive Board Member of Caravela - Companhia de Seguros, S.A. (2019-)

6. Composition of the Remuneration Committee

The Remuneration Committee is composed of three members:

President: Fabrizio Cesario

Member: George Koulouris

Member: António Nestor Ribeiro

The members of the Remuneration Committee are not remunerated and have no family links between them.

7. Remuneration of corporate bodies

The remuneration of the members of the board of directors and supervisory board is set in accordance with the remuneration policy approved by the Remuneration Committee.

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.

The Remuneration Committee shall meet in a plenary session whenever necessary to discuss and set the remuneration of the members of the Board of Directors and Supervisory Board.

The remuneration of the Statutory Auditor is established in the service agreement and is in line with the existing market practice.

8. Remuneration earned by the members of the Board of Directors and Supervisory Board (pursuant to article 29 of Law no. 28/2009 of September 19)

The following table shows the basic remuneration of the members of the board of directors and supervisory board:

8.1. Aggregate

U: euros

	Fixed Remuneration	Variable Remuneration	Total Annual Remuneration
Board of Directors	652 000,00	216 061,72	868 061,72
Supervisory Board	13 500,00	0,00	13 500,00
TOTAL	665 500,00	216 061,72	881 561,72

8.2. Individual

U: euros

Board of Directors	Fixed Remuneration	Variable Remuneration	Total Annual Remuneration
Luís Filipe Sampaio Cervantes	210 000,00	85 893,56	295 893,56
David Angulo Rubio	50 000,00	0,00	50 000,00
Gonçalo Lopes da Costa de Ramos e Costa	196 000,00	65 471,08	261 471,08
José Paulo de Castro Trigo	196 000,00	64 697,08	260 697,08
TOTAL	652 000,00	216 061,72	868 061,72

U: euros

Supervisory Board	Fixed Remuneration	Variable Remuneration	Total Annual Remuneration
Manuel Augusto Lopes de Lemos	7 200,00	0,00	7 200,00
Humberto Manuel Martins Carneiro	3 600,00	0,00	3 600,00
José Elísio Lopes da Silva Quintas ¹	2 700,00	0,00	2 700,00
TOTAL	13 500,00	0,00	13 500,00

¹ Appointed in March 2020

9. Remuneration of the Auditor/Statutory Auditor

The remuneration of the Statutory Auditor is in accordance with the conditions set out in article 59 and 60 of DL no. 487/99, of November 16, as amended by DL 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 2020, the amounts paid, including VAT, were:

U: Euro

Description of MAZARS' Fees	Amount	Amount
Solvency II		18 450
Statutory Auditing:		
year 2019	36 900	
year 2020	24 600	61 500
TOTAL		79 950

10. Shareholding of the Members of the Board of Directors and Supervisory Board in the Insurer's Capital (Art. 477 of the Commercial Companies Code)

Members of the Board of Directors with shareholding in the capital of Caravela - Companhia de Seguros, S.A.:

Name	Number of shares held at 31/12/2020
Luís Filipe Sampaio Cervantes (shareholding through Ancoras de Jupiter Unipessoal, Lda.)	3 288 760
António Manuel Nestor Ribeiro (shareholding through Blue Wave, S.A.)	1 541 606



REPORT AND ACCOUNTS 2020

**EMPLOYEES
REMUNERATION
POLICY**

1. Introduction

The remuneration policy of Caravela-Companhia de Seguros, S.A. aims to ensure that all its employees are remunerated in accordance with the duties they perform and the actual results of their activity.

The remuneration of Caravela's employees includes a fixed component and may also, for some functions, include a variable component.

In practical terms, the fixed component results from the application of the company union agreement and is appropriate to the payment of the work performed.

The overall remuneration policy takes into account the different contribution of the various bodies and functions to the attainment of Caravela's annual or multi-year objectives.

On this basis, the functions are described and assessed using specific assessment methodologies and criteria, which guarantee transparency and impartiality in line with the best market practices in terms of credibility and reliability regarding the alignment of objectives and calculation of results.

The existing salary bands ensure the respect for internal equity in terms of remuneration policy and also serve as a guarantee for fixed remuneration and any variable remuneration.

The adjustment of the remuneration policy fundamentals has necessarily as reference the national economic situation and Caravela's short and medium term strategy, both defining and fundamental benchmarks for a fair and correct implementation of such policy.

2. Legal Framework

This policy is based on the compliance of the laws and regulations in force, mainly:

- Regulatory Standard no. 5/2010-R, of April 1 (Disclosure of information on the remuneration policy of insurance companies and pension fund management companies);
- Official circular no. 6/2010, of April 1 (Remuneration policy of insurance or reinsurance companies and pension fund management companies);
- Legal Regime of Access to and Exercise of the Insurance and Reinsurance Activity (RJASR), approved by Law no. 147/2015;
- EIOPA guidelines on the system of governance of Insurance Companies.

Such remuneration policy is also based on a cautious and appropriate monitoring in order to avoid any conflict of interests and is in line with the growth, profitability and productivity policies defined by the Company's shareholders.

3. Competence

The employee's remuneration policy must be proposed by the Human Resources Department for subsequent approval by the Board of Directors and is reviewed annually.

4. Disclosure

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

5. Remuneration components

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

- The balance between both remunerations, in order to achieve an easy and clear planning of the variable part;
- The variable remuneration shall result from a system of objectives and performance that will give special focus to Caravela's objectives that must be clear, precise, determinable and achievable.

6. Other Benefits

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

- Workers Compensation Insurance;
- Personal Accidents Insurance;
- Health Insurance;
- Life Insurance;
- Permanency Allowance (clause 42 of ACT 2016);
- Individual Retirement Plans (PIR).



REPORT AND ACCOUNTS 2020

**BALANCE
SHEET**

BALANCE SHEET (1/2)

U: Euros

Notes to the Annex	Balance sheet as at 31.12.2020	Financial Year		Previous financial year	
		Gross amount	Impairment, depreciations / amortisations or adjustments		Net amount
	ASSET				
6	Cash, cash equivalents and demand deposits	5 202 233,01		5 202 233,01	2 267 710,71
1	Investments in subsidiaries, associated companies and joint ventures	5 000,00		5 000,00	0,00
	Financial assets held for trading	0,00		0,00	0,00
	Financial assets classified in initial recognition at fair value through gains and losses	0,00		0,00	0,00
	Hedging derivatives	0,00		0,00	0,00
5	Available-for-sale assets	90 321 930,47	233 843,54	90 088 086,93	68 981 211,80
3.2.2	Loans and accounts receivable	3 095 374,21	0,00	3 095 374,21	3 297 447,57
	Deposits with ceding companies	0,00		0,00	0,00
3.2.2	Other deposits	2 843 833,11		2 843 833,11	2 850 906,58
3.2.2	Loans granted	251 541,10		251 541,10	446 540,99
	Accounts receivable	0,00		0,00	0,00
	Other	0,00		0,00	0,00
	Held-to-maturity investments	0,00		0,00	0,00
3.3.1-7	Land and buildings	1 231 882,32	0,00	1 231 882,32	1 231 882,32
	Own use land and buildings	0,00		0,00	0,00
3.3.1-7	Investment properties	1 231 882,32		1 231 882,32	1 231 882,32
8	Other tangible assets	3 240 748,76	1 067 132,09	2 173 616,67	2 303 684,02
	Inventory	86 469,47		86 469,47	88 098,77
	Goodwill	0,00		0,00	0,00
3.4-10	Other intangible assets	4 101 572,59	1 813 025,29	2 288 547,30	2 179 835,18
4.1.3	Technical reserves of ceded reinsurance	26 351 659,72	0,00	26 351 659,72	17 970 091,00
4.1.2-4.1.3	Unearned premiums reserve	1 693 928,82		1 693 928,82	1 517 245,58
	Mathematical reserve of the life line of business	0,00		0,00	0,00
4.1.1-4.1.3	Claims reserve	24 657 730,90		24 657 730,90	16 452 845,42
	Profit sharing reserve	0,00		0,00	0,00
	Interest rate commitments reserve	0,00		0,00	0,00
	Portfolio stabilisation reserve	0,00		0,00	0,00
	Other technical reserves	0,00		0,00	0,00
	Post-employment benefit assets and other long-term benefits	0,00		0,00	0,00
3.9.1-11	Other debtors from insurance operations and other operations	12 260 225,40	861 416,74	11 398 808,66	6 952 276,60
3.8.1-3.8.2-3.9.1-11	Accounts receivable from direct insurance operations	10 964 835,69	820 043,38	10 144 792,31	6 336 742,14
3.9.1-11	Accounts receivable from other reinsurance operations	306 459,26	0,00	306 459,26	352 065,54
3.8.2-3.9.1-11	Accounts receivable from other operations	988 930,45	41 373,36	947 557,09	263 468,92
20	Tax assets	1 166 793,38	0,00	1 166 793,38	1 198 570,74
20	Current tax assets	310 952,96		310 952,96	308 854,12
20	Deferred tax assets	855 840,42		855 840,42	889 716,62
3.9.3	Accruals and deferrals	347 511,64		347 511,64	232 109,54
	Other assets	0,00		0,00	0,00
	Non-current assets held for sale and discontinued operations	0,00		0,00	0,00
	TOTAL ASSET	147 411 400,97	3 975 417,66	143 435 983,31	106 702 918,25

Certified Accountant

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Board of Directors

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Gonçalo Ramos e Costa

Paulo Trigo

		U: Euros	
Notes to the Annex	Balance Sheet as at 31.12.2020	Financial year	Previous financial year
	LIABILITY AND EQUITY		
	LIABILITY		
4.1.3	Technical reserves	81 156 183,79	61 394 795,17
3.7.1-4.1.2-4.1.3	Unearned premiums reserve	20 367 529,74	15 874 669,94
	Mathematical reserve of the life line of business	0,00	0,00
3.7.2-4.1.3	Claims reserve	60 521 587,98	45 284 731,98
	Life	0,00	0,00
4.1.3	Workers compensation	33 620 036,03	25 637 247,95
4.1.3	Other lines of business	26 901 551,95	19 647 484,03
	Profit sharing reserve	0,00	0,00
	Interest rate commitments reserve	0,00	0,00
	Portfolio stabilisation reserve	0,00	0,00
3.7.4-4.1.3	Equalisation reserve	267 066,07	235 393,25
3.7.3-4.1.3	Unexpired risks reserve	0,00	0,00
	Other technical reserves	0,00	0,00
	Financial liabilities of the insurance contracts deposit component and of insurance contracts and operations treated as investment contracts for accounting purposes	0,00	0,00
3.2.3.	Other financial liabilities	2 264 299,00	2 852 812,53
	Hedging derivatives	0,00	0,00
	Subordinated liabilities	0,00	0,00
3.2.3	Deposits received from reinsurers	517 450,96	816 431,93
3.2.3-3.8.6	Other	1 746 848,04	2 036 380,60
3.6-19	Post-employment benefit liabilities and other long-term benefits	150 130,82	159 687,13
3.9.2	Other creditors for insurance operations and other operations	7 779 032,13	6 246 136,30
3.9.2	Accounts payable for direct insurance operations	4 987 742,27	3 438 781,25
3.9.2	Accounts payable for other reinsurance operations	2 006 162,73	2 271 444,13
3.9.2	Accounts payable for other operations	785 127,13	535 910,92
20	Tax liabilities	3 597 552,68	2 486 020,30
20	Current tax liabilities	3 228 760,65	2 331 084,40
20	Deferred tax liabilities	368 792,03	154 935,90
3.9.3	Accruals and deferrals	1 405 390,89	1 176 366,35
	Other Provisions	0,00	0,00
	Other liabilities	0,00	0,00
	Liabilities of a disposal group classified as held for sale	0,00	0,00
	TOTAL LIABILITY	96 352 589,31	74 315 817,78
	EQUITY		
21	Capital	34 388 315,20	24 388 315,20
	(Own Shares)	0,00	0,00
	Other capital instruments	0,00	0,00
22	Revaluation reserves	1 639 102,35	688 603,98
22	By fair value adjustments of financial assets	1 639 102,35	688 603,98
	By revaluation of own use land and buildings	0,00	0,00
	By revaluation of intangible assets	0,00	0,00
	By revaluation of other tangible assets	0,00	0,00
	By fair value adjustments of hedging instruments in cash flow hedges	0,00	0,00
	By fair value adjustments of foreign currency net investment hedging	0,00	0,00
	Of exchange differences	0,00	0,00
22	Deferred tax reserve	-368 792,03	-154 935,90
22	Other reserves	6 524 324,30	2 304 358,85
21	Results brought forward	940 792,89	940 792,89
	Result of the financial year	3 959 651,29	4 219 965,45
	TOTAL EQUITY	47 083 394,00	32 387 100,47
	TOTAL LIABILITY AND EQUITY	143 435 983,31	106 702 918,25

¹ The share capital was increased by resolution of the General Shareholders' Meeting of July 9, 2019 and the consequent authorisation from ASF on December 17 to 44,388,315.20 euros, with the second instalment of 10,000,000.00 euros made on December 27.

Thus, the situation as of December 31, 2020 was:

⇒ Subscribed equity: 44,388,315.20 euros;

⇒ Paid-up equity: 34,388,315.20 euros;

⇒ Equity to pay in 2021: 10.000.000,00 euros.

Certified Accountant

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Paulo Trigo



REPORT AND ACCOUNTS 2020

**PROFIT AND
LOSS ACCOUNT**

PROFIT AND LOSS ACCOUNT (1/2)

U: Euros

Notes of the Annex	Profits and Loss Accounts as at 31.12.2020	Financial year				Previous financial year
		Life Technique	Non-Life Technique	Non-Technique	Total	
	Earned premiums net of reinsurance		71 707 654,15		71 707 654,15	56 303 543,22
12	Gross written premiums		100 718 896,32		100 718 896,32	76 436 662,72
	Reinsurance ceded premiums		24 434 960,77		24 434 960,77	16 055 230,54
	Unearned premiums reserve (variation)		4 839 286,15		4 839 286,15	4 373 987,64
	Unearned premiums reserve, reinsurers share (variation)		263 004,75		263 004,75	296 098,68
	Commissions of insurance contracts and operations considered for accounting purposes as investment contracts or as service contracts		0,00		0,00	0,00
	Claims costs, net of reinsurance		48 648 642,76		48 648 642,76	38 578 580,21
4.1.1	Paid amounts		42 127 151,44		42 127 151,44	36 839 153,56
4.1.1	Gross amounts		50 356 865,72		50 356 865,72	43 666 774,36
4.1.1	Reinsurers share		8 229 714,28		8 229 714,28	6 827 620,80
4.1.1	Claims reserve (variation)		6 521 491,32		6 521 491,32	1 739 426,65
4.1.1	Gross amount		14 929 372,07		14 929 372,07	4 717 174,78
4.1.1	Reinsurers share		8 407 880,75		8 407 880,75	2 977 748,13
4.1.3	Other technical reserves, net of reinsurance		31 672,82		31 672,82	-391 418,92
	Mathematical reserve of the life line of business, net of reinsurance					0,00
	Gross amount					0,00
	Reinsurers share					0,00
	Profit sharing, net of reinsurance		0,00		0,00	0,00
12-17	Net operating costs and expenses		18 845 868,98		18 845 868,98	14 648 618,58
12-17	Acquisition costs		19 250 507,30		19 250 507,30	15 662 500,42
12-17	Deferred acquisition costs (variation)		-260 104,84		-260 104,84	-826 308,11
12-17	Administrative expenses		3 390 924,52		3 390 924,52	2 846 939,73
	Commissions and reinsurance profit sharing		3 535 458,00		3 535 458,00	3 034 513,46
13	Income		480 793,01	0,00	480 793,01	444 169,80
13	From interest of financial assets not valued at fair value through profit and loss		480 793,01	0,00	480 793,01	444 169,80
	From interest of financial liabilities not valued at fair value through profit and loss		0,00	0,00	0,00	0,00
	Other		0,00	0,00	0,00	0,00
3.9.5	Financial expenses		296 735,63	0,00	296 735,63	272 695,97
3.9.5	Related to interest of financial assets not valued at fair value through profit and loss		296 735,63	0,00	296 735,63	272 695,97
	Related to interest of financial liabilities not valued at fair value through profit and loss		0,00	0,00	0,00	0,00
	Other		0,00	0,00	0,00	0,00

Certified Accountant

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PROFIT AND LOSS ACCOUNT (2/2)

U: Euros

Notes of the Annex	Profits and Loss Accounts as at 31.12.2020	Financial year				Previous financial year
		Life Technique	Non-Life Technique	Non-Technique	Total	
14	Net profit from financial assets and liabilities not valued at fair value through profit and loss		170 095,32	0,00	170 095,32	658 886,25
14	From available-for-sale assets		170 095,32	0,00	170 095,32	658 886,25
	From loans and accounts receivable		0,00	0,00	0,00	0,00
	From held-to-maturity investments		0,00	0,00	0,00	0,00
	From financial liabilities valued at amortised cost		0,00	0,00	0,00	0,00
	Other		0,00	0,00	0,00	0,00
	Net profit from financial assets and liabilities valued at fair value through profit and loss		0,00	0,00	0,00	0,00
	Net profit from financial assets and liabilities held for trading		0,00	0,00	0,00	0,00
	Net profit from financial assets and liabilities classified in the initial recognition at fair value through profit and loss		0,00	0,00	0,00	0,00
	Exchange differences		0,00	0,00	0,00	0,00
	Net profit from the sale of non-financial assets not classified as non-current assets held for sale and discontinued operations		0,00	0,00	0,00	0,00
15	Impairment losses (net of reversal)		-150 560,90	0,00	-150 560,90	0,00
15	Of available-for-sale assets		-150 560,90	0,00	-150 560,90	0,00
	Of loans and accounts receivable valued at amortised cost		0,00	0,00	0,00	0,00
	Of held-to-maturity investments		0,00	0,00	0,00	0,00
	Other		0,00	0,00	0,00	0,00
	Other technical income/expenses, net of reinsurance		0,00	0,00	0,00	0,00
	Other reserves (variation)		0,00	0,00	0,00	0,00
3.9.4	Other income/expenses		0,00	-557 794,96	-557 794,96	63 542,65
	Negative goodwill immediately recognised in profit and loss		0,00	0,00	0,00	0,00
	Profit and loss from associated companies and joint ventures accounted for using the equity method		0,00	0,00	0,00	0,00
	Profit and loss from non-current non-current assets (or disposal groups) classified as held-for-sale		0,00	0,00	0,00	0,00
	NET PROFIT BEFORE TAXES		4 686 183,19	-557 794,96	4 128 388,23	4 361 666,08
20	Income tax for the financial year - Current tax		0,00	134 860,74	134 860,74	141 700,63
20	Income tax for the financial year - Deferred tax		0,00	33 876,20	33 876,20	0,00
	NET PROFIT OF THE FINANCIAL YEAR		4 686 183,19	-726 531,90	3 959 651,29	4 219 965,45

Certified Accountant

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REPORT AND ACCOUNTS 2020

CHANGES TO
EQUITY

STATEMENTS OF CHANGES TO EQUITY

2020									
U: Euros									
Notes of the Annex	STATEMENT OF CHANGES TO EQUITY	Share Capital	Revaluation reserve by fair value adjustm. of available-for-sale financial assets	Deferred tax reserve	Legal reserve	Other reserves	Results brought forward	Results of the financial year	Total
	Balance sheets as at 31-12-2019	24 388 315,20	688 603,98	-154 935,90	1 599 552,57	704 806,28	940 792,89	4 219 965,45	32 387 100,47
	Correction of errors (IAS 8)								0,00
	Changes in accounting policies (IAS 8)								0,00
21	Changed opening balance sheet	24 388 315,20	688 603,98	-154 935,90	1 599 552,57	704 806,28	940 792,89	4 219 965,45	32 387 100,47
	Capital increases/decreases	10 000 000,00							10 000 000,00
22	Net profit from fair value adjustments of available-for-sale financial assets		950 498,37						950 498,37
22	Adjustments from deferred tax recognition			-213 856,13					-213 856,13
22	Increases in reserves through allocation of results				421 996,55	3 797 968,90	-4 219 965,45		0,00
	Distribution of profits/loss								0,00
	Other profit/loss recognised directly in equity								0,00
21	Transfers between equity headings not included in other						4 219 965,45	-4 219 965,45	0,00
	Total changes to equity	10 000 000,00	950 498,37	-213 856,13	421 996,55	3 797 968,90	0,00	-4 219 965,45	10 736 642,24
21	Net result of the period							3 959 651,29	3 959 651,29
	Early profit distribution								0,00
	Balance sheet as at 31-12-2019	34 388 315,20	1 639 102,35	-368 792,03	2 021 549,12	4 502 775,18	940 792,89	3 959 651,29	47 083 394,00

2019									
U: Euros									
Notes of the Annex	STATEMENT OF CHANGES TO EQUITY	Share Capital	Revaluation reserve by fair value adjustm. of available-for-sale financial assets	Deferred tax reserve	Legal reserve	Other reserves	Results brought forward	Results of the financial year	Total
	Balance sheets as at 31-12-2018	19 566 101,96	-18 789,14	4 227,56	1 293 199,69	1 370 635,40	-5 843 615,88	3 063 528,75	19 435 288,34
	Correction of errors (IAS 8)								0,00
	Changes in accounting policies (IAS 8)								0,00
21	Changed opening balance sheet	19 566 101,96	-18 789,14	4 227,56	1 293 199,69	1 370 635,40	-5 843 615,88	3 063 528,75	19 435 288,34
	Capital increases/decreases	4 822 213,24				-665 829,12	5 843 615,88		10 000 000,00
22	Net profit from fair value adjustments of available-for-sale financial assets		707 393,12						707 393,12
22	Adjustments from deferred tax recognition			-159 163,46			-274 379,42		-433 542,88
22	Increases in reserves through allocation of results				306 352,88			-306 352,88	0,00
	Distribution of profits/loss							-1 500 000,00	-1 500 000,00
	Other profit/loss recognised directly in equity						-42 003,56		-42 003,56
21	Transfers between equity headings not included in other						1 257 175,87	-1 257 175,87	0,00
	Total changes to equity	4 822 213,24	707 393,12	-159 163,46	306 352,88	-665 829,12	6 784 408,77	-3 063 528,75	8 731 846,68
21	Net result of the period							4 219 965,45	4 219 965,45
	Early profit distribution								0,00
	Balance sheet as at 31-12-2019	24 388 315,20	688 603,98	-154 935,90	1 599 552,57	704 806,28	940 792,89	4 219 965,45	32 387 100,47

Certified Accountant

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REPORT AND ACCOUNTS 2020

**COMPREHENSIVE
INCOME**

STATEMENT OF COMPREHENSIVE INCOME

Notes of the Annex	Total	Total
	Financial year	Previous Financial Year
Net profit of the financial year	3 959 651,29	4 219 965,45
Other comprehensive income of the financial year	736 642,24	548 229,66
Available-for-sale financial assets	950 498,37	707 393,12
22 Net profit and loss	950 498,37	707 393,12
Reclassification of profit and loss in results of the financial year	0,00	0,00
Impairment	0,00	0,00
Disposal	0,00	0,00
22 Taxes	213 856,13	159 163,46
Net profit and loss in exchange differences	0,00	0,00
Post-employment benefits	0,00	0,00
Other movements	0,00	0,00
Total comprehensive income net of taxes	4 696 293,53	4 768 195,11

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REPORT AND ACCOUNTS 2020

CASH FLOW
STATEMENT

CASH FLOW STATEMENT

U: Euros

	2020		2019	
Operating Activities				
Collections from customers	101 099 400		80 929 560	
Payments to suppliers	-5 192 352		-4 766 932	
Payments to employees	-6 400 771		-5 867 121	
Contributions for the pension fund	-69 754		-53 728	
Cash generated by operations	89 436 523	89 436 523	70 241 780	70 241 780
Payment/collection of income tax	-166 402		-243 207	
Other collections/payments related to the operating activity:				
Payments of claims	-47 627 973		-41 517 731	
Collections/payments of reinsurance	-12 135 952		-5 310 964	
Collections/payments of co-insurance	282 850		-214 117	
Collections/payments of other taxes and fees	-12 834 073		-10 012 663	
Other collections/payments related to the operating activity:	-3 838 370		-3 336 253	
Cash generated before extraordinary items	13 116 603	13 116 603	9 606 844	9 606 844
Collections related to extraordinary items	0		0	
Payments related to extraordinary items	-1 208	-1 208	-55 365	-55 365
Cash from operating activities (1)	13 115 395	13 115 395	9 551 479	9 551 479
Investment Activities:				
Collections from:				
Financial investments	27 178 189		60 515 743	
Tangible Assets	17 000		0	
Intangible assets	0		0	
Investment grants	0		0	
Interests and similar profit	846 515		794 092	
Dividends	6 295		7 901	
Other collections related to the investment activity	30 000	28 077 999	56 025	61 373 761
Payments regarding:				
Financial investments	47 305 103		76 789 403	
Tangible assets	105 332		104 976	
Intangible assets	606 410		971 275	
Other payments related to the investment activity	121 628	48 138 473	123 098	77 988 752
Cash from investment activities (2)	-20 060 474	-20 060 474	-16 614 991	-16 614 991
Funding Activities:				
Collections from:				
Loans obtained	0		0	
Capital increases, supplementary payments and share premiums	10 000 000		10 000 000	
Grants and donations	0		0	
Sale of own shares	0		0	
Coverage of losses	0		0	
Other collections related to the funding activity	0	10 000 000	0	10 000 000
Payments regarding:				
Loans obtained	0		0	
Amortisation of leasing contracts	84 364		47 544	
Interest and similar costs	3 859		2 500	
Dividends	0		1 500 000	
Capital decrease and supplementary payments	0		0	
Purchase of own shares	0		0	
Other payments related to the funding activity	36 900	125 123	36 183	1 586 227
Cash from funding activities (3)	9 874 877	9 874 877	8 413 773	8 413 773
Changes in cash and its equivalents (4)=(1)+(2)+(3)		2 929 798		1 350 261
Effect of exchange differences		0		0
Cash and its equivalents in the beginning of the period		5 116 268		3 766 008
Cash and its equivalents in the end of the period		8 046 066		5 116 268

Certified Accountant

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1. General Information

CARAVELA - COMPANHIA DE SEGUROS, S.A., hereinafter referred to as Caravela or Company, is a limited liability company registered under the Corporate Body Number 503 640 549 in the Commercial Registry Office of Lisbon, resulting from the change of the corporate name of Macif Portugal - Companhia de Seguros, S.A. on January 8, 2015, as per registration in the Commercial Registry Office of Lisbon.

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€, through the issue of 14,509,472 new shares at a unit value of 0.413530€.

By decision of the General Meeting held on July 9, 2019, a new capital increase was carried out on December 18, 2019, in the amount of 30,000,000.00€, through the issue of 37,947,205 new shares with no nominal value the amount of €10,000,000.00€. On December 23, 2020 the same amount of 10,000,000.00€, in cash, leaving the remaining 10,000,000.00€ to be paid in December 2021, as decided in that General Meeting.

The Company's share capital is represented by 79,056,667 nominative shares with no nominal value, in the total amount of 44,388,315.20€, 48% held by the Shareholder TPIF Douro BidCo S.à.r.l. with 37,947,205 shares, which has been controlling the Company since 2019.

On July 15, 2020, Caravela incorporated an insurance mediation and distribution company under the corporate name of Powerful Caravel - Unipessoal, Lda., with registered office at Avenida da Boavista, no. 1002, in Oporto, registered at the Oporto Commercial Registry Office under the Corporate Body Number 516035126, and with a share capital of 5,000.00€.

The purpose of setting up this company was to begin collaborating with a life insurance company based in Spain for the distribution of life insurance products. However, the company had no activity during 2020, and is not expected to operate in 2021, due to the worsening of the economic situation, resulting from the pandemic situation that Portugal and Spain are experiencing.

With head office in Lisbon, at Avenida Casal Ribeiro nº 14, Caravela has offices in Oporto, Leiria and Faro, exercising the activity of insurance and reinsurance of Non-Life branches, through authorisation no. 1133 granted by the Insurance and Pension Funds Supervision Authority (ASF).

The Company's direct insurance premium volume reached 100,719 thousand euros, corresponding to an increase of 31.8% compared to the previous year (76.437 thousand euros in 2019), with the Motor line of business continuing to be the most significant with 58,284 thousand euros of gross premiums

written, representing 57.9% of the total volume of premiums (52.4% in 2019), followed by the Worker's Compensation line of business with 24.1% of the total (27.8% in 2019).

All amounts in this Appendix to the Financial Statements are in euros, rounded to the nearest unit.

The Company's Financial Statements as at December 31, 2020 have been reviewed by the Board of Directors at a meeting held on February 26, 2021.

The Management Report and the Financial Statements shall be submitted for approval of the General Meeting of Shareholders held on March 30, 2021.

2. Segment Information

The Company's total business comes from insurance contracts regarding the Non-Life line of business entered into in Portugal, there being only one Geographical Segment; the distribution by business lines as at December 31, 2020 and 2019 is as follows:

								2020
								U: Euro
Heading	Accidents and Health	Fire and Other Damage	Motor	Marine and Transports	Transported Goods	Third Party Liability	Miscellaneous	TOTAL
Gross written premiums	26 097 628	8 676 000	58 284 314	193 670	259 789	1 306 001	5 901 495	100 718 896
Reinsurance ceded premiums	8 846 214	6 564 240	8 719 972	89 699	177 416	37 419	0	16 055 231
Gross earned premiums	25 930 306	8 340 581	54 560 753	184 174	266 084	1 261 822	5 335 890	72 062 675
Reinsurance gross earned premiums	8 844 309	6 303 124	8 722 052	83 042	182 009	37 419	0	15 759 132
Investment Results	284 332	23 959	173 439	556	473	8 355	13 600	830 360
Gross claims costs	18 308 209	4 473 953	37 422 397	116 490	87 271	1 147 449	3 730 469	48 383 949
Reinsurers' share in claims costs	8 067 764	3 415 619	4 944 131	113 018	81 917	15 147	0	9 805 369
Change in other technical reserves	2 443	114 880	0	2 279	-1 608	0	0	-298 984
Gross operating costs and expenses	5 698 218	2 263 654	13 463 761	42 064	65 851	329 105	432 352	17 590 697
Commissions and profit sharing in reinsurance results	876 005	2 237 039	305 984	49 571	66 617	243	0	3 034 513
Technical result	2 305 227	861 585	376 096	103 444	81 567	-228 406	1 186 670	4 686 183
Other non-technical income/expenses								-557 795
Non-technical result								-557 795
Result before taxes								4 128 388
Technical reserves of direct insurance	35 098 189	5 659 132	39 998 340	126 424	107 398	1 835 238	3 073 593	85 898 313

								2019
								U: Euro
Heading	Accidents and Health	Fire and Other Damage	Motor	Marine and Transports	Transported Goods	Third Party Liability	Miscellaneous	TOTAL
Gross written premiums	22 291 898	7 748 083	40 062 843	351 205	243 749	1 154 892	4 583 993	76 436 663
Reinsurance ceded premiums	8 142 333	5 894 434	1 477 433	336 543	170 368	34 120	0	16 055 231
Gross earned premiums	22 195 076	7 381 940	36 659 497	342 345	237 049	1 124 887	4 121 882	72 062 675
Reinsurance gross earned premiums	8 134 559	5 632 575	1 461 678	330 442	165 758	34 120	0	15 759 132
Investment Results	296 424	67 460	416 382	951	801	18 137	30 205	830 360
Gross claims costs	15 899 309	3 499 057	25 173 785	55 441	13 700	467 329	3 275 328	48 383 949
Reinsurers' share in claims costs	7 827 724	1 852 791	86 902	37 809	3 489	0	-3 346	9 805 369
Change in other technical reserves	-2 830	118 993	-106 219	2 199	1 614	0	-312 741	-298 984
Gross operating costs and expenses	4 883 489	2 098 504	10 032 868	73 388	66 287	300 764	135 397	17 590 697
Commissions and profit sharing in reinsurance results	692 801	2 198 161	-6 079	80 114	69 550	-34	0	3 034 513
Technical result	2 097 498	151 223	594 590	-252	63 530	340 777	1 050 757	4 298 123
Other non-technical income/expenses								63 545
Non-technical result								63 545
Result before taxes								4 361 668
Technical reserves of direct insurance	26 782 801	5 024 210	30 245 725	70 957	62 955	1 259 327	2 344 523	65 790 498

3. Basis of preparation of the financial statements and accounting policies

A) During the 2020 financial year, changes were made to certain accounting standards, namely:

Amendments to the rules that became effective on 1 January 2020:

⇒ IAS 1 and IAS 8 – ‘Material definition’

These amendments introduce a change to the material concept as part of the ‘Disclosure Initiative’ wider project of the IASB.

Clarifications are carried out regarding unclear information, constituting situations that intend to omit or distort said information. The entity should evaluate its materiality considering the financial statements as whole.

Clarifications are also made as to the meaning of ‘main users of financial statements’, which are defined as ‘current and future investors, donors and creditors’ who rely on financial statements to obtain a significant part of the information they need.

Regulation of Endorsement by the European Union: Regulation (EC) 2019/2104, of November 29.

Effective date: Annual reporting periods beginning on or after January 1, 2020.

⇒ Conceptual Framework – ‘Changes in Reference to Other IFRSs’

Resulting from the publication of the new Conceptual Framework, the IASB introduced amendments to various rules and interpretations, such as: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, to clarify the application or not of the new definitions of asset/liability and expense/income, in addition to some of the characteristics of financial information. These amendments are retrospective, unless impractical.

Regulation of Endorsement by the European Union: Regulation (EC) 2019/2104, of November 29.

Effective date: Annual reporting periods beginning on or after January 1, 2020.

⇒ Amendments to IFRS 3 – ‘Business definition’

This amendment is a review of the business definition for the purpose of accounting for business activities combinations.

The new definition demands that the acquisition include an input and a considerable process that together create outputs. Outputs are defined as goods and services that are delivered to customers, which create income from financial investments and other, excluding returns as cost reductions and other economic benefits to shareholders.

‘Concentrations tests’ are also authorised, which when positive exempt the additional valuation entity as to whether it is the acquisition of an asset or a business.

In the context of the concentration test, if a significant part of the fair value of the assets acquired correspond to a sole asset, the assets acquired do not constitute a business.

The adoption of this amendment is prospective.

Regulation of Endorsement by the European Union: Regulation (EC) 2020/551, of April 21.

Effective date: Annual reporting periods beginning on or after January 1, 2020.

⇒ Amendments to IFRS 9, IAS 39 and IFRS 7 'Reform of Reference Interest Rates'

Following the financial crisis, the need arose to replace reference interest rates such as EURIBOR and other interbank interest rates (IBOR).

This amendment provides temporary and restricted exemptions related to hedge accounting under IAS 39 / IFRS 9 - Financial Instruments, its practical effect being that hedge accounting is not discontinued in cases where the only change relates to the change in the reference interest rate.

However, any ineffectiveness of the hedging relationship in place should continue to be registered in the income statement.

This amendment requires specific disclosures for derivative financial instruments, for which these exemptions have been applied - in terms of nominal value - significant assumptions and judgements applied, as well as qualitative disclosure of the impact of the change in reference rates and how the entity is managing this process.

The adoption of these amendments is carried out retrospectively. An entity shall apply these amendments retrospectively to hedging relationships that existed at the start of the reporting period in which an entity first applies these amendments or that were subsequently designated as hedging, and gain and loss recognised in other comprehensive income existing at the start of the reporting period in which an entity first applies these amendments.

Regulation of Endorsement by the European Union: Regulation (EC) 2020/34, of January 15.

Effective date: Annual reporting periods beginning on or after January 1, 2020.

Amendments to standards published by IASB already endorsed by the EU

⇒ IFRS 16 - 'Covid-19 related rent subsidies'

Given the global pandemic caused by the new coronavirus (COVID-19), lessors have granted benefits to lessees in respect of lease instalments, which can take different formats, such as the reduction, write-off or deferment of contractual lease instalments.

This amendment to IFRS 16 introduces a practical expedient for lessees (but not for lessors), which exempts them from assessing whether bonuses granted by lessors under COVID-19, and exclusively these bonuses, qualify as modifications to leases.

Lessees who choose to apply this exemption, account for the change to the rental payments, as variable rental payments in the period(s) in which the event or condition leading to the payment reduction occurs.

The practical expedient is only applicable when the following conditions are cumulatively met:

- This change is applied retrospectively with the impacts reflected as an adjustment to retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the change.
- Any reduction in lease payments only affects payments due on or before June 30, 2021; and
- There are no substantive changes to other terms and conditions of the lease.

This change is applied retrospectively with the impacts reflected as an adjustment to retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the change.

Regulation of Endorsement by the European Union: Regulation (EC) 2020/1434, of October 9.

Effective date: Annual reporting periods beginning on or after June 1, 2020.

⇒ IFRS 4 - 'Insurance contracts - Deferral of application of IFRS 9'

This amendment refers to the temporary accounting consequences that result from the difference between the effective date of IFRS 9 - Financial Instruments and the future IFRS 17 - Insurance Contracts.

In particular, the amendment made to IFRS 4, postpones from 2021 to 2023 the expiry date of the temporary exemption from the application of IFRS 9 with the aim of aligning the effective date of the latter with that of the new version of IFRS 17, which was subject to amendments in May 2020.

This exemption is optional, and only applies to entities that substantially develop insurance activity.

Regulation of Endorsement by the European Union: Regulation (EC) 2020/297, of December 15..

Effective date: Annual reporting periods beginning on or after January 1, 2021.

Amendments to standards published by IASB not yet endorsed by the EU

⇒ IAS 1 - 'Classification of liabilities as current or non-current'

Clarification on the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer their payment, at the end of each reporting period (the standard no longer makes reference to unconditional rights, as loans are rarely unconditional on the fulfilment of specific conditions).

The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether the entity will exercise that right), or by events that occur after the reporting date, such as the breach of a given covenant.

Further clarification is provided regarding the meaning of 'liquidation' of a liability, which is now defined as the extinguishing of a liability through transfer: (a) cash or other economic resources; or (b) the entity's own equity instruments.

This amendment applies retrospectively.

European Union Endorsement Regulation: Pending endorsement.

Effective date: Annual periods beginning on or after January 1, 2023

⇒ IAS 16 - 'Income before start-up'

This amendment is part of the narrow scope amendments (narrow scope amendments) published by the IASB in May 2020.

With this amendment, IAS 16 - 'Tangible fixed assets' will prohibit the deduction of amounts received as consideration for items sold that resulted from the test production of tangible fixed assets, at the book value of those assets.

Testing tangible fixed assets for operation before they are put on a firm footing may involve producing outputs for which there is a market and which can be traded. The consideration received for the sale of the outputs obtained during the testing phase must be recognised in the income statement, in accordance with the applicable regulations.

European Union Endorsement Regulation: Pending endorsement.

Effective date annual periods beginning on or after January 1, 2022.

⇒ IAS 37 - 'For-profit contracts - costs of fulfilling a contract'

This amendment is part of the narrow scope amendments (narrow scope amendments) published by the IASB in May 2020.

This amendment specifies which costs the entity should consider when assessing whether a contract is onerous. Only expenses directly related to the performance of the contract are accepted, and these may include:

- a) The incremental costs to fulfil the contract such as direct labour and materials; and
- b) The allocation of other expenses that relate directly to the performance of the contract, such as for example the allocation of depreciation costs of a given tangible fixed asset used to perform the contract.

This amendment should be applied to contracts which - at the beginning of the first annual reporting period to which the amendment is applied - still include unfulfilled contractual obligations, without there being a need to restate the comparative. Any impact should be recognised against retained earnings (or other equity component, as appropriate), on that same date.

European Union Endorsement Regulation: Pending endorsement.

Effective date: Annual periods beginning on or after January 1, 2022.

⇒ IFRS 3 - 'Reference to the Framework'

This amendment is part of the narrow scope amendments (narrow scope amendments) published by the IASB in May 2020.

This amendment updates the references to the Framework in the text of IFRS 3, and no changes have been made to the accounting requirements for business combinations.

The amendment also introduces references to liabilities and contingent liabilities under IAS 37 and IFRIC 21 incurred separately versus liabilities and contingent liabilities assumed in a business combination.

This amendment is of prospective application.

European Union Endorsement Regulation: Pending endorsement.

Effective date: Annual periods beginning on or after January 1, 2022.

⇒ IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - 'Reform of benchmark interest rates - phase 2'

These amendments address issues that arise during the reform of a reference interest rate, including the replacement of a reference interest rate with an alternative, allowing for exemptions such as:

- i. Changes to the designation and documentation of coverage;
- ii. Amounts accumulated in the cash flow hedge reserve;
- iii. Retrospective assessment of the effectiveness of a hedging relationship under IAS 39;
- iv. Changes in the hedging relationships for groups of items;
- v. Presumption that an alternative reference rate designated as a risk component not contractually specified, is separately identifiable and qualifies as a hedged risk; and
- vi. Update the effective interest rate, without recognising gain or loss, for financial instruments measured at amortised cost with changes in contractual cash flows as a result of the IBOR reform, including leases that are indexed to an IBOR.

European Union Endorsement Regulation: Pending endorsement.

Effective date: Annual periods beginning on or after January 1, 2021.

Annual improvement cycle 2018-2020

⇒ IFRS 1 - 'Subsidiary as a first-time adopter of IFRS'

Subsidiaries that become first-time adopters of IFRSs after their parent, and which choose to measure their assets and liabilities at the carrying amounts expressed in the parent's consolidated financial statements, may measure cumulative translation differences for all transactions denominated in foreign currencies at the amounts that would be determined in the parent's consolidated financial statements based on the parent's date of transition to IFRSs.

This improvement is of prospective application.

European Union Endorsement Regulation: Pending endorsement.

Effective date: Annual periods beginning on or after January 1, 2022

⇒ IFRS 9 - 'Derecognition of financial liabilities - costs incurred to be included in the "10 per cent change" test'

This improvement clarifies that when derecognition tests are performed on renegotiated liabilities, the net amount between fees paid and fees received should be determined considering only the fees paid or received between the borrower and the lender, including fees paid or received, by either entity on behalf of the other.

This improvement is of prospective application.

European Union Endorsement Regulation: Pending endorsement.

Effective date: Annual periods beginning on or after January 1, 2022.

⇒ IFRS 16 - 'Lease incentives'

The improvement is to amend the illustrative example 13 accompanying IFRS 16 to remove an inconsistency in the accounting treatment of incentives provided by the lessor to the lessee.

This improvement is of prospective application.

European Union Endorsement Regulation: Pending endorsement.

Effective date: Annual periods beginning on or after January 1, 2022.

⇒ IFRS 41 - 'Taxation and measurement of fair value'

This improvement removes the requirement to exclude tax cash flows from the fair value measurement of biological assets, ensuring consistency with the principles of IFRS 13 - 'Fair Value'.

This improvement is of prospective application.

European Union Endorsement Regulation: Pending endorsement.

Effective date: Annual periods beginning on or after January 1, 2022.

New standards published by IASB, not yet endorsed by the EU

⇒ IFRS 17 - 'Insurance contracts (issued on 18.05.2017); including amendments to IFRS 17 (issued on 25.06.2020)'

IFRS 17 replaces IFRS 4 – 'Insurance Contracts', the rule has been in force since 2004. IFRS 17 applies to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation feature.

The entities can choose to account pursuant to IFRS 17 or IFRS 15 regarding fixed rate service contracts, whose main goal is the provision of services.

As provided in IFRS 4, financial collateral arrangements are allowed to be included under the IFRS 17 since the entity has explicitly classified them as insurance contracts. The insurance contracts in which the entity holds an insurance policy are not within the scope of IFRS 17 (exception to ceded reinsurance).

IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete (building block approach) or simplified (premium allocation approach) model. The full model is based on probability-weighted and risk-adjusted discounted cash flow scenarios and a contractual service margin, which represents the estimated future contract profit. Subsequent changes in estimated cash flows are adjusted against the contractual service margin, unless it becomes negative.

During the implementation period and in response to some of the concerns and challenges inherent in the implementation of IFRS 17, the IASB published in 2020, specific amendments to the initial text of IFRS 17, as well as proposals for clarification, in order to simplify some of the requirements of this standard and speed up its implementation.

The changes made have impacts in eight areas of IFRS 17, such as:

- i. Scope;
- ii. Level of aggregation of insurance contracts;
- iii. Recognition;
- iv. Measurement;
- v. Modification and derecognition;
- vi. Presentation of the Statement of Financial Position;

- vii. Recognition and measurement of the Income Statement; and
- viii. Disclosures.

The main changes introduced to IFRS 17 relate to:

- expected recovery of cash flows from the acquisition of assets by insurance contracts;
- contractual service margin attributable to investment services;
- exclusion from scope of certain credit card (or similar) agreements, as well as some financing agreements;
- presentation of insurance contract assets and liabilities in the statement of financial position in portfolios rather than groups;
- applicability of the risk mitigation option, when using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss to mitigate financial risks;
- accounting policy choice to change estimates made in prior interim periods when IFRS 17 applies;
- inclusion of income tax payments and receipts specifically attributable to the policyholder under the terms of the insurance contract (as to cash flow compliance); and
- practical transition arrangements.

IFRS 17 is retrospective in application with exemptions provided for the transition date.

European Union Endorsement Regulation: Pending endorsement.

Effective date: Annual periods beginning on or after January 1, 2023.

B) Basis of preparation of the financial statements

Caravela's Financial Statements as at December 31, 2020 have been prepared in accordance with the provisions of the Plan of Accounts for Insurance Companies (PCES), approved by Regulatory Standard no. 10/2016-R, of September 15, from the Supervisory Authority for Insurance and Pension Funds (ASF).

The figures in the Balance Sheet and Profit and Loss Account for 2020 and 2019 are comparable with each other and the Financial Statements have been prepared in accordance with International Financial Reporting Standards (IAS/IFRS) adopted by the European Union, with the exception of IFRS 4-Insurance Contracts, where only the principles of classifying the type of insurance contracts have been adopted.

Income and expenses are recognised in the financial year to which they refer, regardless of the date in which they were paid or received, in accordance with the accrual accounting principle.

The Financial Statements have been prepared in accordance with the historical cost principle, with the exception of available-for-sale financial assets and investment properties, which are registered at fair market value.

Given the fact that direct insurance premiums are recognised as income at the time of issue or renewal of the corresponding policy, and claims are registered upon their reporting, certain accruals are undertaken in accordance with the accounting policies specified below, that have been applied consistently for the periods indicated.

3.1. Cash and cash equivalents and demand deposit

The amounts shown in the Cash Flow Statement include cash value and cash equivalents and are readily convertible to cash.

3.2. Financial instruments

3.2.1. Available-for-sale financial assets

Caravela classifies its financial assets at the time of their initial recognition and according to their purpose, particularly in 'Available-for-sale financial assets'. The Company intends to hold these assets indefinitely and not classified them as held-to-maturity investments.

Such assets are initially recognized at fair value, including transaction costs, and subsequent changes in fair value are recognized in the Revaluation Reserve in equity.

The fair value corresponds to the value at which these assets can be traded under normal conditions of active markets.

In accordance with IFRS 13, financial assets can be valued at fair value according to one of the following levels:

Level 1 - Fair value determined directly with reference to an active official market.

Level 2 - Fair value determined using valuation techniques based on observable prices in current markets for the same financial instrument.

Level 3 - Fair value determined using valuation techniques based on observable prices in current markets for the same financial instrument.

The Company's financial assets are spread across Levels 1 and 3.

At the time of disposal or recognition of impairment, changes in fair value are registered in costs or income for the financial year against shareholders' equity.

The Company adopts the criteria of recognition of impairment whenever there is a continuous devaluation of more than 180 days or a devaluation of significant value, when above 30% of the respective price, in the case of capital instruments.

In debt instruments, impairment is recognized when there is a significant financial difficulty of the issuer, becoming probable bankruptcy proceedings or a breach of contract due to default in interest or capital payments.

Impairment losses on equity instruments cannot be reversed, and thus any potential gains arising after the recognition of impairment losses are registered in the Revaluation Reserve. When potential losses are subsequently calculated, impairment is considered, which shall be taken into account in the income statement.

Interest on debt instruments is recognized in the income for the year and is specialized according to the time elapsed up to the end of the year, being calculated by the effective rate method and registered in Income, where dividends from equity instruments are also recognised when the Company's right to receive them is known.

3.2.2. Loans and Accounts receivable

It comprises unquoted financial assets in an active market, including fixed-term deposits in credit institutions, allocated to insurance contracts, initially recognized by their fair value which correspond to their nominal value, and the loans granted.

The balance of the item Other Deposits and Loans Granted on December 31, 2020, by maturity, is as follows:

				U: Euro
Other Deposits and Loans Granted	Start	Expiry date	Term (days)	Amount *
Term Deposit:				
Millennium BCP	22.11.2020	17.11.2021	360	598 557
Banco Carregosa	19.07.2020	19.07.2021	366	245 276
Bankinter	30.12.2020	30.03.2021	91	2 000 000
				2 843 833
Empréstimos Concedidos:				
Mobility 24				251 541
				251 541
				3 095 374

* - Includes interest

3.2.3. Financial liabilities

The Company classifies an instrument as a financial liability when there is a contractual obligation to settle it.

Financial liabilities consist of deposits received from reinsurers and operating lease transactions in accordance with IFRS 16, which came into effect on 01.01.2019.

These liabilities are derecognised when they are settled or extinguished, and had the following breakdown, by year:

	<i>U:Euro</i>	
	2020	2019
Deposits received from Reinsurers		
Premiums	0	0
Claims	517 451	816 432
	517 451	816 432
Operating Lease (IFRS 16)		
Transport Equipment	162 886	184 919
Leased Buildings	1 583 962	1 851 461
	1 746 848	2 036 381
Total balance sheet	2 264 299	2 852 813

3.3. Land and Buildings

3.3.1. Investment properties

The Company maintains in its assets the property acquired in 2016, constituted by the building units designated by the letters 'V', 'X', 'Z', 'AA', 'AB', 'AC' and 'AD', which are part of the urban building located in Praça Conde de Agrolongo no. 161 to 183, parish of Braga (São José de São Lázaro and São João do Souto), municipality of Braga, for the overall price of 1,140,000 euros. The property is written in the accounts for 1,231.882 euros.

This property was classified as an investment property and valued according to the terms of IAS 40, and therefore not depreciated.

3.4. Other tangible and intangible assets

At the time of the initial recognition of these assets, Caravela capitalizes the purchase value and the expenses incurred which are required so that assets shall be placed in service, in accordance with IAS 16.

Tangible assets useful life varies according to the expected time to achieve future economic benefits. These assets are gradually depreciated during those periods.

Costs incurred in the acquisition of intangible goods (software), as well as the expenses of their implementation, are also capitalised and depreciated on a straight-line basis over the expected useful life of three years, and for a period of six years for acquisitions occurring from 2015 onwards.

Software maintenance costs, when incurred, are directly recognised in Results as financial year costs.

Such goods are reversed at the time of disposal or when they cease to produce economic benefits, and profit or loss are directly recognised in the Income statement.

The Company verified a possible impairment loss of this type of goods, according to the terms of IAS 36 and IAS 38, and concluded that this group of goods is duly valued to the date of the financial year closure, continuing to provide the expected economic benefits.

Caravela wrote-off some tangible fixed assets during the financial year totalling 97.419 euros, of which 94.095 euros relates to the replacement of an IBM server.

3.5. Profit tax

The Company is subject to Corporate Income Tax at the rate of 21% plus 1.5% of Local Tax, current tax calculated based on taxable income for the financial year and after deduction of tax losses calculated in previous financial years and subject to such deduction.

To the accumulated rate of 22.5% of Corporate Income Tax an additional 3% charge is added corresponding to the state tax, under the terms of Law 66-B/2012, of December 31, which is the percentage that corresponds to the bracket of taxable income of Caravela (over 1,500,000.00 euros and under 7,500,000.00 euros).

As taxable profit usually differs from the accounting result, deferred taxes with effect on payable or recoverable tax in subsequent years and which correspond temporary taxable differences or deductible between the balance sheet values and tax base are calculated. Such deferred taxes are usually calculated at the rate in force on the balance sheet date.

The deferred tax in the Company corresponds to net gains and impairment of available-for-sale financial assets, as well as deferred tax assets for tax losses.

3.6. Employee Benefits

A) Defined Benefit Pension Plan

In this Pension Plan there is only one retired former administrator who receives a retirement pension.

Further information is disclosed in note 19.

B) Defined Contribution Pension Plan (PIR)

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 since the 2019 financial year.

This Fund is now constituted under the terms of the Company Agreement and, as a result, the employees who were not included in this Plan have been covered by it since January 1, 2019.

Additional information is also disclosed in note 19.

C) Permanency Allowance

According to clause 42 of ACT 2016, published in the Bulletin of Work and Employment no. 4, of January 29, verified the requirements mentioned in clause no. 42 of ACT 2016, 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).

3.7. Technical Reserves for Direct Insurance and Granted Reinsurance

The following paragraphs describe the Technical Provisions of the Non-Life

3.7.1. Direct Insurance Unearned Premiums Reserve

The reserve for unearned premiums is based on the assessment of premiums written before the end of the financial year that expire after that date. It is intended to cover the risks undertaken by the Company from the end of the financial year until the expiry of the corresponding insurance contracts, reaching a total of 25.109.659 euros before deducting deferred acquisition costs (in 2019 the amount of this reserve was 20.270.373 euros).

The reserve is calculated by using the *pro-rata temporis* method applied to each premium written for each existing contract and for all line of business, deducted from acquisition costs also attributable to subsequent years in the same proportion as the premiums.

3.7.2. Direct Insurance Claims Reserve

The claims reserve corresponds to the estimated amount of claims charges resulting from insurance contracts, whether declared or not on the closing date, and which are outstanding, including estimated liability for claims incurred during the period but not reported (IBNR), or already reported but insufficiently reserved (IBNER). It also includes administrative costs to be incurred with future settlement of claims in management or not yet reported.

These reserves are reviewed on a regular basis as the Company's liabilities are settled to maintain an adequate provisioning level or to be compatible with existing liabilities.

Its estimated amount in the financial year was 60.521.588 euros, compared to 45.284.732 euros in 2019; this amount includes 386.653 euros (377.659 euros in 2019) of future expenses reserve with occurred claims management.

3.7.3. Reserve for Unexpired Risks

Reserve for Unexpired Risks corresponds to the necessary amount to cover possible compensation and charges likely to arise after the end of the financial year, which exceed the amount of unearned and future premiums on existing contracts at the date of the financial statements.

The amount of the said reserve is equal to the product of the gross written premiums total attributable to future financial years (unearned premiums) and unpaid premiums on existing contracts, by the total of claims, expenses and yield ratios, subtracting investments ratio, deducted from a unit and the unexpired risks reserve is created and/or uplifted whenever the total of the ratio exceeds '1'.

As a result of applying strict underwriting criteria to the business, the Company again had no need to register a provision for ongoing risks in the year.

Following the publication of regulatory standard no. 2/2021-R of March 2, which introduces a one-off change to the accounting regime applicable to insurers within the scope of the calculation of the Reserve for Unexpired Risks and whose application is retroactive to the close of the 2020 financial year, Caravela performed a comparative analysis between the calculations of the provision in 2018, 2019 and 2020 in order to assess the need to make adjustments in the calculation of the Provision for Risks in Progress (PRC) of 2020 due to the impacts of the Covid-19 pandemic.

In addition, three reverse stress tests were carried out with the following scenarios:

- i. decrease in premiums in all branches until a level of need for the constitution of RUR was reached;
- ii. increase of claims in all lines of business until the need for the constitution of RUR is reached;
- iii. decrease of 5% in the premiums in all lines of business and then increase of the loss ratio in all lines of business until a need for the establishment of a RUR is reached.

In the case of scenario one, the maximum loss of premiums without setting up a RUR would be 11.9 million euros, representing discounts or average losses of 16.5% in relation to that verified in 2020. In the case of scenario two, the additional loss volume necessary to constitute CRP amounts to 11.9 million Euros, i.e. a loss for the year of 73.9% which compares with approximately 62% of the average loss observed in the years 2018 to 2020. Finally, in the case of scenario three, fixing the loss of premiums at 5%, which represents a loss of 4.8 million euros, the loss ratio necessary to constitute the RUR would be 72.0%, equivalent to an increase in the claim volume for the financial year of 7.1 million euros to set it at 72.0%, a value which still shows itself to be very far from that observed in the last three financial years.

In this way, on the basis of the results of the tests conducted and taking into account the history of the calculation of the RUR, which no longer shows ratios greater than 1 since 2018, we can conclude that both the claims rate for the year and the volume of discounts or loss of premiums that give rise to the constitution of the RUR in 2020 are so far removed from those observed in the last three years that the Company opted to report the Reserve for Unexpired Risks with the accounting values.

3.7.4. Reserve for claims-rate deviations

This reserve is set up to address the risk of Earthquakes in insurance lines of business where, due to their nature, high disturbances are expected: Fire, Multi-Risk and Commercial and Associative Activities.

It is calculated by applying a risk factor, defined by the Supervisory Authority for Insurance and Pension Funds, for each seismic area, to the capital retained by the Company.

At the end of 2020, the amount registered for this reserve was 267.066 euros, compared to 235,393 euros in 2019.

3.7.5. Mathematical Reserves

Mathematical reserves determine the current value of the Company's future liabilities, which are calculated based on actuarial methods, under the laws in force.

3.7.6. Technical Reserves of Ceded Reinsurance

It comprises the Claims Reserve and the Unearned Premiums Reserve, determined by applying the criteria described above for direct insurance, considering the types of treaty reinsurance and the conditions herein expressed, such as yielding percentages and other clauses, and corresponds to the reinsurers share of responsibility in the total responsibilities of the Company.

3.8. Adjustments and Accruals

3.8.1. Adjustments for Unpaid Premiums

The purpose of the adjustments carried out was reduce the total amount of the premiums to be collected to the estimated realisable value.

Receipts issued but not collected at the end of the year are included within the heading 'Accounts Receivable from Direct Insurance Operations' and the adjustment amount is shown to be deducted from the assets of the balance sheet.

The payment scheme for insurance premiums provided for in the Legal Framework for Insurance Contract approved by DL no. 72/2008 of April 16, amended by Law no. 147/2015, of September 9, determines that the non-payment of the initial premium on the due date, or the initial fraction, implies the automatic termination of the contract with effect from the date of its conclusion. It further determines that the non-payment in subsequent annuities precludes the renewal of such contracts, with the result that these premiums are written off when they have not been collected.

In this financial year the Company took into account the exceptional regime of payment of premiums, temporarily in force due to the Covid-19 pandemic, under the terms of DL 20-F/2020 of May 12, granting a 90-day moratorium to policyholders for the payment of premium receipts.

As a result, the computed value of adjustments for the 2020 financial year was 712,050 euros - 133,481 euros in 2019 - equivalent to 0.7% of gross written premiums net of reversals and cancellations (0.2% in 2019).

3.8.2. Adjustments for Doubtful Credits

The overall balance of the headings 'Insurance intermediaries' and 'Other debtors' decreased by 66.023 euros during the financial year, and therefore the overall amount of adjustments at the date of the Financial Statements is 149.366 euros, compared to 215.389 euros in 2019.

3.8.3. Deferred acquisition costs

Acquisition costs that are directly or indirectly related to the sale of insurance contracts are capitalised and deferred during the contract's validity.

As at the end of the financial year, said costs totalled 4.742.129 euros (in 2019 they were 4.395.703 euros).

3.8.4. Agent and Brokers Commissions

These are represented by the amount contractually allocated to the agents and brokers, by the raising and collection of insurance premiums, and registered as a cost when processing premiums receipts.

This item includes the accrual of commercial incentive commissions payable to agents and brokers within the first trimester of the following year, provided that premiums, claims and collection goals set out in the protocols concluded with them are met.

The amount of production incentive commissions for 2020 - payable to the agents and brokers within the first trimester of 2021 - of 465.361 euros was recognised in the financial year.

3.8.5. Liabilities for holiday pay and holiday subsidy

Liabilities for holiday pay and holiday subsidy are included in the heading 'Accruals and Deferrals' of the liability, corresponding to two months of remuneration and their charges, based on the year values plus planned increases. It is intended to recognise legal responsibilities at the end of the financial year, which are regularised subsequently for services rendered by employees until December 31, 2020.

3.8.6. 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.

Caravela has concluded the following financial leasing contracts:

- two contracts in January 2018 with Banco BPI, relating to transport equipment (vehicles) - for a period of sixty months - at a variable interest rate of 1.375%;
- a contract in October 2019 with the rental company Mercedes-Benz Financial Services for the acquisition of a car - for a period of sixty months - at a variable interest rate of 3.8404%.
- a contract in January 2020 with Banco BPI, relating to transport equipment (vehicles) - for a period of sixty months - at a variable interest rate of 1.43%;

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.

IFRS 16 does not cover leasing contracts with a duration of less than 12 months or underlying assets with a value of less than USD \$5,000.

In the initial measurement the liability is recognized at the beginning of the operating lease contract at the present value of future payments, and the right to use the asset is measured at cost, at the same value as the liability.

In subsequent estimates the liability is measured using the effective interest rate method and the right of use (asset) depreciation is recognized.

The following tables reflect the impacts of the adoption of IFRS 16-Leases on the Company's accounts on the transition on 31.12.2020:

	Right of Use 31-12-2019	Financial Liabilities 31-12-2019	New Leases 2020	End Contract 2020		Depreciation financial year	Interest Expenses	Amortisation Financial Liabilities	Right of Use 31-12-2020	Financial Liabilities 31-12-2020
				Right of Use	Financial Liabilities					
Real Estate	1 808 707	1 851 461	87 751	0	0	354 642	17 349	355 251	1 541 816	1 583 962
Vehicles	181 549	184 919	102 577	15 468	15 709	109 754	7 912	108 902	158 904	162 886
	1 990 255	2 036 381	190 328	15 468	15 709	464 396	25 261	464 152	1 700 720	1 746 848

U: Euro

3.9. Breakdown of Other headings in the Financial Statements

3.9.1. Other debtors by insurance operations

As at December 31, 2020 and 2019 this rubric presented the following composition:

	U:Euro	
	2020	2019
Accounts receivable from direct insurance operations:		
Receipts to be collected:		
Workers Compensation	2 017 269	1 293 844
Fire and Other damage	534 509	161 965
Motor	2 966 006	1 269 199
Other lines of business	625 808	230 305
	6 143 591	2 955 313
Claims reimbursements:		
Workers Compensation	746 095	596 928
Fire and Other damage	23 750	7 911
Motor	2 421 033	2 286 769
Other lines of business	106 433	92 479
	3 297 312	2 984 087
Agents and brokers:		
Current accounts	1 424 918	583 267
Receivable comissions	74 980	30 114
	1 499 898	613 381
Coinsurers:		
Current accounts	15 731	16 151
Other balance	8 221	0
	23 952	16 151
Other:		
Other balance	82	7 320
	82	7 320
Adjustments for receipts to be collected	-712 050	-133 481
Adjustments for doubtful credits	-107 993	-106 027
	-820 043	-239 509
	10 144 792	6 336 742
Accounts receivable from ceded reinsurance operations:		
Current accounts	306 459	391 510
Adjustments for doubtful credits	0	-39 444
	306 459	352 066
Accounts receivable from other operations		
Personnel	3 867	8 609
Workers Compensation Fund	7 599	2 215
Other sundry debtors	977 465	322 562
Adjustments for doubtful credits	-41 373	-69 917
	947 557	263 469
Total balance sheet	11 398 809	6 952 277

On December 31, 2020 and 2019, receipts to be collected were as follows:

	U:Euro	
	2020	2019
Up to 30 days	2 552 841	2 719 160
From 31 to 90 days	1 673 194	136 582
From 91 to 180 days	1 440 793	26 133
From 181 to 360 days	196 212	39 646
More than 360 days	280 553	33 792
Total	6 143 591	2 955 313

Receipts for collection with more than 30 days refer to businesses placed in coinsurance and insurance contracts concluded with public entities and municipalities, which by their nature have specific payment deadlines, as well as the moratorium granted by the Company in accordance with the legislation in force, mentioned in note 3.8.1..

3.9.2. Other debtors by insurance operations

This heading registered the following amounts as at December 31, 2020 and 2019:

	<i>U:Euro</i>	
	2020	2019
Accounts payable for direct insurance operations:		
Agents and Brokers:		
Current accounts	623 059	424 159
Payable commissions	175 568	190 176
	798 627	614 335
Coinsurers:		
Current accounts	55 906	57 130
Other balance	1 414	0
	57 319	57 130
Policyholders:		
Insurance reversals	699 508	299 007
Premiums received in advance	3 426 547	2 468 309
	4 126 055	2 767 316
Other (claims reimbursements):	5 741	0
	4 987 742	3 438 781
Accounts payable for ceded reinsurance operations:		
Current accounts	2 006 163	2 271 444
Accounts payable for other operations:		
Personnel	2 831	170
Suppliers	734 652	378 647
Other sundry debtors	47 644	157 094
	785 127	535 911
Balance Sheet	7 779 032	6 246 136

3.9.3. Accruals and deferrals

As at December 31, 2020 and 2019, accruals and deferrals of assets and liabilities were composed as follows:

	<i>U:Euro</i>	
	2020	2019
Deferred Expenses:		
Insurances	28 515	63 255
Rents and leases	38 265	25 997
IT services	106 396	100 461
Activity contributions	838	25 051
Other expenses	173 498	17 345
Total balance sheet	347 512	232 110

	<i>U:Euro</i>	
	2020	2019
Expenditure accruals		
Payable interest	0	0
Remuneration payable to personnel (holidays and allowance)	640 751	580 850
Charges on payable remuneration	158 421	143 315
Bonuses to be paid to personnel	0	0
Payable commissions	481 897	316 825
Other accruals	124 322	135 376
Total balance sheet	1 405 391	1 176 366

The caption “Commissions payable”, in the amount of 481,897 euros, concerns intermediate commissions, in the amount of 465,361 euros and 16,536 euros in investment banking commissions, payable in 2021.

The heading ‘Other accruals’, in the amount of 124,322 euros includes the accruals of the year, supplies and external services.

3.9.4. Other income/expenditure/adjustments

The breakdown of other income, other expenditure and other adjustments as at December 31, 2020 and 2019 is detailed on the table in the page that follows:

	U: Euro	
	2020	2019
Income and non-current gains		
Settlement of advance payments (previous years)	63 139	0
Outros	65 207	59 649
	128 346	59 649
Income and financial gains		
Other	16 947	15 555
	16 947	15 555
Other non-technical income		
Other	3 802	45 228
	3 802	45 228
Expenses and non-current losses		
Donations	-500	-12 400
Patronage	-50 000	-50 000
Accrued fines and penalties	-214	-200
Various contributions	-1 693	-1 525
Other		
Rents tenants (Covid-19)	-11 525	0
Tangible asset losses	-26 524	-1 090
Powerful Caravel	-33 882	0
Various	-2 000	0
	-126 337	-65 216
Expenses and financial losses		
Interest paid	-17	-55
Other	0	-5 365
	-17	-5 420
Adjustments		
for receipts to be collected	-578 569	-18 005
for other debtors	-1 966	31 752
	-580 535	13 747
	-557 795	63 543

3.9.5. Financial expenditure

The breakdown in the 2020 and 2019 financial years was as follows:

	U: Euro					
LINES OF BUSINESS/LINES OF BUSINESS GROUPS	2020			2019		
	Technical Account	Non-technical Account	Total	Technical Account	Non-technical Account	Total
Investment expenses:						
Allocated costs	296 736		296 736	272 696		272 696
Other investment expenses	0		0	0		0
Total	296 736	0	296 736	272 696	0	272 696

4. Nature and extent of headings and risks arising from insurance contracts and reinsurance assets

4.1. Amounts disclosed in the financial statements resulting from insurance contracts

4.1.1. Claims reserve

a) The amount of Claims Reserve as of December 31, 2020, resulted from deterministic and stochastic methods related to the statistical treatment of runoff triangles which corresponds to the net compensation of reimbursements collected, with no costs allocated to the management of claims and gross reinsurance.

b) Reserves amounts were obtained according to the following procedures:

- Without deflating the amounts of compensations already paid, i.e. without placing their 2020 costs;
- Not considering the discounted value of future payments, nor its growth due to inflation.

c) In small lines of business, provisioning is carried out on a case-by-case basis based on the information contained in the claim and expert reports.

d) In the Workers Compensation line of business, there is a mathematical reserve that registers the Company's liability for claims occurring up to December 31, 2020 and involves pension payments already approved by the Labour Court or with a conciliation agreement already done. Said reserve also registers the estimation of liabilities with presumed incapacities resulting from claims that are awaiting agreement or decision.

In accordance with the principle of prudence used by the Company, the TV 88/90 life table continued to be used to calculate the Mathematical Reserve, with a technical interest rate of 2.35% (2,50% in 2019) and 3% of management charges.

The remission of Pensions for Workers Compensation is calculated by the TD 88/90 life table, with a technical interest rate of 5.25%, according to the Ordinance No. 11/2000, of January 13, including 1% of management charges.

The IBNR reserve, pensions only, is calculated according to the number of pensions of the injured persons, excluding death pensions, since such claims are known immediately.

e) In addition, the Lifetime Assistance Reserve is calculated according to the TV 88/90 life table with 3% of charges and the technical interest rate of 2.35% (2.50% in 2019), with a growth rate of 2% added to average lifetime costs against future inflation.

f) Balance sheet claims reserve is increased from the claims reserve management expenses, where deterministic models are applied to run off triangles of paid amounts with claims management expenses. Costs allocation by year of occurrence and year of payment is made through the number of claims under management in the year.

g) The amount of the total unreported claims reserve (IBNR) was estimated according to the number of claims incurred each year and, according thereto, a deterministic model is applied to estimate the total number of expected claims, per year of occurrence and thus obtaining the claims that will be reported in referring to years of occurrence already elapsed.

Based on these numbers of expected IBNR situations and the total estimated cost of claims per year of occurrence, the amount of the desirable IBNR reserve is found.

h) The case-by-case amount of the claims reserve declared in the financial year has been increased to cope with any unforeseen shortcomings (IBNER).

The development of the direct insurance claims reserve related to claims occurring in financial years prior to 2020 and its readjustments in the year ended as at December 31, 2020 can be found in the Appendix 2 of this report.

The breakdown of the claims reserve (not including management costs) for the years 2020 and 2019 is shown below:

U: Euro

LINES OF BUSINESS/LINES OF BUSINESS GROUPS	2020			2019		
	Declared	Undeclared	Total Balance Sheet	Declared	Undeclared	Total Balance Sheet
Workers Compensation:						
- Mathematical Reserve	8 746 931	17 898 088	26 645 018	6 750 061	13 401 094	20 151 155
- Lifetime Assistance Reserve	581 868	51 371	633 239	596 745	86 760	683 506
- Other Benefits Reserve	5 831 149	295 135	6 126 284	4 258 353	342 448	4 600 801
	15 159 948	18 244 594	33 404 542	11 605 160	13 830 302	25 435 462
Other Insurance:						
Personal Accidents and Passengers	355 156	12 614	367 769	184 950	15 355	200 305
Health	0	0	0	0	0	0
Fire and Other Damage	1 792 872	497 382	2 290 254	1 539 887	479 294	2 019 181
Motor	20 214 509	1 546 124	21 760 633	14 715 284	1 019 438	15 734 722
Marine, Aviation and Transports	63 257	2 549	65 806	17 007	2 828	19 834
Transported Goods	54 117	10 817	64 935	9 829	4 521	14 350
Third Party Liability	1 065 187	354 139	1 419 327	648 577	236 439	885 016
Credit and Guarantee	0	0	0	0	0	0
Other:						
- Legal Protection	8 171	478	8 649	0	0	0
- Assistance	747 745	5 275	753 020	598 203	0	598 203
	24 301 015	2 429 378	26 730 393	17 713 736	1 757 876	19 471 611
Total	39 460 963	20 673 972	60 134 935	29 318 895	15 588 178	44 907 073

Liabilities do not include the costs charged to the claims management and are not deducted from the reimbursements issued.

The assigned reinsurance claims reserve and the respective annual change in profit and loss account is analysed as follows:

U:Euro

LINES OF BUSINESS/LINES OF BUSINESS GROUPS	Balance of the balance sheet		Gains and losses changes	
	2020	2019	2020	2019
Accidents and Health	18 201 143	12 894 801	5 306 341	4 340 060
Fire and Other Damage	1 796 741	1 546 235	250 506	-689 695
Motor:				
Civil Liability	2 264 913	1 681 068	583 845	-72 754
Other Coverage	2 071 580	89 917	1 981 664	89 917
Marine and Transports	47 314	15 342	31 972	3 866
Transported Goods	45 454	10 045	35 409	-9 701
Third Party Liability	230 585	215 438	15 147	0
Other	0	0	0	-3 346
Total	24 657 731	16 452 845	8 204 885	3 658 346

The costs of direct insurance claims, reported as of December 31, 2020, are detailed in Appendix 3.

Costs with net claims for reinsurance can be analysed, as shown in the following table, as of December 31, 2020 and 2019:

U:Euro

LINES OF BUSINESS/LINES OF BUSINESS GROUPS	2020			2019		
	Paid claims	Reserve changes	Overall cost	Paid claims	Reserve changes	Overall cost
Direct Insurance:						
Workers Compensation	10 130 023	7 833 621	17 963 644	10 745 292	4 882 324	15 627 616
Personal Accidents and Passengers	179 428	165 137	344 565	237 043	34 650	271 693
Health	0	0	0	0	0	0
Fire and Other Damage	4 221 962	251 991	4 473 953	4 225 307	-726 250	3 499 057
Motor	31 527 607	5 894 790	37 422 397	25 217 168	-43 383	25 173 785
Marine, Aviation and Transports	70 520	45 970	116 490	52 126	3 316	55 441
Transported Goods	23 806	63 465	87 271	31 649	-17 949	13 700
Third Party Liability	632 514	514 935	1 147 449	394 220	73 110	467 329
Credit and Guarantee	0	0	0	0	0	0
Other:						
- Legal Protection	20 955	5 647	26 602	5 529	0	5 529
- Assistance	3 550 051	153 817	3 703 868	2 758 440	511 358	3 269 798
	50 356 866	14 929 372	65 286 238	43 666 774	4 717 175	48 383 949
Ceded Reinsurance:						
Workers Compensation	-2 761 156	-5 171 405	-7 932 561	-3 487 489	-4 338 107,93	-7 825 596
Personal Accidents and Passengers	-266	-134 937	-135 203	-176	-1 952,13	-2 128
Health	0	0	0	0	0	0
Fire and Other Damage	-3 026 242	-389 376	-3 415 619	-3 213 063	1 360 272	-1 852 791
Motor	-2 378 622	-2 565 509	-4 944 131	-69 740	-17 162	-86 902
Marine, Aviation and Transports	-48 670	-64 348	-113 018	-36 038	-1 771	-37 809
Transported Goods	-14 758	-67 159	-81 917	-21 115	17 627	-3 489
Third Party Liability	0	-15 147	-15 147	0	0	0
Credit and Guarantee	0	0	0	0	0	0
Other:						
- Legal Protection	0	0	0	0	0	0
- Assistance	0	0	0	0	3 346	3 346
	-8 229 714	-8 407 881	-16 637 595	-6 827 621	-2 977 748	-9 805 369
Total Líquido	42 127 151	6 521 491	48 648 643	36 839 154	1 739 427	38 578 580

Claims costs are stated net of received/issued reimbursements and include charged claims management costs.

4.1.2. Unearned premiums reserve

The breakdown of unearned premiums reserve of direct insurance and assigned reinsurance is as follows:

U:Euro

Direct insurance:				
LINES OF BUSINESS/LINES OF BUSINESS GROUPS	Calculated amount	Deferred acquisition costs	Balance Sheet Value 2020	Balance Sheet Value 2019
Accidents and Health	1 108 646	223 167	885 478	764 630
Fire and Other Damage	3 088 518	627 715	2 460 803	2 124 265
Motor:				
Civil Liability	10 782 049	2 039 582	8 742 467	6 703 006
Other Coverage	7 306 598	1 535 696	5 770 902	4 545 816
Marine and Transports	60 588	9 746	50 842	42 081
Transported Goods	42 144	8 106	34 038	37 701
Third Party Liability	409 193	80 642	328 550	287 378
Miscellaneous	2 311 924	217 474	2 094 450	1 369 793
Direct Insurance Total	25 109 659	4 742 129	20 367 530	15 874 670

U:Euro

Ceded reinsurance:

LINES OF BUSINESS/LINES OF BUSINESS GROUPS	Calculated amount	Deferred acquisition costs	Balance Sheet Value 2020	Balance Sheet Value 2019
Accidents and Health	64 968	3 037	61 931	62 470
Fire and Other Damage	2 320 316	748 379	1 571 937	1 394 029
Motor:				
Civil Liability	4 968	0	4 968	5 980
Other Coverage	8 707	0	8 707	9 775
Marine and Transports	42 112	14 577	27 535	23 156
Transported Goods	29 000	10 149	18 851	21 836
Third Party Liability	0	0	0	0
Miscellaneous	0	0	0	0
Total Ceded Reinsurance	2 470 071	776 142	1 693 929	1 517 246

4.1.3. Total Technical Reserves

In the following tables, the development of technical reserves of direct insurance and reinsurance ceded can be verified during the years under review:

U:Euro

Technical Reserves of Direct Insurance	Calculated amount	Deferred acquisition costs	Balance Sheet 2020	Balance Sheet 2019	Variation
Unearned premiums reserve					
Accidents and Health	1 108 646	223 167	885 478	764 630	
Fire and Other Damage	3 088 518	627 715	2 460 803	2 124 265	
Motor:					
Civil Liability	10 782 049	2 039 582	8 742 467	6 703 006	
Other Coverage	7 306 598	1 535 696	5 770 902	4 545 816	
Marine and Transports	60 588	9 746	50 842	42 081	
Transported Goods	42 144	8 106	34 038	37 701	
Third Party Liability	409 193	80 642	328 550	287 378	
Miscellaneous	2 311 924	217 474	2 094 450	1 369 793	
Subtotal	25 109 659	4 742 129	20 367 530	15 874 670	4 492 860
Equalisation Reserve			267 066	235 393	31 673
Claims Reserve					
Accidents and Health:					
Mathematical Reserve			26 645 018	20 151 155	
Lifetime Assistance			633 239	683 506	
Other Services			6 711 286	5 006 818	
Fire and Other Damage			2 303 548	2 035 717	
Motor:					
Civil Liability			16 286 383	13 408 105	
Other Coverage			5 623 310	2 472 534	
Marine and Transports			65 836	19 865	
Transported Goods			65 254	14 516	
Third Party Liability			1 426 046	894 313	
Miscellaneous			761 669	598 203	
Subtotal	0	0	60 521 588	45 284 732	15 236 856
Unexpired Risks Reserve					
Accidents and Health			0	0	
Fire and Other Damage			0	0	
Motor:					
Civil Liability			0	0	
Other Coverage			0	0	
Marine and Transports			0	0	
Transported Goods			0	0	
Third Party Liability			0	0	
Miscellaneous			0	0	
Subtotal	0	0	0	0	0
Total	25 109 659	4 742 129	81 156 184	61 394 795	19 761 389

U:Euro

Technical Reserves of Ceded Reinsurance	2020	2019
Unearned premiums reserve	1 693 929	1 517 246
Claims reserve:		
Reported claims	17 632 340	10 142 103
Unreported claims (ibnr)	7 025 391	6 310 742
	24 657 731	16 452 845
Total technical reserves of ceded reinsurance	26 351 660	17 970 091

4.2. Nature and Extent of Specific Insurance Risks

The specific insurance risk corresponds to the risk inherent in the trading of insurance contracts, associated to 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 analyses and calculate tariffs;
- 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 to fill insufficient reserves.

The development of the direct insurance claims reserve, gross reinsurance and net reimbursements, excluding mathematical reserves of the Workers Compensation line of business and claims reserve management costs, can be analysed as follows through the triangles of claims costs and payments of the last 10 years:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Initial gross incurred claims, net of reimbursements, excluding mathematical reserves, unallocated loss adjustment expenses, IBNR and IBNER	31 823	26 307	14 091	13 569	14 759	16 900	18 275	24 388	27 887	35 428	44 266
Cumulative payments											
One year after	15 520	15 646	7 786	7 333	7 473	9 305	11 304	16 286	19 705	25 562	
Two years after	27 446	20 896	10 497	10 240	10 593	14 741	16 958	25 599	30 270		
Three years after	28 887	21 713	11 218	11 227	11 592	15 990	18 106	27 015			
Four years after	30 102	22 469	11 691	11 769	11 889	17 089	18 830				
Five years after	31 103	23 043	11 759	12 074	12 043	17 319					
Six years after	32 857	23 287	12 158	12 155	12 338						
Seven years after	33 235	23 501	12 178	12 175							
Eight years after	33 384	23 547	12 224								
Nine years after	33 510	23 555									
Ten years after	33 594										
Final gross incurred claims											
One year after	35 957	24 227	13 179	13 815	14 167	17 801	19 816	27 908	32 369	41 440	
Two years after	36 475	24 027	13 457	13 397	13 391	18 034	19 923	28 522	33 359		
Three years after	37 040	23 789	13 375	13 430	13 166	17 877	20 440	28 740			
Four years after	36 498	23 918	13 019	13 291	13 173	18 048	20 509				
Five years after	35 059	23 907	12 730	13 244	12 811	18 238					
Six years after	34 502	23 749	12 827	13 261	12 791						
Seven years after	34 222	23 607	12 729	13 238							
Eight years after	33 986	23 592	12 982								
Nine years after	33 967	23 587									
Ten years after	34 032										
	-2 210	2 720	1 109	331	1 969	-1 338	-2 234	-4 352	-5 471	-6 012	

Caravela practices a granted reinsurance policy based on proportional and non-proportional treaties. In 2020, the reinsurance structure consists of proportional treaties (Share and Surplus) and non-proportional treaties (Excess of Loss and Catastrophic Coverage), as follows:

Line of business	Reinsurance Treaty
Worker's Compensation	Excess of loss (XL) and Proportional
Personal Accidents	Excess of loss (XL) and Proportional
Health	Fronting
Property	Quota-share
Property (Natural Catastrophes)	Excess of loss (XL)
Motor	Excess of loss (XL) and Proportional
Marine	Quota-share
Cargo	Quota-share
Third Party Liability	Excess of loss (XL)

4.3. Nature and Extent of Market, Credit, Liquidity and Operating Risks

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, 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 an 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 by issuer.

Exchange rate risk

Exchange rate risk is caused by the instability of exchange rates against the Euro. Exposure to such risk is residual due to the non-authorization of investment in foreign currency established in the investment policy. Indirectly, through the transparency of investment funds held, there is an insignificant exposure to foreign currency. The capital requirement is as follows:

U: thousands of euros

Scenarios	Capital Requirement	
	2020	2019
+/- 25% shock in the value of own use property and investments property	308	308

Stock Risk

Stock risk results from the instability of stock market prices, with equity securities being exposed to such risk, particularly investments funds totally or partially composed of said titles. The sensitivity analysis is described as follows:

U: thousands of euros

Scenarios	Capital Requirement	
	2020	2019
Type I equity shock	94	97
Type II equity shock	1 598	725

Property Risk

Property risk results from the instability of real estate price market. The Company is exposed to this risk through the purchase of one investment property during 2016, describing the capital requirement in the following table:

U: thousands of euros

Scenarios	Capital Requirement	
	2020	2019
+/- 25% shock in the value of own use property and investments property	308	308

Interest rate risk

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.

At the end of 2020, the scenario of rising interest rate has a higher damaging effect on the Company, as seen before at the end of 2019, as shown in the tables below:

Assets		U: thousands of euros	
Scenarios	Effects on Assets		
	2020	2019	
Downward shock on risk-free interest rate curve	0	34	
Upward shock on risk-free interest rate curve	-2 793	-3 102	

Liabilities		U: thousands of euros	
Scenarios	Effects on Liabilities		
	2020	2019	
Downward shock on risk-free interest rate curve	268	377	
Upward shock on risk-free interest rate curve	-2 218	-1 715	

Spread Risk

The spread risk consists of unexpected losses caused by the depreciation of credit quality or default of a business partner, reflecting the instability of credit spreads along the risk-free of interest rates curve. The securities exposed to this risk are mainly corporate bonds and fixed-term deposits.

Assets with direct exposure to spread risk have the following profile:

Rating	2020			2019			U: thousands of euros
	% Exposure	Duration	Capital requirement	% Exposure	Duration	Capital requirement	
AAA	2%	3,8	23	2%	4,8	28	
AA	21%	5,8	512	23%	6,4	542	
A	44%	3,8	980	41%	4,5	955	
BBB	33%	2,4	916	34%	2,8	969	
BB	0%	0,0	0	0%	0,0	0	
B	0%	0,0	0	0%	0,0	0	
CCC or lower	0%	0,0	0	0%	0,0	0	
Unrated	1%	0,5	7	1%	0,5	8	
Total	100%	3,7	2 439	100%	4,3	2 502	

Concentration Risk

Concentration risk refers to additional instability in a very concentrated portfolio. Portfolio distribution per activity sector can be analysed as follows:

U: thousands of euros

Activity sector	2020			2019		
	%	Exposure	Impairment	%	Exposure	Impairment
Communications	3%	2 295	0	4%	2 714	0
Consumer - Cyclical	10%	9 311	0	11%	7 424	0
Consumer - Non-cyclical	5%	4 435	0	5%	3 432	0
Financial	18%	15 825	0	20%	13 861	0
Funds	35%	31 238	0	19%	12 997	0
Governments	15%	13 641	0	25%	17 370	0
Services	12%	11 038	0	13%	9 084	0
Other	3%	2 562	0	4%	2 546	0
Total	100%	90 345	0	100%	69 428	0

The group of the 10 largest securities per issuer group is basically composed of public issuers. Analysing the table below, it is verified that the exposure to corporate debt is quite spread not exceeding 2% for issuers with rating A or higher:

U: thousands of euros

Issuer Group	2020			
	Asset type	Rating	Exposure	Weight
Divida Pública Portuguesa	OBG	BBB	4 766	5,1%
Divida Pública Espanhola	OBG	A	3 133	3,4%
Divida Pública Belga	OBG	AA	2 243	2,4%
Banco Bankinter	CPZ	BBB	2 000	2,1%
Simon Intl Finance Sca	OBG	A	1 460	1,6%
Vf Corp.	OBG	A	1 431	1,5%
Divida Pública Irlanda	OBG	A	1 305	1,4%
Schlumberger Finance Bv	OBG	A	1 188	1,3%
Bp Capital Markets Plc	OBG	A	1 160	1,2%
Agence Française Développement	OBG	AA	1 139	1,2%
Total			19 825	21%
Total Carteira investimentos			93 188	100%

U: thousands of euros

Issuer Group	2019			
	Asset type	Rating	Exposure	Weight
Divida Pública Portuguesa	OBG	BBB	8 298	11,5%
Divida Pública Espanhola	OBG	A	3 053	4,2%
Divida Pública Belga	OBG	AA	2 579	3,6%
Banco Santander Central Hispano, Sa	CPZ	BBB	2 002	2,8%
Divida Pública Irlandesa	OBG	A	1 272	1,8%
Agence Française Développement	OBG	AA	1 115	1,5%
Bnp Paribas - Banque National De Paris Sa	OBG	AA	985	1,4%
Procter & Gamble Company	OBG	AA	975	1,3%
Coca-Cola Co/The	OBG	A	965	1,3%
Allianz Finance li B.V.	OBG	AA	947	1,3%
Total			22 191	31%

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.

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

Credit Risk

Credit risk consists of the risk of loss due to default or deterioration of counterparty credit levels which is mitigating existing risk, such as reinsurance contracts, receivable amounts by intermediaries, as well as other credit exposures that have not been considered in the spread risk.

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.

As far as reinsurers are concerned, they are carefully selected not only due 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.

Operating Risk

Operating 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 operating 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:

⇒ 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.

⇒ 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.

⇒ KRI¹ 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.

Internal control system

The internal control system comprises a set of means, behaviours, procedures and actions adapted to its own characteristics and is intended to provide a reasonable assurance in achieving the Company's goals.

The main expected effects of an effective internal control system and operational management risk are:

- Identify potential events that are likely to affect the achievement of the Company's goals, ensure treatment in case of risk occurrence and anticipate actions to be taken;
- Define a control system proportional to the risks that the organisation is willing to accept to increase its value;
- Allow management to make clear decisions.

The Company follows the COSO Report² definition and matrices.

The Company understands 'internal control' as a means of:

- Controlling its processes;
- Improving its activities;
- Enhancing its competitiveness.

Internal control must be done by all: Anyone active in the organisation must manage their risks and controls in the field of their activity.

¹ Key Risk Indicator

² Committee Of Sponsoring Organisation of the Treatway Commission

From this perspective, the risks identified for each of the Company's activities (Macro processes) are formalised through a risk mapping.

- Each compilation includes the Company's activities in processes and subprocesses;
- For each subprocess, risk events are identified;
- For each risk event a control objective is associated;
- For each control objective, one or more examples of control activities are described in order to clarify the understanding of the control objective, if necessary.

For each control objective, officers must:

- Describe the implemented control to provide a reasonable assurance regarding occurrence (frequency) and severity (cost) of the identified risk event;
- And self-assess the effectiveness of the control through a questionnaire.

Self-assessment of the internal control system takes place in different stages:

- Self-assessment campaign;
- Description of control activities;
- Self-assessment of control activities;
- Action plans, if necessary;
- Independent testing;
- Test of effectiveness of controls (design and operational);
- Recommendation, if necessary.

4.4. Impairment losses recognised and reversed regarding reinsurance assets

During the financial year, an impairment loss in the amount of 39,444 euros, from 2004 to 2009, from the reinsurer Folksam International Insurance, was reversed due to the impossibility of receiving the current account balance. The provision made in previous years was used, with no impact on the net result for the year.

4.5. Qualitative information regarding premiums and reserves adequacy

Analysis to claims ratio and portfolio profitability are periodically performed, segmented by several variables as well as other actuarial studies to assess adequacy of the tariffs applied.

The aggregate ratio (division of all costs in the Technical Account by the total revenue detailed herein) is calculated for each line of business. Tariff's adequacy or inadequacy is measured to whether this ratio is lower or higher than 100%, completing the criterion by analysing the Unexpired Risks Reserve structure.

Tariff sensitivity analyses are also carried out as well as comparative studies with market practices.

The adequacy analysis of technical reserves is carried out periodically through deterministic and stochastic methods, in addition to regular audits, namely case-by-case analysis of claim processes.

4.6. Qualitative and quantitative information on claims and expenses ratios, combined claims and expenses ratios, and operating ratio (resulting from the consideration of income from investments in different segments), calculated without reduction of ceded reinsurance

The claims reserve at the end of the financial year is 60,521,588 euros, compared to 45,284,732 euros in 2019.

The Company's overall claims ratio in 2020, calculated on the gross premiums written and before cost allocation, was 62,1% (60,5% in 2019) and 64,8% after cost allocation (63,3% in 2019).

Claims ratio (per lines of business)	2020	2019
Workers Compensation	73,9%	73,6%
Personal Accidents	41,9%	36,1%
Health	0,0%	0,0%
Accidents / Health	70,2%	71,3%
Fire / Other Damage	51,6%	45,2%
Motor	64,2%	62,8%
Other branches	66,3%	57,3%
Claims Ratio (1)	64,8%	63,3%

(1) - Including Costs Allocated to Claims

The combined ratio (including reinsurance) shows the following composition as at December 31, 2020 and 2019:

Results analysis	2020	2019
Operating costs and expenses/earned premiums	26,3%	26,0%
Claims costs/acquired premiums	67,8%	68,5%
Combined ratio	94,1%	94,5%

4.7. Recoverable amounts in respect of amounts paid for claims arising from the acquisition of rights of the insured concerning third parties (subrogation) or obtaining legal ownership of insured goods (salvage)

The amount related to claims reimbursements on the last days of the years 2020 and 2019 was as follows:

U:Euro		
Type of reimbursement	Recoverable amount in 2020	Recoverable amount in 2018
Inventories/Salvage	0	0
Other Policyholders/Claims Reimbursements	3 291 571	2 984 087
Other Deb. Creditors/Claims Reimbursements	0	0

The Company believes that the reimbursement amount is recoverable, and therefore concluded that there was no impairment in this financial year and no loss was registered.

5. Financial instruments (does not include investment contracts)

The Inventory of Holdings and Financial Instruments as at December 31, 2020 is presented in Appendix 1, of which the following summary is presented:

U:Euro	
Financial Instrument	Balance Sheet Value
Bonds and other fixed-income securities	
from public issuers	13 742 653
from other issuers	44 613 984
Shares	493 767
Other variable-income securities	31 237 683
Total	90 088 087

Initial recognition and subsequent measurement

All financial instruments held by Caravela are open to negotiation in stock markets or on regulated markets, and are measured at fair value, except for the Prodis Thema Fund and Lehman securities which are measured by 0.00€ and 10.00€, respectively, as for these assets, impairments were recognized for default by issuers in 2010 and 2011.

At the time of purchase, available-for-sale financial assets are recognised at fair value (purchase price) added to the trading costs.

In subsequent measurements such assets are also registered at fair value and their corresponding changes are recognised in equity, within 'revaluation reserves for adjustments of fair value in available-for-sale financial assets'.

During the financial year of 2020, the Company recognised a positive change in equity amounting to 950,498 euros (in 2019, the charge was equally positive amounting to 707,393 euros) in the fair value of investment portfolios, which is registered in the revaluation reserve.

Segmentation by categories

The Company's investment policy, specified in item 4. is in accordance with the rules and limitations established by the Supervisory Authority for Insurance and Pension Funds and the prudential diversification of investments is taken into consideration, ensuring its suitability to the responsibilities of Caravela in order to improve the risk/profitability interface.

The strategy and criteria for the management of investments is established annually by the Management and the implementation and performance are monitored monthly, in order to constantly adjust the investment portfolio to the specified goals.

During 2020, the activities undertaken adjusted the portfolio of financial assets to the strengthened prudential structure, in compliance with the previously outlined goal.

Financial instruments by category are composed as follows:

Financial Instrument	U:Euro			
	Fair Value 2020	%	Fair Value 2019	%
Holdings in subsidiaries and partners	5 000	0%	0	0%
Shares, participation units and investment funds	31 731 450	34%	13 491 160	6%
Fixed-income securities	54 263 018	58%	51 347 612	93%
Variable income securities	4 093 619	4%	4 142 440	93%
Derivative instruments	0	0%	0	0%
Deposits with credit institutions	2 989 957	3%	2 959 429	1%
Other loans	251 541	0%	451 557	0%
Total	93 334 585	100%	72 392 198	100%

In accordance with the established rules, Caravela's financial assets continued to be mostly invested in the Euro Zone, as can be seen in the table below:

Securities portfolio	U:Euro			
	Fair Value 2019	%	Fair Value 2019	%
Euro Area	77 437 533	86%	58 232 470	84%
Portugal	7 782 861	9%	9 897 785	14%
Germany	3 798 639	4%	2 888 420	4%
Austria	933 462	1%	899 620	1%
Belgium	2 243 068	2%	3 015 445	4%
Spain	6 110 800	7%	7 273 618	10%
France	43 025 370	48%	26 724 807	38%
Ireland	1 629 585	2%	1 591 241	2%
Italy	623 649	1%	937 208	1%
Luxembourg	2 112 404	2%	250 202	0%
The Netherlands	5 034 014	6%	1 071 744	2%
Norway	629 300	1%	997 956	1%
United Kingdom	2 888 480	3%	2 075 307	3%
Sweden	625 901	1%	609 117	1%
Outside Euro Area	12 907 095	14%	11 200 299	16%
Total	90 344 628	100%	69 432 769	100%

The following tables indicate the liquidity risk in which the Company may incur for not having access to all its financial assets at the time of fulfilling the commitments arising from insurance contracts, during the last 2 years and regarding investments in the bond market:

U:Euro

Financial Asset	Maturity as at 31.12.2020					Total
	< 6 months	< 1 year	< 3 years	< 5 years	> 5 years	
Public debt	416 090	2 045 451	3 201 056	377 797	7 702 258	13 742 653
Fixed-rate bonds	102 203	1 524 676	13 596 674	13 713 860	15 676 572	44 613 984
Floating-rate bonds	0	0	0	0	0	0
Total	518 292	3 570 127	16 797 730	14 091 657	23 378 830	58 356 637

U:Euro

Financial Asset	Maturity as at 31.12.2019					Total
	< 6 months	< 1 year	< 3 years	< 5 years	> 5 years	
Public debt	0	416 812	5 117 347	639 208	11 297 656	17 471 022
Fixed-rate bonds	1 451 762	581 335	7 046 229	12 642 259	16 297 445	38 019 030
Floating-rate bonds	0	0	0	0	0	0
Total	1 451 762	998 147	12 163 576	13 281 467	27 595 100	55 490 052

The following table reveals the credit quality of the bond issuers, in accordance with the ratings outlined by external entities at the time of this analysis:

U:Euro

Bond rating	2020	%	2019	%
AAA	1 051 648	2%	1 056 031	2%
AA +	933 462	2%	899 620	2%
AA	3 036 659	5%	3 002 648	5%
AA -	8 937 357	15%	9 265 534	17%
A +	3 873 042	7%	5 234 416	9%
A	8 113 528	14%	6 519 510	12%
A -	11 754 372	20%	9 977 857	18%
BBB +	7 956 314	14%	4 703 290	8%
BBB	9 420 743	16%	0	0%
BB	0	0%	13 055 989	24%
BB +	476 632	1%	0	0%
BBB -	2 802 870	5%	1 775 145	3%
BB -	0	0%	0	0%
B +	0	0%	0	0%
CC	0	0%	0	0%
CCC	0	0%	0	0%
Unlisted	10	0%	10	0%
Total	58 356 637	100%	55 490 052	100%

The Company did not carry out any transactions in derivative contracts nor did it use repurchase transactions or stock lending during the year.

The Company followed the same criteria to recognise impairment of securities, mentioned in note 3.2.1., during this financial year, having been recorded as follows:

- For equity instruments the Company considers a continued devaluation when such devaluation lasts for over 180 days, or a devaluation of significant value when it surpasses 30% in its corresponding quoted value at the date of the balance sheet;
- For debt instruments the Company recognises impairment when there is significant financial difficulty of the issuer, increasing the likelihood of a bankruptcy proceeding or a breach of contract due to noncompliance with the interest or capital payments.

At the close of the financial year 2020, the segregation by the respective categories in 2020 and 2019 was as follows:

					2020
					U:Euro
Financial Asset	Acquisition Amount	Fair Value	Reversal in Revaluation Res.	Accum. Impairment (Net of Reversal)	
Public debt					0
Fixed-rate bonds	92 451	10	0		-92 441
Floating-rate bonds					0
Shares					0
Units of Investment Funds	699 937		-558 534		-141 403
Total	792 387	10	-558 534		-233 844

					2019
					U:Euro
Financial Asset	Acquisition Amount	Fair Value	Reversal in Revaluation Res.	Accum. Impairment (Net of Reversal)	
Public debt					0
Fixed-rate bonds	92 451	10	0		-92 441
Floating-rate bonds					0
Shares					0
Units of Investment Funds	699 937		-407 973		-291 964
Total	792 387	10	-407 973		-384 404

The financial assets available for sale had the composition described on the following page at the end of each of the years in comparison:

2020
U: Euro

Financial Asset	Purchase cost	Interest receivable	Amount before impairment	Accumulated impairment	Net amount	Currency differences	Fair value reserve	Balance sheet amount *
Debt instruments								
Of public debt								
Of national issuers	4 702 552	24 287	4 726 840		4 726 840		39 540	4 766 379,36
Of foreign issuers								
Spain	3 520 943	24 987	3 545 930		3 545 930		106 278	3 652 207,89
France	504 453	3 193	507 646		507 646		17 787	525 433,15
Germany	307 039	7 152	314 191		314 191		2 891	317 081,64
Belgium	2 132 949	9 468	2 142 417		2 142 417		100 651	2 243 068,49
Ireland	1 230 110	12 567	1 242 677		1 242 677		62 344	1 305 020,74
Austria	900 362	432	900 794		900 794		32 668	933 461,51
Of other public issuers								
Of national issuers	0	0	0		0		0	0
Of foreign issuers	0	0	0		0		0	0
Of other issuers								
Of national issuers	99 924	1 556	101 480		101 480		4 366	105 846
Of foreign issuers	43 070 325	234 486	43 304 811	-92 441	43 212 371		1 295 767	44 508 138
	56 468 657	318 128	56 786 785	-92 441	56 694 344	0	1 662 292	58 356 637
Equity instruments								
Of national issuers	3 571	0	3 571		3 571			3 571
Of foreign issuers	490 196	0	490 196		490 196		0	490 196
	493 767	0	493 767	0	493 767	0	0	493 767
Other instruments								
Units								
Of residents	2 334 808	0	2 334 808		2 334 808		-9 405	2 325 403
Of non-residents	29 067 468	0	29 067 468	-141 403	28 926 065	0	-13 785	28 912 280
	31 402 276	0	31 402 276	-141 403	31 260 873	0	-23 190	31 237 683
Total	88 364 700	318 128	88 682 828	-233 844	88 448 985	0	1 639 102	90 088 087

* - Includes interest receivable

2019
U: Euro

Financial Asset	Purchase cost	Interest receivable	Amount before impairment	Accumulated impairment	Net amount	Currency differences	Fair value reserve	Balance sheet amount *
Debt instruments								
Of public debt								
Of national issuers	8 191 355	49 833	8 241 188		8 241 188		56 877	8 298 065,11
Of foreign issuers								
Spain	3 562 854	24 919	3 587 772		3 587 772		-19 811	3 567 961,60
France	406 872	3 046	409 918		409 918		17 308	427 226,45
Germany	313 748	7 151	320 899		320 899		4 372	325 270,68
Belgium	2 659 427	13 440	2 672 867		2 672 867		7 993	2 680 859,61
Ireland	1 245 159	12 532	1 257 691		1 257 691		14 327	1 272 018,41
Austria	900 404	430	900 834		900 834		-1 214	899 620,33
Of other public issuers								
Of national issuers	0	0	0		0		0	0
Of foreign issuers	0	0	0		0		0	0
Of other issuers								
Of national issuers	0	0	0		0		0	0
Of foreign issuers	37 264 791	228 059	37 492 850	-92 441	37 400 410		618 620	38 019 030
	54 544 609	339 411	54 884 020	-92 441	54 791 580	0	698 473	55 490 052
Equity instruments								
Of national issuers	3 571	0	3 571		3 571			3 571
Of foreign issuers	490 196	0	490 196		490 196		0	490 196
	493 767	0	493 767	0	493 767	0	0	493 767
Other instruments								
Units								
Of residents	223 180	0	223 180		223 180			223 180
Of non-residents	13 076 045	0	13 076 045	-291 964	12 784 081	0	-9 869	12 774 213
	13 299 225	0	13 299 225	-291 964	13 007 261	0	-9 869	12 997 393
Total	68 337 601	339 411	68 677 012	-384 404	68 292 608	0	688 604	68 981 212

* - Includes interest receivable

6. Cash and cash equivalents and demand deposit

Cash and demand deposits amounts registered in the balance sheet are in euro currency and are meant for short-term treasury payments.

All cash balance and its equivalents, as well as demand deposits in credit institutions, are available for use of the Company.

As at December 31, 2020 and 2019, the balance sheet heading presents the following composition:

	U:Euro	
	2020	2019
Cash and equivalents		
Head office	200	200
Other offices	600	600
	800	800
Demand deposits	5 201 433	2 266 911
	5 202 233	2 267 711

The reconciliation of the amounts calculated in the Cash Flow Statement with the equivalent items reported in the Balance Sheet presents the following structure:

	U:Euro	
	2020	2019
Cash	800	800
Bank deposits available on demand	5 201 433	2 266 911
Other bank deposits available on demand	2 843 833	2 850 907
Cash and cash equivalents and demand deposits - Balance Sheet	8 046 066	5 118 617
Interest (to be deducted)		2 349
Cash and cash equivalents at the end of the year - Cash Flow Statement	8 046 066	5 116 268

In the year 2019 the amount of accrued interest had been included in the Cash Flow Statement.

7. Land and Buildings

As described in note 3.3.1, the Company owns the following income property, valued at fair value, in accordance with IAS 40:

					2020
					Un: EUR
Real Estate	Acquisition Value	Acquisition Year	Sale Year	Sale Amount	Net Balance Amount
of Income					
Campo Vinha Braga	1 231 882	2016			1 231 882
Total	1 231 882			0	1 231 882

The Company considers that the value of this property is at fair market value on the closing date of the 2020 accounts.

8. Other fixed tangible assets (except lands and buildings)

Tangible assets are valued at their historical purchase cost deducted from accumulated depreciations.

Repair and maintenance costs are not capitalised, and are directly recognised in results, when incurred.

Depreciations were calculated through the straight-line method based on annual rates accepted for tax purposes and which reflect the estimated useful life of the assets.

The movements registered in 2020 and 2019 were the following:

2020
U: Euro

HEADINGS	Opening Balance		Increases		Transfers and write-offs	Disposals	Depreciations of the Financial Year		Closing Balance (net amount)
	Gross Amount	Depreciations	Purchases	Revaluations			Uplift	Settlements	
Tangible Assets									
Administration equipment	243 797	243 797	4 382	0	51	0	4 382	51	0
Machines and tools	228 493	217 279	6 946	0	0	0	6 763	0	11 397
IT equipment	432 998	339 583	269 141	0	94 095	0	116 282	70 572	222 751
Indoor facilities	2 989	1 336	0	0	0	0	413	0	1 240
Transportation equipment	257 123	99 523	121 800	0	0	40 000	71 567	20 000	187 833
Hospital equipment	0	0	0	0	0	0	0	0	0
Other equipment	94 460	44 914	12 045	0	0	0	11 915	0	49 676
Operational lease	1 990 255	0	190 328	0	3 273	0	476 591	0	1 700 719
TOTAL	3 250 116	946 432	604 642	0	97 419	40 000	687 913	90 622	2 173 616

2019
U: Euro

HEADINGS	Opening Balance		Increases		Transfers and write-offs	Disposals	Depreciations of the Financial Year		Closing Balance (net amount)
	Gross Amount	Depreciations	Purchases	Revaluations			Uplift	Settlements	
Tangible Assets									
Administration equipment	244 293	244 293	4 599	0	5 094	0	4 599	5 094	0
Machines and tools	221 407	210 246	7 180	0	94	0	7 127	94	11 214
IT equipment	370 477	280 674	76 539	0	14 018	0	71 836	12 928	93 415
Indoor facilities	0	0	2 989	0	0	0	1 336	0	1 653
Transportation equipment	208 282	43 656	48 842	0	0	0	55 867	0	157 600
Hospital equipment	0	0	0	0	0	0	0	0	0
Other equipment	80 220	33 913	14 241	0	0	0	11 001	0	49 546
Operational lease	0	0	1 990 255	0	0	0	0	0	1 990 255
TOTAL	1 124 679	812 783	2 144 644	0	19 207	0	151 766	18 117	2 303 684

9. Allocation of investments and other assets

The Company has allocated its investments and other assets solely to insurance contracts in the years 2020 and 2019 as follows:

2020	
U:Euro	
INVESTMENTS AND OTHER ASSETS	Total
Cash and equivalents	5 202 233
Land and buildings	1 231 882
Invest. in subsidiaries, associated companies, and joint ventures	5 000
Financial assets held-for-trading	
Financial assets classified in initial recognition at fair value through profit and loss	
Hedging derivatives	
Financial assets available-for-sale	90 088 087
Loans and accounts receivable	3 095 374
Held-to-maturity investments	
Other tangible assets	2 173 616
Other intangible assets	2 288 547
TOTAL	104 084 740

2019	
U:Euro	
INVESTMENTS AND OTHER ASSETS	Total
Cash and equivalents	2 267 711
Land and buildings	1 231 882
Invest. in subsidiaries, associated companies, and joint ventures	
Financial assets held-for-trading	
Financial assets classified in initial recognition at fair value through profit and loss	
Hedging derivatives	
Financial assets available-for-sale	68 981 212
Loans and accounts receivable	3 297 448
Held-to-maturity investments	
Other tangible assets	2 303 684
Other intangible assets	2 179 835
TOTAL	80 261 771

10. Intangible Assets

This heading comprises software investment, which is amortised over 3 years through the straight-line method, as well as 10-year concession rights of the national trademarks 'Netagentes', 'Protegemos o Seu Futuro', 'Caravela Seguros' and 'Caravela', in the total amount of 4,414 euros, included in the heading of other intangible assets.

For software purchases occurring since the financial year of 2015, the use of the amortisation method for a maximum period of useful life of 6 years was established.

These assets are valued at net purchase cost of the accumulated amortisations and within the limits of current rates, wherefore the costs incurred with the subsequent maintenance of the software are recognised in results and are therefore not capitalised.

The movements registered in 2020 and 2019 were the following:

2020
U: Euro

HEADINGS	Opening Balance		Increases		Transfers and write-offs	Disposals	Depreciations of the Financial Year		Closing Balance (net amount)
	Gross amount	Amortisations	Purchases	Revaluations			Uplift	Settlements	
Intangible assets									
Development expenses	0	0	937 755	0	0	0	312 582	0	625 173
Expenses with IT applications	1 420 988	1 261 978	1 056 010	0	0	0	236 081	0	978 938
Intangible assets under construction	2 018 405	0	671 487	0	2 007 485	0	0	0	682 406
Other	4 414	1 993	0	0	0	0	391	0	2 030
TOTAL	3 443 807	1 263 971	2 665 251	0	2 007 485	0	549 054	0	2 288 547

2019
U: Euro

HEADINGS	Opening Balance		Increases		Transfers and write-offs	Disposals	Depreciations of the Financial Year		Closing Balance (net amount)
	Gross amount	Amortisations	Purchases	Revaluations			Uplift	Settlements	
Intangible Assets									
Development expenses	0	0	0	0	0	0	0	0	0
Expenses with IT applications	1 327 261	1 197 826	93 727	0	0	0	64 152	0	159 010
Intangible assets under construction	1 290 515	0	771 555	0	43 665	0	0	0	2 018 405
Other	4 414	1 603	0	0	0	0	391	0	2 421
TOTAL	2 622 190	1 199 428	865 282	0	43 665	0	64 543	0	2 179 835

The rubric 'intangible assets in progress', amounting to 682,406 euros, refers to payments made to date, in connection with the development of new computer applications, namely:

- Collections Automation Project, which started in 2019 and is scheduled for completion in 2021, amounting to 133,762 euros;
- Payment Management Project, which is scheduled for completion in 2021, amounting to 15,928 euros;
- Projects developed within the scope of product evolution, development of the production environment and application support amounting to 159,131 euros;
- IFRS 17 Implementation Project, amounting to 310,397 euros, scheduled to start development in 2020 and to be completed in 2023;
- Douro 2024 Project in the amount of 29,252 euros.

The Digital 2020 Project, once implemented in this financial year, ceased to be part of the intangible assets in progress and was transferred to the Company's assets, included under the headings of development project, tangible fixed assets and intangible assets, for a total value of 1,918,046 euros.

The amortisation/depreciation of this project will occur over a period of 3 to 6 years, depending on the nature of the asset, following the Company's amortisation/depreciation policy.

11. Other reserves and adjustments to asset accounts

Breakdown of adjustment accounts and other reserves by the corresponding sub-accounts:

U:Euro

Headings	Opening balance	Increase	Decrease	Closing balance
<u>Adjustments for Receipts to be Collected</u>				
Other Policyholders				
- Workers Compensation	38 299	235 457	43 663	230 093
- Personal Accidents and Passengers	10 003	36 251	8 680	37 575
- Fire and Other Damage	4 074	34 761	4 078	34 757
- Motor	64 781	341 748	69 865	336 664
- Marine and Transports	1	2 531	114	2 417
- Transported Goods	2 311	11 114	2 238	11 188
- Third Party Liability	4 995	27 780	15 942	16 833
- Legal Protection	346	1 633	353	1 626
- Assistance	8 670	41 075	8 847	40 898
Subtotal	133 481	732 349	153 780	712 050
<u>Adjustm. of Doubtful Credit</u>				
Agents and Brokers	106 027	8 077	6 111	107 993
Reinsurers	39 444	0	39 444	0
Other Debtors	69 917	0	28 544	41 373
Subtotal	215 389	8 077	74 100	149 367
Total	348 870	740 427	227 880	861 417

12. Insurance contract premiums

The structure of premiums recognised in the financial year resulting from insurance contracts, and other values, is shown in Annex 4.

Earned premiums net of reinsurance are analysed as follows:

U:Euro

	2020	2019	Variation 2020/2019
Gross written premiums	100 718 896	76 436 663	31,8%
Ceded reinsurance premiums	-24 434 961	-16 055 231	
Change in the gross unearned premiums reserve	-4 839 286	-4 373 988	
Change in the reinsurance unearned premiums reserve	263 005	296 099	
Earned premiums net of reinsurance	71 707 654	56 303 543	27,4%

13. Investment income/revenue

Income from shares is accounted for in the heading 'Investment income' upon the receipt of granted dividends.

Interest from bonds and other fixed-income securities are also recognised in the headings regarding 'investment income', being accrued at the end of the financial year based on the nominal value and the interest rate applicable to the corresponding period (accrued interest).

Income recognised during the year and the previous year, by investment category, were the following:

U:Euro

Investment Category	Income in 2020	%	Income in 2019	%
Holdings in subsidiaries and associated companies	0	0%	0	0%
Financial assets available-for-sale:				
Shares and other variable-income securities	4 453	1%	7 112	2%
Fixed-income securities (bonds)	385 937	80%	348 908	79%
Land and buildings (of income)	76 200	16%	76 200	17%
Loans granted	12 500	3%	8 480	0%
Fixed-term deposits in credit institutions	1 703	0%	3 471	1%
Demand deposits in credit institutions	0	0%	0	0%
Total income	480 793	100%	444 170	100%

14. Investment profit and loss

The result from profit and loss recognised in the financial year and the previous financial year were the following:

2020
U:Euro

Investment Category	Investment Gains	Investment Losses	Net Total
Shares and other variable-income securities	0	-94 078	-94 078
Fixed-income securities (bonds)	268 265	-4 092	264 173
Total	268 265	-98 169	170 095
	75	65	

2019
U:Euro

Investment Category	Investment Gains	Investment Losses	Net Total
Shares and other variable-income securities	1 810	-24 286	-22 476
Fixed-income securities (bonds)	722 403	-41 040	681 362
Total	724 213	-65 326	658 886

15. Profit and loss from fair value adjustments in investments

During the financial year, the Company recognised a reversal of impairment in the amount of 150,561 euros, as a result of the payment made by Prodis Thema Fund.

16. Profit and loss in exchange differences

There was no significant profit/loss in 2020 since the Company's financial investments are entirely expressed in 'euro' currency.

17. Miscellaneous expenses by function and nature

In 2020 and 2019, the Company sustained the following operating costs and expenses for the purchase of insurance contracts:

U:Euro

Operating Costs and Expenses	Intermediation payments		Allocation		Total		Var.Total 2020/2019	
	2020	2019	2020	2019	2020	2019	Value	%
Acquisition costs	11 021 814	8 825 597	8 228 694	6 836 903	19 250 507	15 662 500	3 588 007	22,91%
Administration expenses	1 283 268	1 054 533	2 107 656	1 792 406	3 390 925	2 846 940	543 985	19,11%
Change in deferred acquisition costs	-346 426	-918 743			-346 426	-918 743	572 317	-62,29%
Total	11 958 656	8 961 387	10 336 350	8 629 310	22 295 005	17 590 697	4 704 308	26,74%

Expenses are initially registered by nature and are later allocated to the claims, acquisition, administrative, and investment functions, in accordance with the chart of accounts and the allocation criteria in force at the Company, specifically according to the number of claims, the amount of gross premiums concerning the new production registered in the year, the gross written premiums net of cancellations and returned premiums, and to the costs with investments associated with technical reserves, as well as the people associated with each function.

Costs and expenses by nature allocated to the different functions during the financial years 2020 and 2019 were the following:

2020
U:Euro

Costs and expenses by nature to be allocated	Allocated to claims costs	Allocated to acquisition costs	Allocated to administration expenses	Allocated to investment expenses	Total allocated	
Personnel expenses	6 691 355	1 150 913	4 362 763	1 117 456	6 691 355	
External services and supplies	4 173 255	854 479	2 613 336	669 367	4 173 255	
Taxes and fees	971 052	492 476	376 849	96 524	971 052	
Depreciations and amortisations of the financial year	1 236 967	212 758	806 502	206 573	1 236 967	
Other reserves	0	0	0	0	0	
Interest charges	29 261	5 033	19 078	4 887	29 261	
Commissions	260 089	13 234	50 165	12 849	260 089	
Total	13 361 979	2 728 893	8 228 694	2 107 656	13 361 979	
		20%	62%	16%	2%	100%

2019
 U: Euro

Costs and expenses by nature to be allocated		Allocated to claims costs	Allocated to acquisition costs	Allocated to administration expenses	Allocated to investment expenses	Total allocated
Personnel expenses	5 992 443	1 114 594	3 817 186	1 000 738	59 924	5 992 443
External services and supplies	3 563 195	662 754	2 269 755	595 054	35 632	3 563 195
Taxes and fees	589 901	234 028	278 490	73 011	4 372	589 901
Depreciations and amortisations of the financial year	651 948	121 262	415 291	108 875	6 519	651 948
Other reserves	0	0	0	0	0	0
Interest charges	29 147	5 421	18 566	4 868	291	29 147
Commissions	224 415	10 983	37 614	9 861	165 957	224 415
Total	11 051 050	2 149 044	6 836 903	1 792 406	272 696	11 051 050
		19%	62%	16%	2%	100%

The change between 2020 and 2019 within the heading 'External services and supplies' is as follows:

Heading	2020	%	2019	%	2020/ 2019
Electricity	22 869	0,5%	26 713	0,7%	-14,4%
Fuel	75 738	1,8%	98 462	2,8%	-23,1%
Water	3 302	0,1%	4 117	0,1%	-19,8%
Printed matter	47 227	1,1%	50 690	1,4%	-6,8%
Office supplies	22 362	0,5%	20 133	0,6%	11,1%
Technical books and documents	1 765	0,0%	3 672	0,1%	-51,9%
Gift items	77 210	1,9%	59 149	1,7%	30,5%
Maintenance and repair	75 590	1,8%	78 662	2,2%	-3,9%
Rents and leasing	107 622	2,6%	89 711	2,5%	20,0%
Representation expenses	51 215	1,2%	128 556	3,6%	-60,2%
Communication	673 540	16,1%	472 787	13,3%	42,5%
Travel and accommodation	91 769	2,2%	131 100	3,7%	-30,0%
Insurances	74 036	1,8%	57 520	1,6%	28,7%
Independent work expenses	187 753	4,5%	245 689	6,9%	-23,6%
Publicity and advertising	461 110	11,0%	387 997	10,9%	18,8%
Cleaning, hygiene and safety	38 672	0,9%	35 509	1,0%	8,9%
Litigation and Notary	3 536	0,1%	1 180	0,0%	199,6%
Specialised work	1 711 135	41,0%	1 377 469	38,7%	24,2%
Contributions (of the activity)	83 546	2,0%	57 674	1,6%	44,9%
Workplace meals	3 265	0,1%	6 173	0,2%	-47,1%
Premium collection expenses	244 840	5,9%	139 566	3,9%	75,4%
Other services and supplies	115 153	2,8%	90 663	2,5%	27,0%
Total	4 173 255	100%	3 563 195	100%	17,1%

Some service provision headings reflect the slowdown in the country's pace of activity, caused by the current pandemic state we are living in, namely the supply of consumables, representation expenses and travel and accommodation expenses.

The 19% increase in advertising expenses is a result of the increased press publicity and communication, as well as merchandising, for the promotion of Caravela, and in outdoor advertising with the use of billboards in strategic locations throughout the country.

In communication, the variation of 42% is essentially due to the increase in internet and data services and courier services.

The growing number of projects regarding the development of computer platforms and digital platforms justifies the 24% increase in specialised works in the financial year.

The 75% increase in expenses with the collection of insurance premiums, which is directly related to the increase in production and collection, also reflects the cost of implementing the SIBS REALTIME system in ATM collections, the benefit of which in terms of speed of collection and availability of documents to our customers is massive (invoice/receipt and motor insurance certificate).

18. Personnel expenses

Average number of employees by professional categories

According to the Company Agreement (LA), the average number of employees, by professional category, working for Caravela during 2020 was 127 - compared to 117 in 2019 - the absolute number being 129 on December 31, 2020, nine more employees than in 2019, which was 120:

ANNUAL AVERAGE		ANNUAL TOTAL	
COMPANY AGREEMENT		COMPANY AGREEMENT	
Director	1	Director	1
Technical Manager	12	Technical Manager	12
Sales Manager	4	Sales Manager	4
Operational Manager	2	Operational Manager	2
Technician	11	Technician	13
Operational Coordinator	23	Operational Coordinator	24
Operational Specialist	71	Operational Specialist	70
General Assistant	2	General Assistant	1
Operational Assistant	1	Operational Assistant	2
ANNUAL AVERAGE	127	ANNUAL TOTAL	129

Personnel expenses regarding the financial year

Personnel costs amounted to 6,691,355 euros in the financial year, which represent an increase of 11.7% when compared to the 5,992,443 euros in 2019 and which account for 17,117 euros registered in the financial year corresponding to the payment of the service award, as prescribed in note 3.6.

It is worth highlighting the additional contribution in the financial year carried out for the Individual Retirement Plan (P.I.R.) in the amount of 63,186 euros, which had been of 70,230 euros in 2019, in accordance with the following note.

These expenses were as follows at December 31, 2020 and 2019:

		U:Euro		
Accounts	Headings	2020	2019	2020/2019
	Personnel Expenses			
6800	Remuneration of Governing Bodies	882 412	786 413	12,21%
6801	Personal remuneration	4 267 680	3 782 468	12,83%
6802	Charges on remunerations	1 159 053	1 041 551	11,28%
6803	Post-employment benefits	63 186	70 230	-10,03%
6804	Other long-term benefits to employees	17 117	31 284	-45,28%
6806	Compulsory insurances	150 035	135 042	11,10%
6807	Social welfare expenses	79 272	73 328	8,11%
6808	Other personnel expenses	72 599	72 127	0,66%
	TOTAL	6 691 355	5 992 443	11,66%

To complement the Policy concerning the Remuneration of Governing Bodies and Supervisory Board, there were no further retirement pension obligations to former members of the mentioned bodies, apart from a former manager who is covered by the 'Zurich Life Open Pension Plan for Companies / Defined Benefit Pension Plan' mentioned in the following note.

19. Obligations concerning employee benefits

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 covers only one participant (a former director, who retired on the grounds of old age), as shown in the following table:

POPULAÇÃO REFORMADA	
Número de beneficiários	1
Idade Média	75
Pensão/ Prestação Média Anual (€)	3.763

Defined Contribution Pension Plan (PIR)

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

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 2020 was 63,186 euros.

The amount of the contributions is ensured at the benefit settlement date.

The Company's liabilities are recognized as a cost of the year when due.

ASSUMPTIONS	
Mortality Table	GRF95
Technical Rate	1,0%
Charge	0,5%

WORKING POPULATION	
Number of participants	96
Average Age	45,6
Average Annual Wage (€)	18 875
Average Seniority (years)	16,8

RESULTS		U: Euro
Liabilities value as at 31.12.2020	296 357	
Total value of contributions (Individual Retirement Plan)	296 357	
Fund value as at 31.12.2019	342 539	
Funding ratio	115,58%	

20. Income tax

Current tax

The Corporate Income Tax is determined based on reverse charge statements of the Company, prepared in accordance with the tax regulations in force, being subject to inspection and potential adjustment by the Tax Authority during the period of twelve years applicable in the financial years of 2014 and 2016 and of five years since the financial year of 2017 and following years.

There was no inspection by the Tax Authority during the 2020 fiscal year.

Deferred tax

Deferred taxes were calculated based on the temporary differences between some asset and liability values and the corresponding tax base.

The current and deferred tax assets and liabilities recognised as of December 31, 2020 and 2019 are presented below:

	U:Euro	
	2020	2019
Current tax assets		
Income tax (deliveries on account)	230 829	187 035
Income tax (withholdings by third-parties)	16 455	19 367
Value Added Tax (in favour of the Company)	0	4 981
Stamp duty (processed)	16	8 730
Withholding Tax	102	0
Rate for the Portuguese National Authority for Civil Protection (processed)	0	5 125
Rate for the Workers Compensation Fund (processed)	35 404	51 739
Rate for the Motor Guarantee Fund (processed)	0	7 506
Social Security contributions (in favour of the Company)	28 147	24 371
	310 953	308 854
Current tax liabilities		
Income tax payable	-134 861	-141 701
Withholding tax	-116 794	-102 180
Value Added Tax	-10 001	-20 709
Stamp duty	-928 901	-639 876
Rate for the Portuguese National Authority for Civil Protection	-62 109	-49 818
Rate for the Portuguese National Institute for Medical Emergency	-259 606	-175 468
Rate for the Workers Compensation Fund	-1 167 417	-781 517
Rate for the Insurance Institute of Portugal	-126 587	-94 894
Rate for the Motor Guarantee Fund	-264 105	-187 004
Green Cards	-29 262	-21 492
Social Security contributions	-127 146	-114 492
Governmental agency payments	-1 973	-1 934
	-3 228 761	-2 331 084
Deferred tax assets		
From temporary differences		
Available-for-sale assets	52 615	86 491
From tax losses	803 226	803 226
	855 840	889 717
Deferred tax liabilities		
From temporary differences		
Available-for-sale assets	-368 792	-154 936
	-368 792	-154 936
Total	-2 430 759	-1 287 450

Pursuant to article 21 of Decree-law no. 441/1991 and of Decree-law no. 534/1980, the Company is up to date with their Social Security and Tax Authority payments.

21. Capital

Subscribed Caravela's share capital as at December 31, 2020 amounted to 44,566,315 euros, and is represented by 79,056,677 registered shares with no par value, and is distributed among various shareholders, individuals and companies.

As mentioned in Note 1, an amount of 10,000,000 euros was paid in the financial year of 2020, on December 23, 2020, and the remaining 10,000,000 euros will be paid on the month of December 2021, in accordance with the decision made by the General Meeting on July 9, 2019.

Under the Plan of Accounts for Insurance Companies (PCES), the amount of 10,000,000 euros of unpaid share capital has been deducted from equity and is not included as an asset of the Company in the Financial Statement Position as at December 31, 2020.

As at December 31, 2020 and December 31, 2019, the composition of the subscribed social capital was as follows:

NAME	BENEFICIARY NAME	# SHARES 2020	SHARE CAPITAL % 2020	# SHARES 2019	SHARE CAPITAL % 2019
TPIF Douro BidCo, S.à R.L.	Martin Brian Hughes	37 947 205	48,00%	37 947 205	48,00%
VALENS PRIVATE EQUITY, UNIPessoal LDA.	Mário Nuno dos Santos Ferreira	5 533 967	7,00%	5 533 967	7,00%
NELSON QUINTAS PATRIMÓNIO LDA	Jorge Nelson Ferreira de Aguiar Quintas	5 533 967	7,00%	5 533 967	7,00%
VIOLAS SGPS SA	Manuel Soares de Oliveira Violas Rita Celeste Soares Violas e Sá	5 533 967	7,00%	5 533 967	7,00%
ANCORAS DE JUPITER UNIPessoal, LDA	Luís Filipe Sampaio Cervantes	3 288 760	4,16%	3 288 760	4,16%
IBG - HOLDING, LTD	Isabel Maria Araujo Rodrigues de Sá	3 288 760	4,16%	3 288 760	4,16%
MONSEUL UNIPessoal LDA	Francisco Miguel Cubelo Faria Vasconcelos Machado	2 156 279	2,73%	2 156 279	2,73%
SUSTENTÁVELEXITO, UNIPessoal, LDA	Fernando José Lopes de Araújo	2 156 279	2,73%	2 156 279	2,73%
DAXA PARTICIPAÇÕES, SGPS, UNIPessoal LDA	António Ferreira da Silva	2 055 475	2,60%	2 055 475	2,60%
BLUE WAVE SGPS SA	António Manuel Nestor Ribeiro	1 541 606	1,95%	1 541 606	1,95%
FEMACOSA, UNIPessoal LDA	Fernando Manuel Fernandes da Costa Santos	1 541 606	1,95%	1 541 606	1,95%
TLCI 2 - SOLUÇÕES INTEGRADAS DE TELECOMUNICAÇÕES, S.A.	António Jorge Pereira Martins João Pedro de Freitas Pereira Martins Guilherme Pereira Martins	1 233 286	1,56%	1 233 286	1,56%
GOL HEALTH, LDA	Antonio Miguel Gouveia de Brito Pinheiro Pereira Carlos Manuel Ribeiro de Sousa Carlos Alberto Fernandes Barbosa	1 233 285	1,56%	1 233 285	1,56%
IMOMINIUS	José Manuel Capa Pereira	1 233 285	1,56%	1 233 285	1,56%
IMPACTO MAGNÉTICO, UNIPessoal, LDA	Inácio da Silva Sousa	1 233 257	1,56%	1 233 257	1,56%
Manuel Salgueiro Rodrigues	O próprio	822 190	1,04%	822 190	1,04%
Gilberto Almeida Romeiro	O próprio	770 803	0,98%	770 803	0,98%
DIVAD LDA	Maria Filomena de Brito Vargas Lopes David Mário Henrique de Almeida Santos David	411 095	0,52%	411 095	0,52%
Francisco José Pereira Gonçalves	O próprio	411 095	0,52%	411 095	0,52%
GOBGEST LDA.	Jorge Filipe Araújo Pontes	411 095	0,52%	411 095	0,52%
José António Carvalho Pereira	O próprio	308 321	0,39%	308 321	0,39%
Luís Afonso Cortez Rodrigues Queiró	O próprio	205 547	0,26%	205 547	0,26%
TCO INVESTIMENTOS - SGPS LDA	Carlos Alberto da Cunha Oliveira	205 547	0,26%	205 547	0,26%
		79 056 677	100,00%	79 056 677	100,00%

The composition of Caravela's equity at the end of the financial years of 2020 and 2019 can be analysed in the following table:

U: Euro

Equity	2020	2019
Share capital	34 388 315	24 388 315
Revaluation reserves	1 639 102	688 604
Deffered tax reserve	-368 792	-154 936
Other reserves		
Legal reserve	2 021 549	1 599 553
Free reserves	4 502 775	704 806
Results brought forward	940 793	940 793
Result of the Financial Year	3 959 651	4 219 965
	47 083 394	32 387 100

The share capital was increased to 44,388,315.20 euros, by resolution of the General Meeting of July 9, 2019 and by the consequent authorisation from the ASF from December 17 of that year. On December 27, 2019 the 1st instalment of 10,000,000.00 euros was paid, and in 2020 the second instalment of the same amount was paid on December 23.

Thus, the situation as at December 31, 2020 was:

- Subscribed share capital: 44,388,315.20 euros;
- Paid share capital: 34,388,315.20 euros;
- Share capital to be paid in December 2021: 10,000,000.00 euros.

The heading 'Results brought forward' can be analysed in the following tables:

2020
U: Euro

Results brought forward	Debit	Credit
Balance sheet as at 31-12-2019		940 793
Net profit for the financial year of 2019		4 219 965
Transfer for Legal Reserve	421 996	
Transfer for Free Reserve	3 797 969	
	4 219 965	5 160 759
Balance sheet as at 31-12-2020		940 793

2019
U: Euro

Results brought forward	Debit	Credit
Balance sheet as at 31-12-2018	5 843 616	
Net profit for the financial year of 2018		3 063 529
Transfer for Legal Reserve	306 353	
Equity Reduction		5 843 616
Dividend distribution	1 500 000	
Reversal Deferred Tax Losses 2013	274 379	
Adoption of IFRS 16 (transition date)	42 004	
	7 966 352	8 907 145
Balance sheet as at 31-12-2019		940 793

22. Reserves

Movements of the several reserves registered in equity, in 2020, are presented in the following Statement of Changes to Equity:

STATEMENT OF CHANGES TO EQUITY	2020								
	U: Euro								
	Share capital	Revaluation reserve by fair value adjustm. of available-for-sale financial assets	Revaluation reserve by revaluation of own use land and buildings	Deferred tax reserve	Legal reserve	Other reserves	Results brought forward	Result of the financial year	Total
Balance sheet as at 31-12-2019	24 388 315	688 604	0	-154 936	1 599 553	704 806	940 793	4 219 965	32 387 100
Capital increases/decreases	10 000 000								10 000 000
Net profit from fair value adjustments of available-for-sale financial assets		950 498							950 498
Adjustments due to recognition of deferred taxes				-213 856					-213 856
Increases in reserves through application of results					421 997	3 797 969	-4 219 965		0
Profit distribution									0
Other gains/losses recognised directly in equity									0
Transfers between equity items not included in other lines							4 219 965	-4 219 965	0
Total changes to equity	10 000 000	950 498	0	-213 856	421 997	3 797 969	0	-4 219 965	10 736 642
Net result of the period								3 959 651	3 959 651
Balance sheet as at 31-12-2020	34 388 315	1 639 102	0	-368 792	2 021 549	4 502 775	940 793	3 959 651	47 083 394

Revaluation reserve

The revaluation/fair value reserve is intended to register adjustments in the fair value of available-for-sale financial assets, net of impairment recognised in the financial year and/or previous financial years, not being relevant to profit and loss until the disposal of assets, whereby the corresponding balance is recognised in results or directly in equity.

The revaluation reserve at the end of the financial years 2020 and 2019 is composed as follows:

2020
U: Euro

	Acquisition value/ amortised cost	Impairment (net of reversal)	Fair value (net of depreciation)	Revaluation reserve
Available-for-sale assets	90 088 087	-233 844	91 493 346	1 639 102
				1 639 102

2019
U: Euro

	Acquisition value/ amortised cost	Impairment (net of reversal)	Fair value (net of depreciation)	Revaluation reserve
Available-for-sale assets	68 981 214	-384 404	69 285 414	688 604
				688 604

Legal reserves

In accordance with article 62 of Law no. 145/2015 of September 9, a percentage of not less than ten percent of annual net profits is transferred to this account until it equals the share capital.

It is only to be used in share capital increases or for the coverage of losses and cannot be distributed.

The balance of this heading increased by 421,996 euros in the financial year, corresponding to 10% of the net profit from the previous financial year, which was transferred to Legal Reserve.

Free reserves

These reserves result from the excess of positive results which are not necessary for the legal reserve or for the coverage of carried-over losses.

An increase of 3,797,969 euros was registered in the financial year, which corresponds to the remaining amount after the allocation of the Legal Reserve.

Deferred tax reserve

Deferred taxes are recognised directly in results when they relate temporary differences between asset and liability book values and the corresponding tax bases, unless they are related to equity headings, in which case they are recognised directly in equity.

The variation in this reserve at the close of 2020 and 2019 is analysed below:

2020				
U: Euro				
	Opening Balance	Increases	Decreases	Final Balance
Available-for-sale assets	-154 936	0	-213 856	-368 792
	-154 936	0	-213 856	-368 792
2019				
U: Euro				
	Opening Balance	Increases	Decreases	Final Balance
Available-for-sale assets	4 228	0	-159 163	-154 936
	4 228	0	-159 163	-154 936

23. Transactions between related parties

During the financial year of 2020, Mazars & Associados, Sociedade de Revisores Oficiais de Contas, S.A., invoiced the following fees:

Description of MAZARS' Fees	Amount	U: Euro
		Amount
Solvency II		18 450
Statutory Auditing		
	year 2019	36 900
	year 2020	24 600
TOTAL		79 950

24. Cash Flow Statement

The statement was prepared by the direct method and is presented in the Annual Report and Accounts, along with the remaining Financial Statements.

25. Commitments

Caravela holds operating and financial lease contracts regarding transportation and IT equipment.

The detail as of December 31, 2020, by years of maturity of the operating lease contracts, is shown in the table below:

End of the Contract	No. of Vehicles	Maximum amount payable (€)
2021	12	28 059
2022	17	112 287
2023	8	89 193
Total	37	229 538

The details as at December 31, 2020, regarding financial lease contracts are as follows:

End of the Contract	No. of Vehicles	No. Equipment (IBM)	Contract no.	U: Euro	
				Amount payable Interest	Amount payable Equity
2023	-	1	PT6PBQTD5N	5 605	95 491
2023	1	-	1860027000	736	36 691
2023	1	-	1860023400	734	36 578
2023	1	-	141337	3 469	40 207
2025	1	-	2060004900	2 418	68 086
Total				12 962	277 054

26. Provisions and Contingent Liabilities

The Company did not consider it necessary to set up provisions for future payments, as it does not consider it likely that this will happen.

There are no contingent liabilities to be disclosed as of the Financial Statements date.

27. Events after the Balance Sheet date not described in previous items

There were no significant events to be registered after the Balance Sheet date.

Lisbon, on March 1, 2021

Certified Accountant

Eduardo Cunha

Board of Directors

Luís Cervantes

David Angulo

António Nestor Ribeiro

Fabrizio Cesario

George Koulouris

Gonçalo Ramos e Costa

Paulo Trigo

APPENDIX 1 - INVENTORY OF HOLDINGS AND FINANCIAL INSTRUMENTS AS AT DECEMBER 31, 2019

U: Euro

IDENTIFICATION OF SECURITIES		Quantity	Nominal value amount	% of nominal value	Average acquisition price	Total acquisition amount	Amount in the Balance Sheet	
Code	Designation						Unit *	Total *
1 - SUBSIDIARIES, ASSOCIATES, JOINT VENTURES								
		total:	0			0,00		0,00
2 - OTHERS								
2.1 - National Securities								
2.1.1 - Equity Instruments and units								
2.1.1.1 - Shares								
	MOBILITY 24	3 571	3 571	100,00%	1,00	3 571	1,00	3 571
subtotal:		3 571	3 571			3 571		3 571
2.1.1.2 - Share securities								
subtotal:		0				0,00		0,00
2.1.1.3 - Units in investment funds								
PTAPPAIM0000	EAST WEST VC - FUNDO CAP.RISCO	346	346 180	100,00%	1,00	346 180	1,00	346 180
PTCRVRIM0009	CAPITAL CRIATIVO IV	10	488 628	100,00%	1,00	488 628	0,98	479 223
PTCRVAIM0016	CAPITAL CRIATIVO V	10	500 000	100,00%	1,00	500 000	1,00	500 000
PTGWTDIM0008	GROWTH INOV, FCR	20	1 000 000	100,00%	1,00	1 000 000	1,00	1 000 000
subtotal:		386	2 334 808			2 334 808		2 325 403
2.1.2 - Debt securities								
2.1.2.1 - of Public Debt								
PTOTEOE0007	PORTUGAL GOVT 3.85% /15-04-2021	400	400 000	112,38%	1,12	449 528	1,04	416 090
PTOTEAEO0021	PORTUGAL GOVT 4.95% /25-10-2023	220	220 000	122,67%	1,23	269 863	1,17	256 671
PTOTVLOE0001	ETAT PORTUGAL EUR6M+110 2022/12/05	2 000	2 000 000	103,34%	1,03	2 066 800	1,02	2 048 167
PTOTVIOE0006	ETAT PORTUGAL EUR6M+200 2021/11/30	1 000	1 000 000	105,40%	1,05	1 054 000	1,02	1 022 022
PTOTVHOE0007	ETAT PORTUGAL EUR6M+205 2021/08/12	1 000	1 000 000	105,65%	1,06	1 056 500	1,02	1 023 429
subtotal:		4 620	4 620 000			4 896 691		4 766 379
2.1.2.2 - Of other public issuers								
subtotal:		0				0,00		0,00
2.1.2.3 - Of other issuers								
PTBSSJOM0014	BRISA 2%/ 22-03-2023	100	100 000	99,77%	1,00	99 774	1 078,66	105 846
subtotal:		100	100 000			99 774		105 846
total:		5 109	7 058 379			7 334 844		7 201 200
2.2 - Foreign securities								
2.2.1 - Equity Instruments and units								
2.2.1.1 - Shares								
	CA Life	451	450 759	100,00%	1,00	490 196	1,09	490 196
subtotal:		451	450 759			490 196		490 196
2.2.1.2 - Participation Securities								
subtotal:		0				0,00		0,00
2.2.1.3 - Units in investment funds								
IE0030487957	PRODIS THEMA FUND	4 382	4 382		32,27	141 403	0	0
LU1274528147	SSP M - (PNI) EURO EQUITY CLASS O	21	21		11 355,22	238 460	11 545,92	242 464
FR0011381227	OFI RS MONETAIRE IC	286	286		100 306,31	28 687 605	100 244,11	28 669 815
subtotal:		4 689	4 689			29 067 468		28 912 280
2.2.1.4 - Other								
subtotal:		0				0,00		0,00
2.2.2 - Debt securities								
2.2.2.1 - Of public debt								
XS2024602240	AUTOBAHN SCHNELL 0.1%/ 09-07-2029	900	900 000	100,05%	1,00	900 423	1 037,18	933 462
BE0000347568	ETAT BELGIQUE 0.9%/ 22-06-2029	2 000	2 000 000	107,83%	1,08	2 156 500	1 121,53	2 243 068
ES0000012888	ETAT ESPAGNE 1.4%/ 30-07-2028	2 000	2 000 000	109,43%	1,09	2 188 520,00	1 126,61	2 253 214
ES00000123X3	ETAT ESPAGNE 4.4%/ 31/10/2023	130	130 000	126,81%	1,27	164 853,00	1 148,95	149 364
IE00BH3SQ895	ETAT IRLANDE 1.1%/ 15-05-2029	1 000	1 000 000	108,61%	1,09	1 086 090	1 136,13	1 136 132
IE00B4TV0D44	ETAT IRLANDE 5.4%/ 13-03-2025	130	130 000	142,40%	1,42	185 120	1 299,15	168 889
DE000A1K0UG6	KFW 2.5% /17-01-2022	300	300 000	113,52%	1,14	340 545	1 056,94	317 082
subtotal:		6 480	6 480 000			7 022 051		7 201 210
2.2.2.2 - Of other public issuers								
XS1623360028	DEXIA CREDIT LOCAL FRANCE 0.25%/ 02-06-2	100	100 000	99,69%	1,00	99 688	1 012,65	101 265
FR0013183167	ILE DE FRANCE 0.5%/ 14-06-2025	200	200 000	97,54%	0,98	195 086	1 044,54	208 908
FR0011512193	ILE DE FRANCE 2.25% / 10-06-2023	200	200 000	110,91%	1,11	221 810	1 076,30	215 260
ES00000101693	MADRID 1.189%/ 08-05-2022	110	110 000	104,05%	1,04	114 455,00	1 029,52	113 247
ES00000101818	MADRID 2.146%/ 34-04-2027	350	350 000	115,19%	1,15	403 179,00	1 160,80	406 282
ES00000106619	PAYS BASQUE 1.450%/ 30-04-2028	650	650 000	111,41%	1,11	724 132,50	1 123,23	730 101
subtotal:		1 610	1 610 000			1 758 351		1 775 063

IDENTIFICATION OF SECURITIES		Quantity	Nominal value amount	% of nominal value	Average acquisition price	Total acquisition amount	Amount in the Balance Sheet	
Code	Designation						Unit *	Total *
2.2.2.3 - Of other issuers								
XS1136406342	3M 1.5%/ 09-11-2026	500	500 000	109,29%	1,09	546 435	1 098,64	549 318
XS2180510732	ABN AMRO BANK 1.250%/ 28-05-2025	500	500 000	99,86%	1,00	499 300	1 060,43	530 216
ES0200002022	ADIF AV 0.8%/ 05-07-2023	200	200 000	99,74%	1,00	199 488	1 033,02	206 605
ES0200002048	ADIF AV 0.950%/ 30-04-2027	200	200 000	99,85%	1,00	199 692	1 075,78	215 155
ES0200002014	ADIF AV 1.875%/ 22-09-2022	100	100 000	103,35%	1,03	103 350	1 044,14	104 414
FR0013302197	ADP 1%/ 13-12-2027	700	700 000	106,68%	1,07	746 782	1 067,59	747 315
XS1529854793	AEGON 1%/ 08-12-2023	200	200 000	100,45%	1,00	200 900	1 036,73	207 346
FR0013431137	AFD 0.25%/ 29-06-2029	600	600 000	100,63%	1,01	603 780	1 039,37	623 620
XS0745896000	AFD 3.75%/ 15-02-2027	400	400 000	126,57%	1,27	506 272	1 287,29	514 915
FR0013505559	AIR LIQUIDE FIN 1%/ 02-04-2025	300	300 000	99,89%	1,00	299 679	1 056,58	316 974
XS2152795709	AIRBUS 1.625%/ 07-04-2025	500	500 000	99,55%	1,00	497 745	1 075,53	537 766
DE000A19S4V6	ALLIANZ FIN II 0.875%/ 06-12-2027	900	900 000	105,84%	1,06	952 560	1 073,60	966 239
XS1878191052	AMADEUS IT 0.875%/ 18-09-2023	400	400 000	99,90%	1,00	399 592	1 022,49	408 997
XS1288342659	AMERICAN HONDA FIN 1.375%/ 10-11-2022	400	400 000	104,30%	1,04	417 200	1 031,92	412 768
FR0013251170	ASF 1.125%/20-04-2026	100	100 000	99,71%	1,00	99 711	1 078,56	107 856
XS1907118894	AT AND T 1.05%/ 05-09-2023	300	300 000	99,75%	1,00	299 250	1 032,87	309 860
XS2051361264	AT T 0.25%/ 04-03-2026	400	400 000	94,66%	0,95	378 640	1 010,17	404 067
FR0013378445	ATOS 0.75% 07/05/2022	200	200 000	99,75%	1,00	199 508	1 017,49	203 498
FR0011372622	AUCHAN 2.375%/ 12-12-2022	300	300 000	109,65%	1,10	328 950	1 052,84	315 851
XS1557268221	BANCO SANTANDER 1.375%/ 09-02-2022	100	100 000	100,88%	1,01	100 880	1 030,45	103 045
XS1107731702	BANK OF AMERICA 1.375%/ 10-09-2021	300	300 000	103,82%	1,04	311 445	1 016,82	305 046
XS1079726334	BANK OF AMERICA 2.375%/ 19-06-2024	100	100 000	109,03%	1,09	109 030	1 096,69	109 669
XS1678372472	BBVA 0.75% /11-09-2022	400	400 000	99,42%	0,99	397 680	1 018,18	407 272
XS1069549761	BFCM 3%/ 21-05-2024	400	400 000	109,76%	1,10	439 024	1 114,01	445 604
XS0821096418	BK NED GEMEENTEN BNG 2.25% / 30-08-2022	200	200 000	111,48%	1,11	222 950	1 054,28	210 856
XS1589881785	BMW FIN 0.875%/ 03-04-2025	150	150 000	99,48%	0,99	149 217	1 049,02	157 353
XS1910245676	BMW FIN 1%/ 14-11-2024	200	200 000	99,28%	0,99	198 568	1 044,29	208 858
XS1873143645	BMW FINANCE 1%/ 29-08-2025	400	400 000	99,86%	1,00	399 436	1 055,40	422 159
XS1419646317	BNP 1.5%/ 25-05-2028	900	900 000	109,53%	1,10	985 770	1 116,14	1 004 527
XS1114473579	BP CAPITAL MARKETS PLC 2.213%/ 25-09-2026	200	200 000	110,35%	1,10	220 700	1 131,08	226 216
XS1851277969	BP CAPITAL MARKETS 0.9%/ 03-07-24	500	500 000	100,35%	1,00	501 760	1 038,96	519 482
XS1114477133	BP CAPITAL MARKETS 1.526%/ 26-09-2022	400	400 000	105,47%	1,05	421 880	1 035,81	414 325
FR0013204476	BPCE 0.375%/ 05-10-2023	100	100 000	96,10%	0,96	96 102	1 018,09	101 809
FR0013455540	BPCE 0.5%/ 24-02-2027	400	400 000	99,07%	0,99	396 284	1 023,25	409 299
FR0013403862	BPCE SFH 0.625%/ 22-09-2027	300	300 000	101,74%	1,02	305 220	1 070,51	321 154
FR0011781764	BPCEGP 2.125%/ 17-03-2021	100	100 000	105,79%	1,06	105 785	1 021,93	102 193
FR0013244415	BPIFRANCE 0.75%/ 25-11-2024	400	400 000	102,90%	1,03	411 600	1 047,14	418 856
FR0013256369	BPIFRANCE 1%/ 25-05-2027	300	300 000	103,17%	1,03	309 504	1 090,13	327 038
XS1377681272	BRITISH TELECOM 1.125% /10-03-2023	300	300 000	101,69%	1,02	305 059	1 036,72	311 017
XS1401331753	CARREFOUR 0.75%/ 26-04-2024	100	100 000	99,21%	0,99	99 214	1 031,52	103 152
FR0013256427	CFF 0.2%/ 16-06-2022	200	200 000	99,86%	1,00	199 714	1 012,78	202 556
XS1107727007	CITIGROUP 2.125%/ 10-09-2026	500	500 000	108,18%	1,08	540 875	1 117,32	558 660
FR0013213832	CNP ASSURANCES 1.875%/ 20-10-2022	600	600 000	102,30%	1,02	613 790	1 036,80	622 079
XS1197833053	COCA COLA 1.125%/ 09-03-2027	900	900 000	106,63%	1,07	959 694	1 081,85	973 669
ES0224261042	CORES 1.5%/ 27-11-2022	100	100 000	101,40%	1,01	101 400	1 036,40	103 640
FR0011625482	CREDIT AGRICOLE 3.15%/ 23-12-2023	400	400 000	114,65%	1,15	458 600	1 095,80	438 320
FR0011659366	CREDIT AGRICOLE SA 3.030 / 21-02-2024	250	250 000	114,12%	1,14	285 300	1 096,78	274 196
DE000A289XH6	DAIMLER 1.625%/ 22-08-2023	500	500 000	99,83%	1,00	499 150	1 050,13	525 066
DE000A194DD9	DAIMLER FIN 0.875%/ 09/04/2024	300	300 000	99,52%	1,00	298 554	1 032,88	309 863
XS2147994995	DANAHER 1.7%/ 30-03-2024	500	500 000	99,93%	1,00	499 655	1 070,65	535 327
XS1309518998	DEUTSCHE BAHN FIN 1.25% /23-10-2025	100	100 000	99,00%	0,99	98 996	1 073,86	107 386
XS2009152591	EASYJET 0.875%/ 11-06-2025	300	300 000	98,45%	0,98	295 347	959,47	287 840
XS1505884723	EASYJET 1.125%/ 18-10-2023	100	100 000	99,38%	0,99	99 384	982,28	98 228
XS1558083652	EDP FINANCE 1.875%/ 29-09-2023	100	100 000	99,66%	1,00	99 657	1 058,48	105 848
XS1222590488	EDP FINANCE 2%/ 22-04-2025	200	200 000	103,98%	1,04	207 950	1 096,36	219 273
XS1684269332	ENI 1%/ 14-03-2025	100	100 000	99,67%	1,00	99 671	1 053,00	105 300
XS1515222385	EQUINOR 0.75%/ 09-11-2026	300	300 000	104,47%	1,04	313 419	1 048,77	314 631
XS1382385471	FLUOR 1.75%/ 21-03-2023	500	500 000	104,50%	1,05	522 510	953,26	476 632
XS1378895954	FOMENTO ECONOMICO 1.75% /20/03/2023	135	135 000	105,25%	1,05	142 088	1 052,21	142 049
FR0012346856	FONCIERE LYONNAISE 1.875 %/ 26-11-2021	100	100 000	107,80%	1,08	107 800	1 014,80	101 480
XS1396767854	GAS NATURAL FIN 1.25%/ 19-04-2026	300	300 000	100,90%	1,01	302 700	1 068,77	320 630
XS1529684695	GAS NETWORKS 1.375%/ 05-12-2026	300	300 000	103,35%	1,03	310 050	1 081,88	324 564
FR0012790327	GECINA 2% /17-06-2024	100	100 000	101,15%	1,01	101 150	1 082,69	108 269
XS1612542669	GENERAL ELECTRIC 0.375%/ 17-05-2022	200	200 000	99,54%	1,00	199 082	1 008,54	201 708
XS1147605791	GLAXOSMITHKLINE CAPITAL 1.375% /02-12-2024	200	200 000	104,35%	1,04	208 700	1 061,49	212 298
XS1488494987	HEMSO 1%/ 09-09-2026	400	400 000	97,13%	0,97	388 500	1 059,20	423 678

IDENTIFICATION OF SECURITIES		Quantity	Nominal value amount	% of nominal value	Average acquisition price	Total acquisition amount	Amount in the Balance Sheet	
Code	Designation						Unit *	Total *
XS1366026679	HONEYWELL INTL 1.3%/ 22-02-2023	400	400 000	104,40%	1,04	417 600	1 043,22	417 287
FR0013444304	HSBC FRANCE 0.1%/ 03-09-2027	300	300 000	99,85%	1,00	299 547	1 004,93	301 478
XS1485597329	HSBC HLDG 0.875%/ 06-09-2024	200	200 000	98,20%	0,98	196 400	1 038,68	207 736
XS1375955678	IBM 1.75% 07-03-2028	600	600 000	113,11%	1,13	678 660	1 133,84	680 301
FR0013218393	ICADE 1.125%/ 17-11-2025	600	600 000	98,98%	0,99	593 888	1 050,86	630 514
XS1882544627	ING GROUP 1%/ 20/09/2023	200	200 000	99,32%	0,99	198 647	1 035,19	207 039
XS1319817323	INTL FLAVOR FRAGRANCES 1.75%/ 14-03-2024	100	100 000	99,82%	1,00	99 822	1 068,20	106 820
XS1578294081	ITALGAS 1.125%/ 14-03-2024	100	100 000	99,71%	1,00	99 706	1 047,80	104 780
XS1683495136	JOHN DEERE CASH MANAG. 0.5%/ 15-09-2023	400	400 000	99,86%	1,00	399 434	1 025,67	410 266
XS1110449458	JP MORGAN 1.375%/ 16-09-2021	200	200 000	103,95%	1,04	207 900	1 017,09	203 419
XS1402921412	JP MORGAN 1.5%/ 29-10-2026	100	100 000	99,30%	0,99	99 301	1 091,19	109 119
FR0012758985	LA POSTE 1.125%/04-06-2025	200	200 000	101,75%	1,02	203 500	1 060,17	212 035
FR0013286846	LEGRAND 0.5%/ 09-10-2023	200	200 000	99,47%	0,99	198 942	1 019,04	203 807
FR0013266830	LEGRAND 0.75%/ 06-07-2024	200	200 000	99,59%	1,00	199 186	1 039,26	207 852
XS0257022714	LEHMAN 0%/ 12-06-2013	100	100 000	92,45%	0,92	92 451	0,10	10
XS1839680680	MANPOWERGROUP 1.750%/ 22-06-2026	600	600 000	101,61%	1,02	609 648	1 083,11	649 863
XS1403264374	MCDONALDS 1%/ 15-11-2023	300	300 000	100,94%	1,01	302 822	1 035,26	310 578
FR0012332203	MERCIALYS 1.787%/ 31-03-2023	100	100 000	103,30%	1,03	103 300	1 041,26	104 126
XS1398336351	MERLIN PROP.2.225%/ 25-04-2023	400	400 000	105,16%	1,05	420 630	1 058,64	423 456
XS1675764945	MITSUBISHI UFJ FIN GR 0.872%/ 07-09-2024	400	400 000	100,00%	1,00	400 000	1 036,45	414 579
XS1685481332	NATIONAL AUSTRALIA BK 0.625%/ 18-09-2024	800	800 000	99,50%	1,00	796 024	1 031,98	825 585
XS2148372696	NESTLÉ FIN INTL 1.125%/ 01/04/2026	200	200 000	99,42%	0,99	198 838	1 075,95	215 189
XS1640493372	NORDEA BANK 0.3%/ 30-06-2022	200	200 000	99,89%	1,00	199 772	1 011,11	202 222
XS1691349796	NORTEGAS 0.918%/ 28-09-2022	300	300 000	100,00%	1,00	300 000	1 013,36	304 009
XS2149368529	PHILIPS 1.375%/ 30-03-2025	200	200 000	99,55%	1,00	199 100	1 070,00	213 999
XS1577747782	PRICELINE 0.8%/ 10-03-2022	200	200 000	100,61%	1,01	201 226	1 016,69	203 338
XS1325825211	PRICELINE 2.15% / 25-11-2022	100	100 000	100,06%	1,00	100 060	1 039,02	103 902
XS1900752814	PROCTER AND GAMBLE 1.2%/ 30-10-2028	900	900 000	108,76%	1,09	978 840	1 101,84	991 655
XS1382784509	RABOBANK 1.250%/ 23-03-2026	100	100 000	103,67%	1,04	103 672	1 079,69	107 969
XS0826634874	RABOBANK 4.125%/ 14-09-2022	300	300 000	117,14%	1,17	351 414	1 083,51	325 052
FR0013183431	RATP 0.375% 15-06-2024	500	500 000	100,55%	1,01	502 740	1 029,14	514 572
FR0013241361	RCI BANQUE 1.375% 08-03-2024	40	40 000	99,78%	1,00	39 910	1 034,33	41 373
FR0013393774	RCI BANQUE 2%/ 11-07-2024	200	200 000	99,63%	1,00	199 260	1 056,68	211 336
XS1613140489	REPSOL INTL FIN 0.5%/ 23-05-2022	300	300 000	100,02%	1,00	300 072	1 013,34	304 002
FR0012199065	RESEAU DE TRANSPORT 1.625%/ 08-10-2024	200	200 000	106,20%	1,06	212 400	1 069,24	213 848
FR0013214137	SAGESS 0.625%/ 20-10-2028	100	100 000	98,65%	0,99	98 650	1 061,03	106 103
FR0013053329	SANEF 1.875%/ 16-03-2026	100	100 000	102,12%	1,02	102 120	1 086,60	108 660
FR0013505104	SANOFI 1%/01-04-2025	200	200 000	99,72%	1,00	199 446	1 058,36	211 672
XS1690133811	SANTANDER CONS FIN 0.5%/04-10-2021	100	100 000	99,90%	1,00	99 897	1 008,01	100 801
XS1956025651	SANTANDER CONS FIN 1%/ 27-02-2024	100	100 000	99,56%	1,00	99 555	1 042,02	104 202
XS2166754957	SCHLUMBERGER FINANCE 1.375% 28-10-2026	1 100	1 100 000	103,20%	1,03	1 135 240	1 080,01	1 188 012
XS1412281534	SIMON INTL FIN 1.250%/ 13-05-2025	1 000	1 000 000	98,25%	0,98	982 500	1 049,75	1 049 745
XS1232098001	SIMON INTL FIN 1.375%/ 18-11-2022	400	400 000	103,67%	1,04	414 680	1 024,82	409 928
XS1318709497	SNAM 1.375%/ 19-11-2023	200	200 000	103,41%	1,03	206 820	1 047,48	209 496
XS0867612466	SOCIETE GENERALE 4%/ 07-06-2023	300	300 000	114,95%	1,15	344 850	1 113,28	333 985
FR0013016631	TDF INFRASTRUCTURE 2.875%/ 19-10-2022	200	200 000	103,45%	1,03	206 900	1 046,55	209 310
XS2001737324	TELENOR 0.75%/ 31-05-2026	300	300 000	99,82%	1,00	299 451	1 048,90	314 669
XS0903136736	TELSTRA CORP 2.5%/ 15-09-2023	500	500 000	111,39%	1,11	556 930	1 080,03	540 014
XS1178105851	TERNA 0.875%/ 02-02-2022	200	200 000	102,03%	1,02	204 058	1 020,36	204 072
FR0013311347	THALES 0.75%/ 23-01-2025	800	800 000	101,89%	1,02	815 104	1 035,43	828 343
XS2004381674	TOTAL CAP INTL 0.696%/ 31-05-2028	900	900 000	103,81%	1,04	934 245	1 056,68	951 013
FR0011075043	TOTAL INFR.GAZ 4.339%/ 07-07-2021	100	100 000	115,90%	1,16	115 900	1 043,24	104 324
XS2156236296	TOYOTA FINANCE AUSTRALIA 2.004%/ 21-10-2024	300	300 000	100,00%	1,00	300 000	1 085,90	325 769
XS1107890763	TOYOTA MOTOR CR 1%/ 10-09-2021	300	300 000	103,07%	1,03	309 210	1 011,97	303 591
FR0013332988	UNIBAIL-RODAMCO 1.125%/ 15-09-2025	300	300 000	99,77%	1,00	299 313	1 033,50	310 049
XS1401196958	UNIBAIL-RODAMCO 1.125%/ 28-04-2027	600	600 000	105,53%	1,06	633 162	1 033,31	619 988
XS1492446460	VF CORP 0.625%/ 20-09-2023	1 400	1 400 000	99,54%	1,00	1 393 550	1 022,25	1 431 145
FR0013367620	VINCI 1%/ 26-09-2025	200	200 000	99,48%	0,99	198 954	1 061,13	212 226
FR0013282571	VIVENDI 0.875%/ 18-09-2024	400	400 000	99,37%	0,99	397 468	1 037,19	414 877
XS1972548231	VOLKSWAGEN FIN SVCS 1.5%/ 01-10-2024	200	200 000	99,54%	1,00	199 076	1 051,64	210 328
XS1642590480	VOLKSWAGEN LEASING 1.375%/ 20-01-2025	200	200 000	98,95%	0,99	197 896	1 058,90	211 780
XS1130067140	WELLS FARGO 1.125%/ 29-10-2021	400	400 000	103,67%	1,04	414 676	1 015,04	406 017
subtotal		42 275	42 275 000			43 584 040		44 508 138
2.3 - Derivatives held for trading		50 800	50 800 448			81 922 105		82 886 887
subtotal		0				0,00		0,00
2.4 - Hedging derivatives		0				0,00		0,00
subtotal		0				0,00		0,00
total		55 524				89 256 950		90 088 087
3 - GRAND TOTAL		55 524				89 256 950		90 088 087

* Includes the amount of accrued interest

APPENDIX 2 - DEVELOPMENT OF THE PROVISION FOR CLAIMS IN RESPECT OF CLAIMS INCURRED IN PREVIOUS FINANCIAL YEARS AND THEIR ADJUSTMENTS
U: Euro

LINES OF BUSINESS/LINES OF BUSINESS GROUPS	Claims reserve on 31/12/2019 (1)	Costs with claims* amount paid in the financial year (2)	Claims reserve* on 31/12/2020 (3)	Readjustments (3)+(2)-(-1)
LIFE	0	0	0	0
NON-LIFE				
ACCIDENTS AND HEALTH	25 841 478	5 223 232	26 252 626	5 634 379
FIRE AND OTHER DAMAGE	2 035 717	2 051 062	518 502	533 846
MOTOR				
- CIVIL LIABILITY	13 408 105	9 481 091	6 528 350	2 601 335
- OTHER COVERS	2 472 534	3 029 140	186 145	742 750
MARINE, AVIATION AND TRANSPORTS	34 382	26 172	13 732	5 522
THIRD PARTY LIABILITY	894 313	441 416	1 016 608	563 711
CREDIT AND GUARANTEE	0	0	0	0
LEGAL PROTECTION	0	18 925	4 775	23 701
ASSISTANCE	598 203	778 247	63 954	243 998
MISCELLANEOUS	0	0	0	0
TOTAL	45 284 732	21 049 284	34 584 692	10 349 243
GRAND TOTAL	45 284 732	21 049 284	34 584 692	10 349 243

NOTES:

* Claims incurred in 2019 and previous years

APPENDIX 3 - BREAKDOWN OF CLAIMS COSTS

U:Euro

LINES OF BUSINESS/LINES OF BUSINESS GROUPS	Paid amounts - payment by instalments (1)	Paid amounts - claims management costs (2)	Changes in the claims reserve (3)	Claims costs (4)=-(1)+(2)+(3)
DIRECT INSURANCE				
ACCIDENTS AND HEALTH	8 960 992	1 348 459	7 998 758	18 308 209
FIRE AND OTHER DAMAGE	4 004 009	217 953	251 991	4 473 953
MOTOR				
- CIVIL LIABILITY	18 696 493	782 187	2 619 139	22 097 820
- OTHER COVERAGE	11 699 391	349 535	3 275 650	15 324 577
MARINE, AVIATION AND TRANSPORTS	90 611	3 715	109 435	203 761
THIRD PARTY LIABILITY	605 470	27 045	514 935	1 147 449
CREDIT AND GUARANTEE	0	0	0	0
LEGAL PROTECTION	20 955	0	5 647	26 602
ASSISTANCE	3 550 051	0	153 817	3 703 868
MISCELLANEOUS	0	0	0	0
TOTAL	47 627 973	2 728 893	14 929 372	65 286 238
ACCEPTED REINSURANCE	0	0	0	0
GRAND TOTAL	50 356 866	2 728 893	14 929 372	65 286 238

APPENDIX 4 - BREAKDOWN OF SOME VALUES BY BRANCHES
U: Euro

Lines of Business	Gross written premiums	Gross earned premiums	Gross claims costs *	Gross operating costs and expenses *	Reinsurance balance
DIRECT NON-LIFE INSURANCE					
Accidents and Health	26 097 628	25 930 306	18 308 209	5 698 218	-97 016
Fire and Other Damage	8 676 000	8 340 581	4 473 953	2 263 654	733 674
Motor:					
Civil Liability	33 617 358	31 313 383	22 097 820	7 537 987	2 027 212
Other Coverage	24 666 955	23 247 370	15 324 577	5 925 774	1 444 725
Marine and Transports	193 670	184 174	116 490	42 064	-77 268
Transported Goods	259 789	266 084	87 271	65 851	31 868
Third Party Liability	1 306 001	1 261 822	1 147 449	329 105	22 029
Legal Protection	223 815	202 431	26 602	16 039	0
Assistance	5 677 679	5 133 459	3 703 868	416 313	0
TOTAL	100 718 896	95 879 610	65 286 238	22 295 005	4 085 225

(*) Without deduction of reinsurers' share.



**REPORT AND OPINION
OF THE SUPERVISORY
BOARD**

REPORT AND OPINION OF THE SUPERVISORY BOARD

Shareholders of
CARAVELA - Companhia de Seguros, S.A.

1. REPORT

The Supervisory Board of CARAVELA – Companhia de Seguros, S.A., submits the report on the audit performed, as well as the opinion on the Management Report and accounts for the 2020 financial year, and the proposal for distribution of profits presented by the Board of Directors of the Company, in compliance with the legal and statutory provisions.

During the financial year, the Supervisory Board monitored the Company's management and the development of its activity. The Supervisory Board noted with satisfaction the development of its activity, as well as the further implementation of the DIGITAL 2020 project. The Supervisory Board also noted the good performance of the Company in the current year.

The Supervisory Board held meetings with the frequency and extent they deemed appropriate. These meetings were held by video conference, taking into consideration the country's current situation as a result of the COVID-19 pandemic caused by SARS-CoV-2. Considering the matters under analysis, the meetings were attended by the heads of the financial department and the Board of Directors. The Supervisory Board further maintained contact with the Statutory Auditor who kept them informed of the audit's nature and findings. The Supervisory Board, in carrying out their duties, always obtained from the Management, from the different departments of the Company and from the Statutory Auditor, all the statements and clarifications requested, particularly for a proper understanding and assessment of the business development, performance and financial position, as well as risk management and internal control systems.

The Supervisory Board also followed the process of preparation and disclosure of financial information, as well as the review of the Company's financial statements, and received all the information and clarifications requested from the Statutory Auditor. In addition, within their responsibilities, the Supervisory Board examined the balance sheet, the income statements by nature, the cash flows statements and the other documents related to the year that ended on the 31st of December 2020 and the corresponding attachments prepared in accordance with the applicable accounting and legal standards.

The Supervisory Board further assessed the management report issued by the Board of Directors and the legal certification of accounts and the audit report on the accounts, issued by the Statutory Auditor, which deserve approval of the Supervisory Board.

The Supervisory Board expresses its appreciation to the Board of Directors, the other departments of the company and the Statutory Auditor for their cooperation.

2. OPINION

As a consequence of the aforementioned, the Supervisory Board takes the view that there are conditions for the General Meeting to approve:

- a) the Management Report and other financial statements for the financial year ended on the 31st of December 2020, as presented by the Board of Directors;
- b) the proposal for the distribution of profits presented by the Board of Directors.

3. RESPONSIBILITY STATEMENT

In accordance with article 420, item 6, of the Portuguese Commercial Companies Code, and article 245, item 1, paragraph c), of the Portuguese Securities Code, the members of the Supervisory Board stated that, to the best of their knowledge, the annual accounts and other accounting documents required by law were drawn up in compliance with the applicable accounting standards, and provide a true and appropriate view of the Assets and Liabilities, the financial situation and Profits of the Company.

The Supervisory Board further declare that, to the best of their knowledge, the Management Report faithfully outlines the business development, performance and position of the Company. Said report also mentions the risks and uncertainties of the activity.

Lisbon, 24th of March 2021

Supervisory Board

President:

Manuel Augusto Lopes de Lemos

Member:

Humberto Manuel Martins Carneiro

Member:

José Elísio da Silva Quintas



CARAVELA
COMPANHIA DE SEGUROS

LEGAL CERTIFICATION OF ACCOUNTS

Mazars & Associados, Sociedade de Revisores Oficiais de Contas, S.A.
Centro Empresarial Torres de Lisboa
Rua Tomás da Fonseca, Torre G, 5º andar
1600-209 Lisboa

Legal Certification of Accounts

FINANCIAL STATEMENTS AUDIT REPORT

Opinion

We have audited the attached financial statements of **Caravela – Companhia de Seguros, S.A.** (hereinafter also referred to as the 'Company'), which comprise the balance sheet as at 31st of December 2020 (showing a total of 143,435,983 euros and total equity of 47,083,394 euros, including a net profit of 3,959,651 euros), the profit and loss account, the statement of comprehensive income, the statement of changes to equity, and the cash flow statement of the period that ended on that date, and the annexes which include a summary of the relevant accounting policies.

In our opinion, the attached financial statements truly and appropriately represent, in all material aspects, the financial position of **Caravela – Companhia de Seguros, S.A.**, as at 31st of December 2020 and its financial performance and cash flow regarding the year that ended on that date, in accordance with the Portuguese accounting standards for the insurance sector established by the Portuguese Insurance and Pension Funds Authority.

Opinion Foundation

Our audit was carried out in accordance with the International Standards on Auditing (ISA) and further technical and ethical provisions and guidelines from the Portuguese Institute of Statutory Auditors. Our responsibilities under said provisions are specified in the 'Responsibilities of the auditor regarding the financial statement audit' section below. We are independent from the Company, in accordance with the law, and comply with all further ethical requirements foreseen in the ethics code of the Portuguese Institute of Statutory Auditors.

We are certain that the audit evidence we obtained serves as sufficient and appropriate foundation for our opinion.

Key audit matters

Key audit matters are those of greater importance in the audit of the financial statements for the current year, according to our own professional judgement. Said matters were considered within

the audit of the financial statements as a whole, and we did not issue a separate opinion regarding them.

Technical Reserves	
Description of relevant auditing	Audit approach and response
<p>As disclosed in Notes 3.7, 4.1, 4.2, 4.5 and 4.6 attached to the Financial Statements, the Board of Directors' assessment on reserves for the settlement of future claims involves complex and subjective judgments about future events, which are internal and external to the Company. Small changes in the assumptions considered may result in a material impact on the valuation of these liabilities.</p> <p>The claims reserve, which includes the benefits reserve, IBNR, IBNER and claim handling costs, represents the estimated cost of the insurer's total outstanding obligations resulting from claims occurring before the closure of the financial year. This is a complex area subject to professional judgment, resulting from the inherent uncertainty in calculating claims reserves. When calculating said reserves statistical, stochastic and deterministic methods are used. Both methods are complex, having countless assumptions subject to validation/revision.</p> <p>Specifically, with respect to the business area for work accidents, the Portuguese legislation regulates life tables and discount rates. However, they may not be the most indicated to the Company's stock and therefore require a detailed review. One of the most significant uncertainties is related to the calculation of expenses incurred with serious claims involving personal injuries (arising from the Motor line of business) and the determination</p>	<p>In order to respond to the risks identified, among the audit procedures carried out we highlight the following:</p> <ul style="list-style-type: none"> • Identification, assessment and testing of the effectiveness of key controls related to the registration of policies and the claims registration and recording circuit, as well as the assessment of the design and implementation of the controls associated with the acknowledgement and control of technical reserves; • Execution of substantive procedures by performing tests with the objective of validating the consistency of the level of reserves recorded. To this end, we identified and reviewed the main assumptions used by the Company in assessing the adequacy of the insurance liabilities; and • Review of the methodologies used, including the run-off triangles paid and incurred, and the average cost per claim, validating critical points of judgment, such as occurrence frequency, development factors, incorporation of trend improvements in the projection of reserves, and benchmarking of key criteria in the estimates against the knowledge of the sector. <p>Finally, we assessed whether the disclosures made by the Company, in the notes attached to the financial statements, regarding the technical reserves, are in accordance with the</p>

of the current value of the incomes that may be defined, as well as the possible insufficiency of reserves to cover the risks associated with future claims.

Valuation of Financial Instruments and Land and Buildings

Description of relevant auditing	Audit approach and response
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<p>As disclosed in Notes 3.2, 3.3 and 5, attached to the financial statements ('Financial Instruments' and 'Land and Buildings', the valuation methodologies of financial instruments and of land and buildings require the use of assumptions and judgments in estimating fair value.</p>	<p>In order to respond to the risks identified, among the audit procedures carried out we highlight the following:</p>
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Financial instruments and land and buildings, presented in the statement of financial position as available-for-sale financial assets and land and buildings of income, amounting to 91,320 thousand euros, represent 64% of Company's total assets as at 31st of December 2020.

Thus, this matter was considered a relevant matter for Auditing in view of the materiality of the amounts involved and the degree of judgment underlying the selection of the measurement basis for each nature of investments, which may result in variations in the amounts recorded in the financial statements.

- Identification, understanding and evaluating the key controls implemented in the Company related to the measurement of financial instruments;
- Verification of prices from external sources for positions held by the Company. Comparison of said prices with those used, analysing any significant differences; and
- Regarding less net positions, revision, on a sampling frame, of the models and key assumptions (where applicable) and of the appropriate supports for the valuation adopted by the Company.

With regard to land and buildings, among the audit procedures carried out we highlight the following:

- Analysis of the evaluation report, carried out by an independent expert, in order to understand its objectivity, approach and results; and
- Analysis of significant assumptions, critical areas of judgment and their adequacy to market conditions.

Finally, we assessed whether the disclosures made by the Company, in the attachment to the financial statements, regarding the Financial Instruments and Land and Buildings, are in accordance with the

requirements of the accounting standards in force.

Other tangible assets and other financial liabilities (IFRS 16 – Leases)

Description of relevant auditing	Audit approach and response
<p>The Notes 3.2.3 and 3.8.6, which accompany the financial statements, present the basis of measurement and disclosure related to the standard IFRS 16 to leasing contracts (considered in scope).</p>	<p>In order to respond to the risks identified, among the audit procedures carried out we highlight the following:</p>
<p>As referred to in Note 3.8.6, of the accompanying notes to the financial statements, the Company recognizes assets held under a finance lease in its statement of financial position at the acquisition cost of the leased assets, equivalent to the present value of outstanding lease payments, which are presented in assets and liabilities, under 'Other tangible assets' and 'Other financial liabilities', respectively, using the discount rate and definition of the lease period, both of which involve the management's judgment. The value at which assets and liabilities are recorded in the financial statements is dependent on the future realization of the assumptions used in determining that value.</p>	<ul style="list-style-type: none">• Understanding of methodology and assumptions used by the Board of Directors;• Identification and analysis of all lease contracts (real estate and vehicles) in force;• Identification and evaluation of the assumptions used by the Company in the assessment of the adequacy of the impacts arising from the adoption of IFRS 16;• Execution of substantive procedures, comparing the respective results with those obtained by the Company; and• Review of the accounting records arising from the determination of the value of the right to use and the financial liability of the various leased assets.
<p>Thus, this matter was considered a relevant matter for Auditing in view of the materiality of the amounts involved and the degree of judgment underlying the assumptions used, which may result in variations in the amounts recorded in the financial statements.</p>	<p>Finally, we assessed whether the disclosures made by the Company in the accompanying notes to the financial statements in relation to the application of IFRS 16 are in accordance with the requirements of the accounting standards in force.</p>

Responsibilities of the Board of Directors and of the Supervisory Board for the financial statements

The Board of Directors is responsible for the:

- Preparation of financial statements that truthfully and appropriately present the financial position, financial performance, and cash flow of the Company, in accordance with the Portuguese general accounting standards for the insurance sector established by the Portuguese Insurance and Pension Funds Authority;
- Preparation of the management report in accordance with the applicable legal and regulatory terms;
- Development and maintenance of an internal control system suitable for the preparation of financial statements with no material misstatement due to fraud or error;
- Implementation of accounting policies and principles appropriate for the circumstances; and
- Assessment of the Company's ability to continue as a going concern, disclosing, when applicable, any matters that may cast significant doubt regarding said continuity.

The Supervisory Board is responsible for the supervision of the process concerning the preparation and disclosure of the Company's financial information.

Responsibilities of the auditor regarding the financial statement audit

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with ISA, we exercise our professional judgment and maintain professional scepticism throughout the audit, as well as:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Understand internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the assumptions of continuity and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we shall be required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the report. However, future events or conditions may cause the Company to discontinue its activities;
- Assess the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit;
- From the matters we communicate to those charged with governance, including the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter;
- We provide a statement to the supervisory board regarding the compliance with the relevant ethical requirements on independence and communicate with them all relationships and other matters that may be perceived as threats to our independence, and where applicable, the steps taken to eliminate the threats or the safeguards applied.

Our responsibility further includes the verification regarding the compliance of the information of the management report with the financial statements.

Other Legal and Regulatory Requirements Report

About the Management Report

In compliance with article 451, item 3, paragraph e), of the Portuguese Commercial Companies Code, we believe that the management report was prepared in accordance with the applicable legal and regulatory requirements in force, that the information provided therein complies with the audited financial statements and, considering the knowledge and assessment of the Company, we did not identify any material misstatement.

Additional elements foreseen in article 10 of the European Union Regulation no. 537/2014

In compliance with article 10 of the European Union Regulation no. 537/2014 of the European Parliament and of the Council, from April 16th 2014, and in addition to the aforementioned key audit matters, we also report that:

- We were appointed auditors of the Company for the first time in the General Meeting of Shareholders held on the 31st of March 2014 for a term of office between 2013 and 2016, which was renovated on the 20th of October 2017 for the 4-year period 2017-2020. On the 9th of July 2019, we were appointed for a new term of office between 2019 and 2022, having obtained express authorisation from the Portuguese Insurance and Pension Funds Supervisory Authority.
- The Board of Directors confirmed that they have no knowledge of any fraud or suspected fraud with material effect on the financial statements. In the planning and execution of our audit according to the ISAs, we maintained our professional scepticism and designed auditing procedures that address the possibility of material misstatement in the financial statements due to fraud. As a result of our work, we did not identify any material misstatement in the financial statements due to fraud.
- We confirm that the audit opinion we issued is consistent with the additional report we prepared and submitted to the Supervisory Board of the Company on the 29th of March 2021.
- We declare that we did not render any services prohibited under the terms of article 77, item 8, of the Statute for the Portuguese Institute of Statutory Auditors and that we preserved our independence from the Company during the course of the audit.

Lisbon, 29th of March 2021

Mazars & Associados, Sociedade de Revisores Oficiais de Contas, S.A.

Represented by Mr. Pedro Miguel Pires de Jesus (Statutory Auditor no. 1930)